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**MONTROSE INDUSTRIES LIMITED**

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**UNAUDITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**for the year ended 31 December 2015**

TUESDAY



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**MONTROSE INDUSTRIES LIMITED**

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**COMPANY INFORMATION**

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<b>DIRECTORS</b>	Dr R. Stabbins Dr R.J. Knaap R.G.Godson V.Godson
<b>COMPANY SECRETARY</b>	R.G.Godson F.C.A.
<b>REGISTERED NUMBER</b>	654944
<b>REGISTERED OFFICE</b>	6/7 Pollen Street London W1S 1NJ
<b>BANKERS</b>	Cater Allen Private Bank 9 Nelson Street Bradford BD1 5AN

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## MONTROSE INDUSTRIES LIMITED

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### CHAIRMAN'S STATEMENT for the year ended 31st December 2015

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The chairman presents his statement for the period.

#### Summary

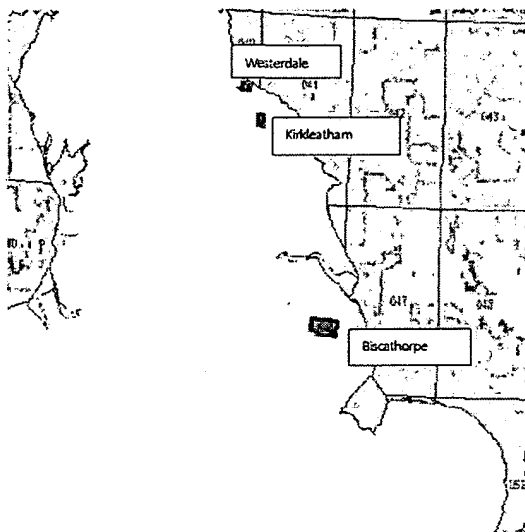
The last year has been another difficult one for the upstream oil and gas sector. Modest progress has been made with the licence portfolio and it is hoped that the critical Biscathorpe appraisal well will be drilled in the next year. Our listed share investments again suffered a significant reduction in value over the year. However, much of the lost ground has been recovered since the end of the year.

PEDL 068; Cleveland & North Yorkshire; Montrose Interest: 5.0%

Both the suspended Kirkleatham field and the Westerdale prospect are believed to contain exploitable gas. We continue to press Egdon Resources, the licence operator, to devise a commercially viable re-development plan for Kirkleatham. Agreement has been reached since the year end with the other licence partners for Montrose to increase its equity to 10% in return for carrying 5% of Dess Energy's costs up to the end of 2016

PEDL 253; Lincolnshire; Montrose Interest: 35.2%

The Biscathorpe project progressed much more slowly than we hoped. A well site has been identified and leased and planning consent was finally granted in March 2015 by Lincolnshire County Council for the drilling of Biscathorpe-2. This is an appraisal well to BP's sub-commercial 1987 oil discovery. Because of the long delay in gaining planning consent and securing well funding, the licence has been extended again for a further year to 30 June 2017. It is hoped that the extension will allow this attractive prospect to be drilled early in 2017.



#### Investments

Our oil and gas investment suffered from the worsening climate for the E&P sector. The overall annual loss of some 21% was, if anything, slightly better than the sector average. Matters have improved since the end of the year with the portfolio value nearly back to its value at the end of 2014.

Richard Stabbins  
Chairman  
Date

*Richard Stabbins*  
26 September 2016

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**MONTROSE INDUSTRIES LIMITED**

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**DIRECTORS' REPORT**  
**for the year ended 31st December 2015**

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The directors present their report and the unaudited financial statements for the year ended 31 December 2015.

**DIVIDENDS**

The directors do not recommend the payment of a dividend for the year under review.

**DIRECTORS**

The directors who served during the year were:

Dr R. Stabbins  
Dr R.J. Knaap  
R.G. Godson  
V. Godson

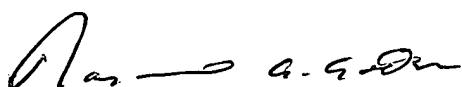
**FINANCIAL INSTRUMENTS**

The group's financial instruments are bank accounts. In addition the company has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from operations.

**GROUP'S POLICY FOR PAYMENT OF CREDITORS**

It is the Group's policy to pay suppliers in accordance with the terms and conditions agreed between the relevant group company and its suppliers subject to compliance by such suppliers with those terms and conditions.

This report was approved by the board and signed on its behalf.



**R.G. Godson**  
Director  
Date: 26 September 2016  
6/7 Pollen Street  
London W1S 1NJ

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**MONTROSE INDUSTRIES LIMITED**

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**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2015

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	Note	2015 £	2014 £
Exploration costs		<u>38</u>	<u>(5,355)</u>
<b>GROSS PROFIT/(LOSS)</b>		<b>38</b>	<b>(5,355)</b>
Administrative expenses		<u>(4,029)</u>	<u>(8,316)</u>
<b>OPERATING LOSS</b>	2	<b>(3,991)</b>	<b>(13,671)</b>
Income from other fixed asset investments		<b>26,382</b>	<b>23,850</b>
Profit/(loss) on investments		<u>(121,703)</u>	<u>(193,707)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(99,312)</b>	<b>(183,528)</b>
Tax on loss on ordinary activities		<u>-</u>	<u>-</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>	10	<b><u>(99,312)</u></b>	<b><u>(183,528)</u></b>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2015 or 2014 other than those included in the profit and loss account.

The notes on pages 6 to 14 form part of these financial statements.

**MONTROSE INDUSTRIES LIMITED**  
Registered number: 654944

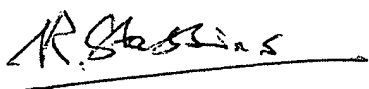
**BALANCE SHEET**  
as at 31 December 2015

	Note	£	2015 £	£	2014 £
<b>FIXED ASSETS</b>					
Intangible assets	4		231,255		206,377
Tangible assets	5		185,863		177,078
Investments	6		444,480		566,625
			<u>861,598</u>		<u>950,080</u>
<b>CURRENT ASSETS</b>					
Debtors	7	2,999		2,789	
Cash at bank		48,258		61,334	
		<u>51,257</u>		<u>64,123</u>	
<b>CREDITORS: amounts falling due within one year</b>	8	(6,212)		(8,248)	
<b>NET CURRENT ASSETS</b>			<u>45,045</u>		<u>55,875</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>906,643</u>		<u>1,005,955</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	9		300,000		300,000
Share premium account	10		1,166,314		1,166,314
Capital redemption reserve	10		73,791		73,791
Profit and loss account	10		(633,462)		(534,150)
<b>SHAREHOLDERS' FUNDS</b>	11		<u>906,643</u>		<u>1,005,955</u>

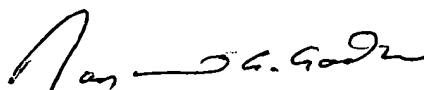
The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 477 of the Companies Act 2006 ("the Act") and members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Act.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 September 2016.



**Dr R. Stabbins**  
Director



**R.G. Godson**  
Director

The notes on pages 6 to 13 form part of these financial statements.

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**MONTROSE INDUSTRIES LIMITED**

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**CASH FLOW STATEMENT**  
for the year ended 31st December 2015

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	Note	2015 £	2014 £
Net cash flow from operating activities	12	(6,275)	(13,538)
Returns on investments and servicing of finance	13	26,382	23,850
Capital expenditure and financial investment	13	(33,183)	19,981
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<u><u>(13,076)</u></u>	<u><u>30,293</u></u>

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**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT**  
for the year ended 31st December 2015

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	2015 £	2014 £
(Decrease)/Increase in cash in the year	<u>(13,076)</u>	<u>30,293</u>
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<u>(13,076)</u>	<u>30,293</u>
Net funds at 1st January 2015	<u>61,334</u>	<u>31,041</u>
<b>NET FUNDS AT 31ST DECEMBER 2015</b>	<u><u>48,258</u></u>	<u><u>61,334</u></u>

The notes on pages 6 to 14 form part of these financial statements.

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**MONTROSE INDUSTRIES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
*for the year ended 31st December 2015*

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**1. ACCOUNTING POLICIES**

**1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The accounts are prepared on the going concern basis as the directors believe that there are adequate liquid resources available to meet the exploration and development costs of the company's oil and gas permits.

The following principal accounting policies, which are considered material in relation to the financial statements have been applied consistently throughout the year and the preceding year.

**1.2 TURNOVER**

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.



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**MONTROSE INDUSTRIES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31st December 2015**

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**1. ACCOUNTING POLICIES (continued)**

**1.3 INTANGIBLE FIXED ASSETS AND AMORTISATION**

**Oil and gas costs**

The Group follows a successful efforts based accounting policy for oil and gas assets.

Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Profit and Loss Account.

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence by licence basis. Costs are held, undepleted, within exploration assets until such a time as the exploration phase on the licence area is complete or commercial reserves have been discovered.

Exploration expenditure incurred in the process of determining exploration targets is capitalized initially within exploration assets and subsequently allocated to drilling activities. Exploration drilling costs are initially capitalised on a well by well basis until the success or otherwise of the well has been established. The success or failure of each exploration effort is judged on a well by well basis. Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial.

Following appraisal of successful exploration wells, if commercial reserves are established and technical feasibility for extraction demonstrated, then the related capitalised exploration and appraisal costs are transferred into a single field cost centre within development/producing assets after testing for impairment (see below). Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately considered not commercially viable, all related costs are written off to the Profit and Loss Account.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons have been demonstrated are capitalised within development/producing assets on a field by field basis. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any costs remaining associated with the replaced asset part are expensed.

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**MONTROSE INDUSTRIES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31st December 2015**

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**1. ACCOUNTING POLICIES (continued)**

**Depletion and amortization**

The Group depletes separately, where applicable, any significant component within development and production assets such as fields, production facilities and pipelines.

Expenditure on oil and gas production and development is depleted on a unit of production basis, based on proved and probable reserves on a field by field basis. In certain circumstances, fields within a single development area may be combined for depletion purposes.

**Impairment**

Exploration assets are reviewed regularly for indications of impairment and costs are written off where circumstances indicate that the carrying value might not be recoverable. In such circumstances the exploration asset is allocated to development/producing assets within the same geographic segment, as disclosed in the segmental analysis notes to the financial statements, and tested for impairment. Any such impairment arising is recognised in the Profit and Loss Account for the period. Where there are no development/producing assets within a geographic segment, the exploration costs are charged immediately to the Profit and Loss Account.

Impairment reviews on development/producing oil and gas assets are carried out on each cash generating unit identified in accordance with IAS 36. The Montrose cash generating units are those assets which generate largely independent cash flows and are normally, but not always, single development areas.

At each reporting date, where there are indicators of impairment, the net book value of the cash generating unit is compared with the associated expected discounted future cash flows. If the net book value is higher, then the difference is written off to the Profit and Loss Account as impairment.

Where there has been a charge for impairment in an earlier year that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

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## MONTROSE INDUSTRIES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st December 2015

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#### 1. ACCOUNTING POLICIES (continued)

##### 1.4 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures & fittings	-	33.33% straight line
Office equipment	-	100% straight line
Other fixed assets	-	33.33% straight line

##### 1.5 INVESTMENTS

Listed investments are shown at their market value at the year end.

#### 2. OPERATING LOSS

The operating loss is stated after charging:

	2015 £	2014 £
Auditors' remuneration	-	4,150

During the year, no director received any emoluments (2014 - £NIL).

#### 3. STAFF COSTS

The average monthly number of employees, including the directors, during the year was as follows:

Directors	4	4
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**MONTROSE INDUSTRIES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31st December 2015

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**4. INTANGIBLE FIXED ASSETS**

	Oil & gas costs pending determinatio n £
<b>COST</b>	
At 1st January 2015	206,377
Additions	24,841
Disposals	37
At 31st December 2015	<u>231,255</u>
<b>NET BOOK VALUE</b>	
At 31st December 2015	<u>231,255</u>
At 31st December 2014	<u>206,377</u>

**5. TANGIBLE FIXED ASSETS**

	Fixtures & fittings £	Office equipment £	Oil and gas development costs £	Total £
<b>COST</b>				
At 1st January 2015	1	898	390,035	390,934
Additions	-	-	8,785	8,785
At 31st December 2015	<u>1</u>	<u>898</u>	<u>398,820</u>	<u>399,719</u>
<b>DEPRECIATION</b>				
At 1st January 2015 and 31st December 2015	-	896	212,960	213,856
<b>NET BOOK VALUE</b>				
At 31st December 2015	<u>1</u>	<u>2</u>	<u>185,860</u>	<u>185,863</u>
At 31st December 2014	<u>1</u>	<u>2</u>	<u>177,075</u>	<u>177,078</u>

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**MONTROSE INDUSTRIES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31st December 2015

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**6. FIXED ASSET INVESTMENTS**

	Listed investments £
<b>COST OR VALUATION</b>	
At 1st January 2015	566,625
Disposals	(18,889)
Revaluations	(103,256)
	<hr/>
At 31st December 2015	444,480
	<hr/>
<b>NET BOOK VALUE</b>	
At 31st December 2015	444,480
	<hr/>
At 31st December 2014	566,625
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**LISTED INVESTMENTS**

The market value of the listed investments at 31st December 2015 was £444,480 (2014 - £566,625).

The market value of the investments at the latest date before the finalisation of these accounts was £552,981.

**7. DEBTORS**

	2015 £	2014 £
Other debtors	2,999	2,789
	<hr/>	<hr/>

**8. CREDITORS:  
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2015 £	2014 £
Trade creditors	3,962	1,998
Accruals and deferred income	2,250	6,250
	<hr/>	<hr/>
	6,212	8,248
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**MONTROSE INDUSTRIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31st December 2015

**9. SHARE CAPITAL**

	2015 £	2014 £
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
1,200,000 Ordinary shares of £0.25 each	-	300,000
6,000,000 Ordinary shares of £0.05 each	300,000	-
	<u>300,000</u>	<u>300,000</u>

On 9 November 2015, each of the Company's ordinary shares of 25 pence nominal value was divided into 5 ordinary share with a 5 pence nominal value.

**10. RESERVES**

	Share premium account £	Capital redempt'n reserve £	Profit and loss account £
At 1st January 2015	1,166,314	73,791	(534,150)
Loss for the financial year			(99,312)
At 31st December 2015	<u>1,166,314</u>	<u>73,791</u>	<u>(633,462)</u>

**11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2015 £	2014 £
Opening shareholders' funds	1,005,955	1,189,483
Loss for the financial year	(99,312)	(183,528)
Closing shareholders' funds	<u>906,643</u>	<u>1,005,955</u>

**12. NET CASH FLOW FROM OPERATING ACTIVITIES**

	2015 £	2014 £
Operating loss	(3,991)	(13,671)
(Profit)/loss on disposal of tangible fixed assets	(38)	5,355
Decrease in debtors	275	2,350
	-	-
Decrease in creditors	(2,521)	(7,572)
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<u>(6,275)</u>	<u>(13,538)</u>

**MONTROSE INDUSTRIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31st December 2015

**13. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT**

	2015 £	2014 £
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Dividends received	26,382	23,850
	<u>2015</u> £	<u>2014</u> £
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		
Purchase of intangible fixed assets	(24,841)	(52,614)
Contributions received	(37)	-
Purchase of tangible fixed assets	(8,785)	(3,427)
Sale of tangible fixed assets	38	-
Purchase of listed investments	-	(2,879)
Sale of listed investments	442	78,901
<b>NET CASH (OUTFLOW)/INFLOW FROM CAPITAL EXPENDITURE</b>	<u>(33,183)</u>	<u>19,981</u>

**14. ANALYSIS OF CHANGES IN NET FUNDS**

	1 January 2015 £	Cash flow £	Other non-cash changes £	31 December 2015 £
Cash at bank and in hand	61,334	(13,076)	-	48,258
<b>NET FUNDS</b>	<u>61,334</u>	<u>(13,076)</u>	<u>-</u>	<u>48,258</u>

**15. DIRECTORS' BENEFITS: ADVANCES, CREDIT AND GUARANTEES**

Included within other creditors are amounts due to the directors as follows:

Dr Richard Stabbins £1,071 (2014 - £1,016)

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**MONTROSE INDUSTRIES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31st December 2015**

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**16. RELATED PARTY TRANSACTIONS**

During the year, the group traded with the following related parties:

Godson & Co, a business owned by R.G.Godson, a director, provided accounting and secretarial services to the Company for £3,000 (2014- £3,000).

Included within other creditors are amounts due to the directors for fees and reimbursable expenses as follows:

Dr Richard Stabbins £1,071 (2014 - £1,016)

Godson & Co, a business owned by R.G.Godson, a director, £2,250 (2014 - £2,250).

Dr Stabbins, a director and shareholder of the group received £175 (2014 - £175) for the provision of an office and related facilities