

Registered number: 654944

MONTROSE INDUSTRIES LIMITED

UNAUDITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended 31 December 2016

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MONTROSE INDUSTRIES LIMITED

COMPANY INFORMATION

Directors	Dr R. Stabbins Dr R.J. Knaap R.G.Godson V.Godson
Company secretary	R.G.Godson F.C.A.
Registered number	654944
Registered office	6/7 Pollen Street London W1S 1NJ
Bankers	Cater Allen Private Bank 9 Nelson Street Bradford BD1 5AN

MONTROSE INDUSTRIES LIMITED

CHAIRMAN'S STATEMENT For the Year Ended 31st December 2016

The Chairman presents his statement for the period.

Summary

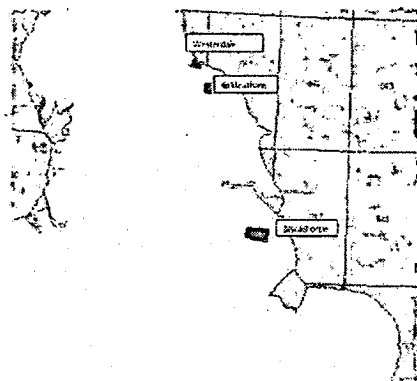
2016 was another difficult year for the oil and gas sector but progress was made with our licence portfolio and our investments. It is hoped that the Biscathorpe appraisal well will be drilled in early 2018.

PEDL 068; Cleveland & North Yorkshire; Montrose Interest: 10.0%

Agreement was reached with Dess Energy to increase our equity from 5% to 10% in return for our carrying 5% of their costs up to the end of 2016. The agreement was consummated during the year. The suspended Kirkleatham gas field is believed to contain exploitable reserves and we have continued to press Egdon Resources, the licence operator, to present the group with a commercially viable re-development plan. The Westerdale prospect is located within the North York Moors National Park. It has become clear that, even if a gas discovery were to be made, it would not now be possible to develop it economically. The operator has therefore recommended that this part of the licence be relinquished at the next anniversary date.

PEDL 253; Lincolnshire; Montrose Interest: 35.2%

The Biscathorpe project progressed more slowly than we had hoped. A well site has been leased and planning consent granted by Lincolnshire County Council for the drilling of a well. During 2016 the Environment Agency's outstanding consents were received to drill and carry out associated works. Biscathorpe-2 will be an appraisal well to BP's sub-commercial 1987 oil discovery. Because of the long delay in gaining the necessary consents and securing well funding the licence has again been extended for a year to 30 June 2018. It is anticipated that the extension will allow the prospect to be drilled early in 2018.



Investments

Our oil and gas investments showed a significant improvement during the year with an overall gain of about 40%. However, some of this has been lost since the year end.

Richard Stabbins
Chairman
18 September 2017

MONTROSE INDUSTRIES LIMITED

DIRECTORS' REPORT
For the Year Ended 31st December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors

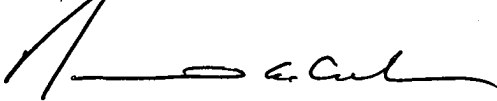
The directors who served during the year were:

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

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 18 September 2017 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'R.G. Godson', is written over a horizontal line.

R.G. Godson
Director

MONTROSE INDUSTRIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 December 2016

	Note	2016 £	2015 £
Exploration costs written off		(18,033)	38
Gross (loss)/profit		(18,033)	38
Administrative expenses		(3,737)	(4,029)
Operating loss		(21,770)	(3,991)
Income from fixed assets investments		29,418	26,382
Amounts written off investments		172,539	(121,703)
Interest receivable and similar income		181	-
Profit/(loss) before tax		180,368	(99,312)
Profit/(loss) for the year		180,368	(99,312)
Other comprehensive income for the year			
Total comprehensive income for the year		180,368	(99,312)

MONTROSE INDUSTRIES LIMITED
Registered number: 654944

BALANCE SHEET
As at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	4	234,582	231,255
Tangible assets	5	194,102	185,863
Investments	6	620,435	444,481
		<u>1,049,119</u>	<u>861,599</u>
Current assets			
Debtors: amounts falling due within one year	7	1,783	2,999
Cash at bank and in hand	8	145,022	48,258
		<u>146,805</u>	<u>51,257</u>
Creditors: amounts falling due within one year	9	(18,913)	(6,213)
Net current assets		<u>127,892</u>	<u>45,044</u>
Total assets less current liabilities		<u>1,177,011</u>	<u>906,643</u>
Net assets		<u>1,177,011</u>	<u>906,643</u>
Capital and reserves			
Called up share capital		330,000	300,000
Share premium account		1,226,314	1,166,314
Capital redemption reserve		73,791	73,791
Profit and loss account		(453,094)	(633,462)
		<u>1,177,011</u>	<u>906,643</u>

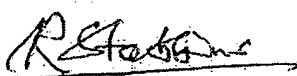
The directors consider that the Company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the Company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

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.

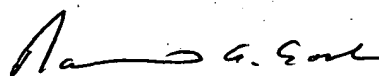
The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 September 2017.

Dr R. Stabbins
Director



R.G. Godson
Director



The notes on pages 5 to 10 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31st December 2016

1. General information

The Company is a private corporation with limited liability incorporated in England and Wales with its registered office at 6/7 Pollen Street, London W1S 1NJ.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

2.3 Intangible assets

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31st December 2016

2. Accounting policies (continued)

2.3 Intangible assets (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. Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31st December 2016

2. Accounting policies (continued)

2.4 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures & fittings	-	33%
Office equipment	-	100%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.5 Valuation of investments

Investments in listed company shares are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.8 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.10 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

MONTROSE INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31st December 2016

3. Employees

The average monthly number of employees, including directors, during the year was 4 (2015 - 4).

4. Intangible assets

	Oil & gas costs pending determination £
Cost	
At 1 January 2016	231,255
Additions	21,360
Disposals	(18,033)
At 31st December 2016	<u>234,582</u>
 Net book value	
At 31st December 2016	<u><u>234,582</u></u>
At 31st December 2015	<u><u>231,255</u></u>

MONTROSE INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31st December 2016

5. Tangible fixed assets

	Fixtures & fittings £	Office equipment £	Oil and gas development costs £	Total £
Cost or valuation				
At 1 January 2016	1	898	398,820	399,719
Additions	-	-	8,239	8,239
At 31st December 2016	1	898	407,059	407,958
Depreciation				
At 1 January 2016	-	896	212,960	213,856
At 31st December 2016	-	896	212,960	213,856
Net book value				
At 31st December 2016	1	2	194,099	194,102
At 31st December 2015	1	2	185,860	185,863

6. Fixed asset investments

	Listed investments £
Cost or valuation	
At 1 January 2016	444,481
Additions	3,942
Revaluations	172,011
At 31st December 2016	620,434
Net book value	
At 31st December 2016	620,434
At 31st December 2015	444,481

MONTROSE INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31st December 2016

7. Debtors

	2016	2015
	£	£
Other debtors	1,783	2,999
	1,783	2,999

8. Cash and cash equivalents

	2016	2015
	£	£
Cash at bank and in hand	145,022	48,258
	145,022	48,258

9. Creditors: Amounts falling due within one year

	2016	2015
	£	£
Trade creditors	16,663	3,963
Accruals and deferred income	2,250	2,250
	18,913	6,213