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**MONTROSE INDUSTRIES LIMITED**

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**UNAUDITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the Year Ended 31 December 2018**

THURSDAY



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## MONTROSE INDUSTRIES LIMITED

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### COMPANY INFORMATION

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|                          |   |
|--------------------------|---|
| <b>Directors</b>         | Dr R. Stabbins<br>Dr R.J. Knaap<br>R.G.Godson<br>V.Godson       |
| <b>Company secretary</b> | R.G.Godson F.C.A.   |
| <b>Registered number</b> | 00654944  |
| <b>Registered office</b> | 14 Bryanston Mansions<br>62-66 York Street<br>London<br>W1H 1DA |
| <b>Bankers</b>           | Cater Allen Private Bank<br>9 Nelson Street<br>Bradford BD1 5AN |

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## MONTROSE INDUSTRIES LIMITED

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## MONTROSE INDUSTRIES LIMITED

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### CHAIRMAN'S STATEMENT For the Year Ended 31st December 2018

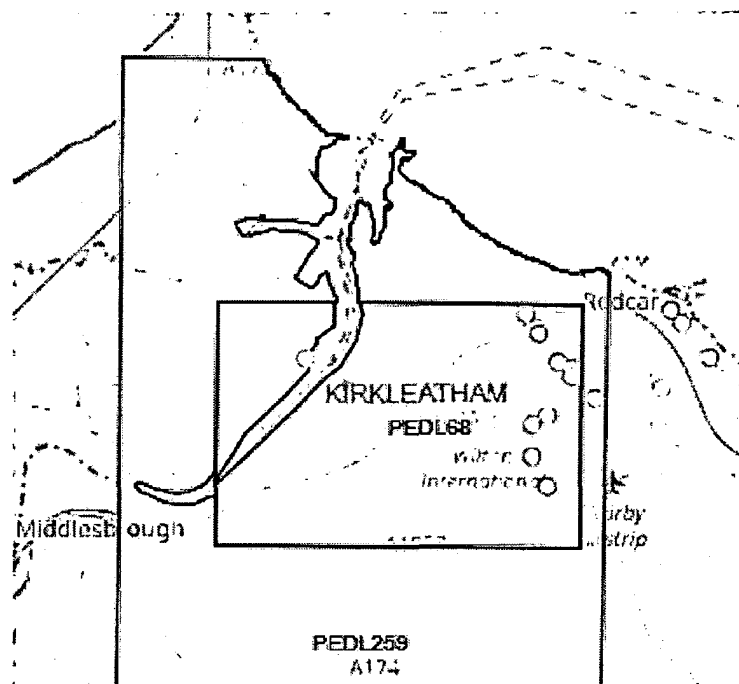
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The chairman presents his statement for the period.

Good progress was made on the Biscathorpe licence but there were no significant developments at Kirkleatham. The Brent oil price rose from about US\$63 to US\$84 during the year but fell back again to about US\$60 by year end.

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

The suspended Kirkleatham gas field is believed to contain undeveloped reserves at its structural crest. The licence operator, Egdon Resources plc, has proposed drilling a deviated or side-track well from the non-producing Kirkleatham-4 well. This could be an attractive re-development option for a new partner. While interest was shown by several companies in funding some of the cost of drilling such a well, a firm proposal has not yet materialised. Egdon are continuing their efforts to find a farm-in partner.



*PEDL 253, Biscathorpe, Lincolnshire; Montrose Interest: 22.2%*

Further farm-outs were negotiated in 2018 with Union Jack Oil plc and Humber Oil & Gas Limited. Our licence equity has therefore fallen from 35.2% to 22.2%. The construction of the Biscathorpe-2 well site was completed by year end. Egdon Resources, the licence operator, received revised quotations for well materials and services, including rig hire. These increased the well's estimated "dry hole" cost to about £3.28 million gross. Our net cost after all the farm-outs was estimated to be about £440,000. Thus represents about 13.4% of the total well cost.

Biscathorpe-2 finally spudded on 7 January 2019. The primary objective, the Basal Westphalian Sand, was absent but a significant interval of live oil was encountered in the underlying Dinantian Limestone. The well was suspended on 2 March 2019. Further technical work will be carried out in 2019 to determine whether there are any remaining areas of structural closure nearby that would merit further exploration via a well side-track.

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MONTROSE INDUSTRIES LIMITED

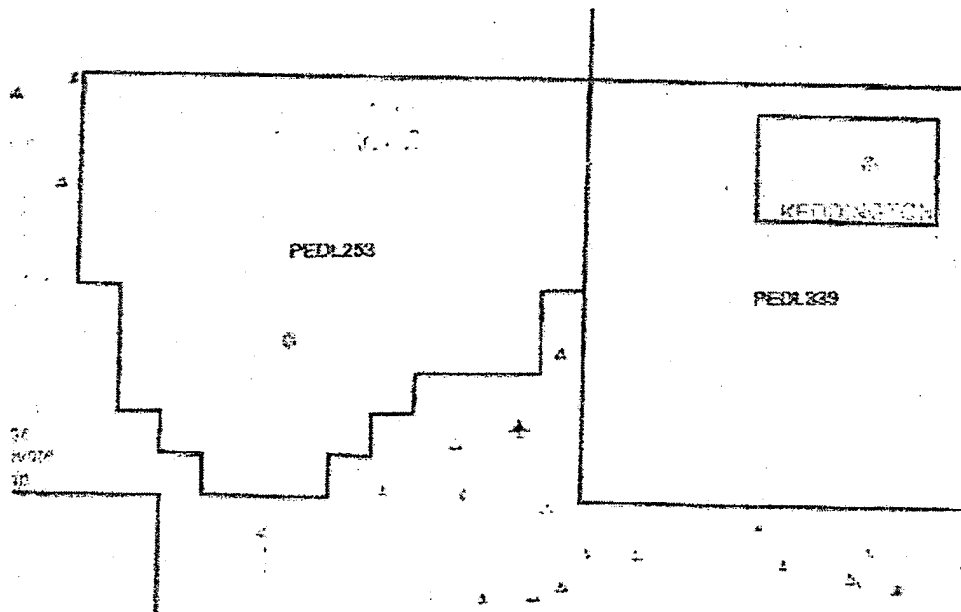
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CHAIRMAN'S STATEMENT  
For the Year Ended 31st December 2018

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*PEDL 253, Biscathorpe, Lincolnshire; Montrose Interest: 22.2% (continued)*

Lincolnshire County Council has extended their planning consent for drilling and completing the well until December 2020, and the Oil & Gas Authority (OGA) has extended the licence for 2 years until 30 June 2020.



*Investments*

The value of our listed oil and gas investments fell by about 26% in 2018. This was mainly due to sales of shares to fund on-going licence costs during the year. Since the year end there has been an improvement in share prices which has allowed us to sell further shares to fund the anticipated Biscathorpe-2 costs.

Richard Stabbins  
Chairman

30 July 2019

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## MONTROSE INDUSTRIES LIMITED

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### DIRECTORS' REPORT For the Year Ended 31st December 2018

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The directors present their report and the financial statements for the year ended 31 December 2018.

#### Directors

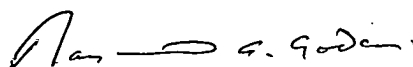
The directors who served during the year and their interests in the Company's issued share capital were:

|                | Ordinary shares<br>of 25p each |           |
|----------------|--------------------------------|-----------|
|                | 31/12/18                       | 1/1/18    |
| Dr R. Stabbins | 5,568,750                      | 5,568,750 |
| Dr R.J. Knaap  | 371,250                        | 371,250   |
| R.G.Godson     | 278,885                        | 278,885   |
| 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 30 July 2019 and signed on its behalf.



R.G.Godson  
Director

**MONTROSE INDUSTRIES LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**  
For the Year Ended 31 December 2018

|  | Note | 2018<br>£       | 2017<br>£      |
|--|------|-----------------|----------------|
| Exploration costs written off                  |      | (813)           | (778)          |
| <b>Gross loss</b>                              |      | <u>(813)</u>    | <u>(778)</u>   |
| Administrative expenses                        |      | (4,247)         | (4,054)        |
| <b>Operating loss</b>                          |      | <u>(5,060)</u>  | <u>(4,832)</u> |
| Income from fixed assets investments           |      | 27,519          | 31,667         |
| Surplus/ (deficit) on investments              |      | (55,852)        | (12,207)       |
| Interest received                              |      | 152             | 120            |
| <b>(Loss)/profit before tax</b>                |      | <u>(33,241)</u> | <u>14,748</u>  |
| <b>(Loss)/profit for the financial year</b>    |      | <u>(33,241)</u> | <u>14,748</u>  |
| <b>Other comprehensive income for the year</b> |      |                 |                |
| <b>Total comprehensive income for the year</b> |      | <u>(33,241)</u> | <u>14,748</u>  |

The notes on pages 9 to 13 form part of these financial statements.

**MONTROSE INDUSTRIES LIMITED**  
Registered number: 00654944

**BALANCE SHEET**  
As at 31 December 2018

|  | Note | 2018<br>£        | 2017<br>£        |
|--|------|------------------|------------------|
| <b>Fixed assets</b>                            |      |                  |                  |
| Intangible assets                              | 5    | 422,179          | 275,636          |
| Tangible assets                                | 6    | 210,868          | 201,717          |
| Investments                                    | 7    | 453,629          | 614,579          |
|  |      | <u>1,086,676</u> | <u>1,091,932</u> |
| <b>Current assets</b>                          |      |                  |                  |
| Debtors: amounts falling due within one year   | 8    | 19,794           | 485              |
| Cash at bank and in hand                       | 9    | 159,550          | 119,740          |
|  |      | <u>179,344</u>   | <u>120,225</u>   |
| Creditors: amounts falling due within one year | 10   | (107,501)        | (20,397)         |
| <b>Net current assets</b>                      |      | <u>71,843</u>    | <u>99,828</u>    |
| <b>Total assets less current liabilities</b>   |      | <u>1,158,519</u> | <u>1,191,760</u> |
| <b>Net assets</b>                              |      | <u>1,158,519</u> | <u>1,191,760</u> |
| <b>Capital and reserves</b>                    |      |                  |                  |
| Called up share capital                        |      | 330,000          | 330,000          |
| Share premium account                          |      | 1,226,314        | 1,226,314        |
| Capital redemption reserve                     |      | 73,791           | 73,791           |
| Profit and loss account                        |      | (471,586)        | (438,345)        |
|  |      | <u>1,158,519</u> | <u>1,191,760</u> |



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**MONTROSE INDUSTRIES LIMITED**  
Registered number: 00654944

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**BALANCE SHEET (CONTINUED)**  
As at 31 December 2018

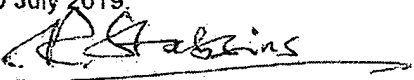
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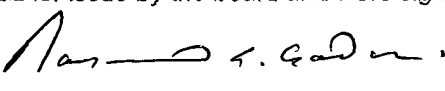
The directors consider that the Company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the Company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

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 Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 July 2019.

  
**Dr R. Stabbins**  
Director

  
**R.G. Godson**  
Director

The notes on pages 9 to 13 form part of these financial statements.

**MONTROSE INDUSTRIES LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
For the Year Ended 31 December 2018

|  | Called up<br>share capital | Share<br>premium<br>account | Capital<br>redemption<br>reserve | Profit and<br>loss account | Total equity     |
|--|----------------------------|-----------------------------|----------------------------------|----------------------------|------------------|
|  | £                          | £                           | £                                | £                          | £                |
| At 1st January 2018                            | 330,000                    | 1,226,314                   | 73,791                           | (438,345)                  | 1,191,760        |
| <b>Comprehensive income for the year</b>       |                            |                             |                                  |                            |                  |
| Loss for the year                              | -                          | -                           | -                                | (33,241)                   | (33,241)         |
| <b>Other comprehensive income for the year</b> |                            |                             |                                  |                            |                  |
|  | -                          | -                           | -                                | -                          | -                |
| <b>Total comprehensive income for the year</b> |                            |                             |                                  |                            |                  |
|  | -                          | -                           | -                                | (33,241)                   | (33,241)         |
| <b>Total transactions with owners</b>          |                            |                             |                                  |                            |                  |
|  | -                          | -                           | -                                | -                          | -                |
| <b>At 31st December 2018</b>                   | <b>330,000</b>             | <b>1,226,314</b>            | <b>73,791</b>                    | <b>(471,586)</b>           | <b>1,158,519</b> |

The notes on pages 9 to 13 form part of these financial statements.

**MONTROSE INDUSTRIES LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
For the Year Ended 31 December 2017

|  | Called up<br>share capital | Share<br>premium<br>account | Capital<br>redemption<br>reserve | Profit and<br>loss account | Total equity     |
|--|----------------------------|-----------------------------|----------------------------------|----------------------------|------------------|
|  | £                          | £                           | £                                | £                          | £                |
| At 1st January 2017                            | 330,000                    | 1,166,314                   | 73,791                           | (453,093)                  | 1,117,012        |
| <b>Comprehensive income for the year</b>       |                            |                             |                                  |                            |                  |
| Profit for the year                            | -                          | -                           | -                                | 14,748                     | 14,748           |
| <b>Other comprehensive income for the year</b> |                            |                             |                                  |                            |                  |
|  | -                          | -                           | -                                | -                          | -                |
| <b>Total comprehensive income for the year</b> | -                          | -                           | -                                | 14,748                     | 14,748           |
| Shares issued during the year                  | -                          | 60,000                      | -                                | -                          | 60,000           |
| <b>Total transactions with owners</b>          | -                          | 60,000                      | -                                | -                          | 60,000           |
| <b>At 31st December 2017</b>                   | <b>330,000</b>             | <b>1,226,314</b>            | <b>73,791</b>                    | <b>(438,345)</b>           | <b>1,191,760</b> |

The notes on pages 9 to 13 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 2018

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#### 1. General information

The Company is a private corporation with limited liability incorporated in England and Wales with its registered office at 14 Bryanston Mansions, 62-66 York Street, London W1H 1DA.

#### 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 Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

##### 2.2 Interest income

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

##### 2.3 Intangible assets

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.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

##### 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31st December 2018**

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**2. Accounting policies (continued)**

**2.5 Impairment of fixed assets and goodwill**

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

**2.6 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.

**2.7 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.

**2.8 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.

**2.9 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 Financial instruments**

The Company only enters into basic financial instrument 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.

**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes will differ from those estimates.

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MONTROSE INDUSTRIES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 31st December 2018

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4. Employees

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

|           | 2018<br>No. | 2017<br>No. |
|-----------|-------------|-------------|
| Directors | 4           | 4           |

5. Intangible assets

|                       | Oil & gas<br>costs<br>pending<br>determination<br>£ |
|-----------------------|---|
| <b>Cost</b>           |   |
| At 1 January 2018     | 275,636   |
| Additions             | 146,542   |
| At 31st December 2018 | 422,178   |
| <b>Net book value</b> |   |
| At 31st December 2018 | 422,178   |
| At 31st December 2017 | 275,636   |

**MONTROSE INDUSTRIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31st December 2018

**6. Tangible fixed assets**

|                          | Fixtures & fittings<br>£ | Office equipment<br>£ | Oil and gas development costs<br>£ | Total<br>£ |
|--------------------------|--------------------------|-----------------------|------------------------------------|------------|
| <b>Cost or valuation</b> |                          |                       |                                    |            |
| At 1 January 2018        | 1                        | 948                   | 414,809                            | 415,758    |
| Additions                | -                        | -                     | 9,152                              | 9,152      |
| At 31st December 2018    | 1                        | 948                   | 423,961                            | 424,910    |
| <b>Depreciation</b>      |                          |                       |                                    |            |
| At 1 January 2018        | -                        | 947                   | 213,095                            | 214,042    |
| At 31st December 2018    | -                        | 947                   | 213,095                            | 214,042    |
| <b>Net book value</b>    |                          |                       |                                    |            |
| At 31st December 2018    | 1                        | 1                     | 210,866                            | 210,868    |
| At 31st December 2017    | 1                        | 1                     | 201,715                            | 201,717    |

**7. Fixed asset investments**

|                          | Listed investments<br>£ |
|--------------------------|-------------------------|
| <b>Cost or valuation</b> |                         |
| At 1 January 2018        | 614,579                 |
| Additions                | 810                     |
| Disposals                | (359,455)               |
| Revaluations             | 197,696                 |
| At 31st December 2018    | 453,630                 |

**8. Debtors**

|               | 2018<br>£ | 2017<br>£ |
|---------------|-----------|-----------|
| Trade debtors | 5,537     | -         |

**MONTROSE INDUSTRIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31st December 2018

**8. Debtors (continued)**

|               |               |            |
|---------------|---------------|------------|
| Other debtors | 14,257        | 485        |
|               | <u>19,794</u> | <u>485</u> |

**9. Cash and cash equivalents**

|                          |                |                |
|--------------------------|----------------|----------------|
|                          | 2018<br>£      | 2017<br>£      |
| Cash at bank and in hand | 159,550        | 119,740        |
|                          | <u>159,550</u> | <u>119,740</u> |

**10. Creditors: Amounts falling due within one year**

|                                    |                |               |
|------------------------------------|----------------|---------------|
|                                    | 2018<br>£      | 2017<br>£     |
| Trade creditors                    | 105,251        | 17,409        |
| Other taxation and social security | -              | 744           |
| Other creditors                    | -              | (6)           |
| Accruals and deferred income       | 2,250          | 2,250         |
|                                    | <u>107,501</u> | <u>20,397</u> |

**11. Related party transactions**

Godson & Co, a business owned by R.G.Godson, a director received £3,000 (2017 - £3,000) for the provision of accounting and secretarial services.

**12. Controlling party**

The Ultimate Controlling Party is Dr. R. Stabbins, a director.