



Montrose Industries Limited

Year ended 31 December 1994

Financial statements



31 December 1994

Directors' Report

The directors present their report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 1994.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those accounts, the directors are required to:

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and

prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity and business review

The Company is an investment holding company. The Company's main efforts during the year were directed towards resolving various disputes concerning indemnities and counter-indemnities relating to its investment in its subsidiary, Teredo Petrolifera Srl. During the course of the year, the entire share capital of the Company was acquired by Calavo Investments Ltd and Bonadark Ltd.

Results and dividends

The loss for the year before and after taxation was £19,579 (fifteen months to 31 December 1993 - £nil). In view of the losses, no dividend is being recommended.

Directors and their interests

The directors who served during the year are as shown below:

M.D.Seymour	
R.G.Godson	
W.B.B.Gammell	resigned 2 June 1994
D.W.Curry	resigned 2 June 1994
P.O.J.Tracy	resigned 2 June 1994
A.Macleod	resigned 2 June 1994

No Director has any direct interest in the share capital of the Company. Since the date of acquisition of 13,500 shares by Bonadark Limited, Mr Godson and his wife have had an indirect interest in those shares.

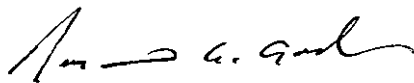
Fixed assets

Information relating to changes in fixed assets is given in note 6 to the accounts.

Auditors

During the course of the year, the directors appointed Lawrence Shafier & Co as auditors. A resolution for their reappointment will be tabled at the Annual General Meeting.

by order of the Board
R.G.Godson
Secretary



24-Oct-95

Montrose Industries Limited

Year ended 31 December 1994

Report of the Auditor

Report of the Auditor to the shareholders of Montrose Industries Limited

We have audited the financial statements on pages 3 to 7 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 1 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practises Board except that the scope of our work was limited as below. An audit includes examination on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate in the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, the evidence available to us was limited because we were unable to confirm or obtain independent verification in respect of the creditor of £28,025 which represented the amount owed to the Italian subsidiary company. We have not audited the accounts of the subsidiary. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

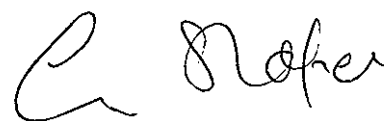
Qualified Opinion arising from limitation in audit scope

Except for any adjustment that might be necessary to the balance due to the subsidiary company, in our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31 December 1994 and of the company's loss for the year then ended and have been prepared in accordance with Companies Act 1985.

With the exception of our work relating to the balance due to the subsidiary company, we have obtained all the information and explanations that we consider necessary for the purpose of our audit.

London
24-Oct-95

Lawrence E Shafier & Co.
Chartered Accountants and Registered Auditor



Montrose Industries Limited

Profit and Loss Account

Year ended 31 December 1994

	<u>Notes</u>	Year to 31 December <u>1994</u> £	Fifteen months to 31 December <u>1993</u> £
Revenue			
Interest from debt securities	3	183	-
Interest on short term deposits	3	229	-
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Gross revenue		412	-
Administrative expenses		(2,267)	-
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Net revenue before taxation		(1,855)	-
Taxation on ordinary activities	4	-	-
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Net revenue after taxation		(1,855)	-
Exceptional item	5	(17,724)	-
		<hr/>	
Profit/(loss) for the financial period transferred to reserves		(£19,579)	-
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The company has no recognised gains or losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been prepared.

The accompanying notes form an integral part of this profit and loss account.

Montrose Industries Limited

Balance Sheet

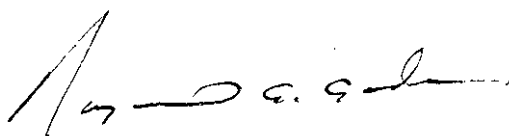
31 December 1994

	Notes	1995 £	1994 £
Fixed assets			
Investments	6	18,710	17,725
		<u>18,710</u>	<u>17,725</u>
Current assets :			
Debtors	7	49,281	2,569
Cash		6,557	-
		<u>55,838</u>	<u>2,569</u>
Current liabilities	8	(52,604)	(271)
Amounts falling due within one year		<u>3,234</u>	<u>2,298</u>
Net current assets			
		<u>£21,944</u>	<u>£20,023</u>
Total assets		<u>£21,944</u>	<u>£20,023</u>
Capital and reserves			
Called up share capital	9	27,000	5,500
Profit and loss account	10	(5,056)	14,523
		<u>£21,944</u>	<u>£20,023</u>
Shareholders funds attributable to equity interests		<u>£21,944</u>	<u>£20,023</u>

Signed on behalf of the Board

R.G.Godson Director

24-Oct-95



The accompanying notes form an integral part of this balance sheet.

Notes forming part of the financial statements

Year ended 31 December 1994

1 Accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards, using the following principal accounting policies, all of which have been applied consistently throughout the period.

(b) Subsidiary undertaking

Consolidated accounts for the Company and its subsidiary undertaking are not prepared as the Company is entitled to take advantage of the provisions in the Companies Act exempting small companies from the requirement to prepare consolidated accounts.

(c) Investments

Investments are recorded at cost less any necessary material provision for diminution in value.

(d) Cash flow statements

The company has not prepared a cash flow statement because it is entitled to the exemptions available for small companies under the Companies Act.

(e) Foreign currencies

Foreign currency transactions are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into sterling at the rate of exchange ruling at the Balance Sheet date. Exchange differences arising are taken to the profit and loss account.

2 Operating profit

1995	1994
£	£

The operating profit is stated after charging the following :

Directors remuneration	-	-
Auditors emoluments	400	-

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3 Interest receivable

On bank deposits	229	-
On listed government securities	183	-

£412	-
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4 Taxation

The company has capital losses of £1.1 million available for carry forward

5 Exceptional item

Provision for diminution in value of investment in subsidiary undertaking	£17,724	-
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Montrose Industries Limited

Notes forming part of the financial statements (continued)

Year ended 31 December 1994

	1995 £	1994 £
6 Fixed assets		
Investments at cost		
Subsidiary at commencement of period	17,725	13,319
Additions	-	4,406
Provision for losses	(17,724)	-
at end of period	1	17,725

Teredo Petrolifera Srl, which is a wholly owned subsidiary incorporated in Italy, was formed to carry on the business of oil and gas exploration in Italy.

Listed in the United Kingdom

Acquired during year (Market value £18,295)

18,709	-
£18,710	£17,725

7 Debtors

Amounts falling due within one year :		
Amounts due from subsidiary undertaking	-	2,569
Other debtors : Amount due under indemnity agreement	48,358	-
Accrued income	923	-
	£49,281	£2,569

8 Creditors

Amounts falling due within one year :		
Trade creditors	10,153	-
Accruals	425	-
Amounts due to subsidiary undertaking	28,025	-
Advances repayable to parent undertaking	-	271
Other creditors:		
Provision for amounts payable under indemnity to subsidiary undertaking	14,001	-
	£52,604	£271

9 Share capital

	1995 No	1995 £	1994 No	1994 £
Authorised : Ordinary shares of £ 1 each	100,000	£100,000	6,000	£6,000
Allotted, issued and fully paid :				
at commencement of period Ordinary shares of £ 1 each	5,500	5,500	5,500	5,500
issued during year Ordinary shares of £ 1 each	21,500	21,500	-	-
at end of period	£27,000	£27,000	5,500	£5,500

On 2 June 1994, the authorised share capital of the company was increased to £100,000 Ordinary Shares of £1 and 21,500 ordinary shares of £1 were issued for cash at par to provide working capital for the business of the Company.

Montrose Industries Limited

Notes forming part of the financial statements (continued)

Year ended 31 December 1994

1995	1994
£	£

10 Profit and loss account

Balance at commencement of period	14,523	14,523
Profit/(loss) for the year	(19,579)	-
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Balance at end of period	(£5,056)	£14,523
	<hr/>	

11 Reconciliation of movements in shareholders' equity

Profit/(loss) for the period	(19,579)	-
Shares issued	21,500	-
Opening shareholders funds	20,023	20,023
	<hr/>	
Balance at end of period	£21,944	£20,023
	<hr/>	

12 Cash and cash equivalents

Balance at commencement of period	-	-
Net cash in/(out)flow for period	6,557	-
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Balance at end of period	£6,557	-
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13 Post-balance sheet events

Since the balance sheet date, the Company has sold its subsidiary undertaking for £385.