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THF OIL LIMITED

DIRECTOR'S REPORT AND ACCOUNTS

- 6 OCT 1990
31 January 1990
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THE OIL LIMITED

DIRECTORS' REPORT

The directors present herewith their report and statement of accounts for the fifteen months ended 31 January 1990.

PRINCIPAL ACTIVITY

The principal activity of the company was that of trading in gas products in Montana USA. The company also had interests in two oil exploration licences in respect of the seventh round of UK offshore oil exploration licensing.

CHANGE OF YEAR END

In line with the change made by the ultimate holding company, Trusthouse Forte PLC, the company has changed its year end to 31 January. Therefore, the Directors' report and accounts are for a fifteen month period.

ACCOUNTS

The loss before taxation for the fifteen month period ended 31 January 1990 was £6,787 (1988 - loss of £303,549).

SHARE CAPITAL

The authorised share capital was increased during the period with an additional 6,799,900 Ordinary shares of £1 each. These shares were issued to the ultimate holding company at nominal value in exchange for inter-company debt.

DIRECTORS

The following were directors of the company during the fifteen months ended 31 January 1990:

GFL Proctor
T Russell

DIRECTORS' INTERESTS

The director who was not also a director of Trusthouse Forte PLC had interests in that company's share capital as follows:

Ordinary shares of 25p each				
<u>As at 31 January 1990</u>			<u>As at 31 October 1988</u>	
	Beneficial	Options	Beneficial	Options
T Russell	5,906	55,715	2,100	57,068

Mr GFL Proctor is also a director of Trusthouse Forte PLC and as such his interests in that company are not required to be recorded in this company's Register of Directors' Interests.

AUDITORS

Price Waterhouse have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board

T Russell
Secretary

17th September 1990

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF THE OIL LIMITED

We have audited the financial statements on pages 4 to 9 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 January 1990 and of its result for the 15 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Chartered Accountants

17 Sept 1990

THF OIL LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE 15 MONTHS ENDED 31 JANUARY 1990

	<u>Note</u>	<u>15 months ended</u> <u>31 January 1990</u> £	<u>12 months ended</u> <u>31 October 1988</u> £
TURNOVER	1(b)	12,503	11,052
Cost of sales		<u>(6,462)</u>	<u>(6,351)</u>
GROSS TRADING PROFIT		6,041	4,701
Administrative expenses		(328)	(209)
Depreciation		<u>(12,500)</u>	<u>(10,000)</u>
TRADING LOSS	3	(6,787)	(5,508)
Interest received	4	49,070	-
Write down of investment in tangible assets	6	<u>(49,070)</u>	<u>(298,041)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(6,787)	(303,549)
Taxation credit on loss on ordinary activities	5	<u>22,320</u>	<u>43,036</u>
RETAINED PROFIT/(LOSS) FOR THE PERIOD	10	<u>15,533</u>	<u>(260,513)</u>

The annexed notes form a part of these accounts.

THF OIL LIMITED

BALANCE SHEET - 31 JANUARY 1990

	Note	31 January 1990 £	31 October 1988 £
FIXED ASSETS			
Tangible assets	6	7,200	-
Investments	7	<u>194,211</u>	<u>206,711</u>
		<u>201,411</u>	<u>206,711</u>
CURRENT ASSETS			
Trade debtors		2,436	2,913
Amounts owed by group companies		<u>222,329</u>	<u>217,847</u>
		224,765	220,760
CREDITORS - amounts falling due within one year	8	<u>350,228</u>	<u>7,166,956</u>
NET CURRENT LIABILITIES		(125,463)	(6,946,196)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>75,948</u>	<u>(6,739,485)</u>
CAPITAL AND RESERVES			
Called up share capital	9	6,800,000	100
Profit and loss account - deficit	10	<u>(6,724,052)</u>	<u>(6,739,585)</u>
		<u>75,948</u>	<u>(6,739,485)</u>

The annexed notes form a part of these accounts.

Approved by the Board of Directors on

17th September 1990.

DIRECTORS

THF OIL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1990

1 ACCOUNTING POLICIES

(a) Accounting convention

The accounts have been prepared under the historical cost convention as modified by the revaluation of investments.

(b) Turnover

Turnover represents the company's share of invoiced sales.

(c) Oil accounting

Expenditure on the acquisition, exploration and development of oil or gas reserves is capitalised and depreciated over the life of the wells on the basis of the rate of production.

Expenditure on concessions and exploration not leading to discovery of commercially viable reserves is written off within one year of completion of drilling.

2 CHANGE OF YEAR END

In line with the change made by the ultimate holding company, Trusthouse Forte PLC, the company has changed its year end to 31 January. Therefore, the directors' report and accounts are for a fifteen month period.

3 TRADING LOSS

None of the directors received any emoluments in respect of their services to the company (1988 - nil).

The auditors' remuneration has been dealt with in the accounts of the holding company.

4 INTEREST RECEIVED

	15 months ended <u>31 January 1990</u> £	12 months ended <u>31 October 1988</u> £
Prior year interest received on cash calls refunded	49,070	-

THF OIL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1990 (continued)

5 TAXATION CREDIT ON LOSS ON ORDINARY ACTIVITIES

	15 months ended <u>31 January 1990</u> £	12 months ended <u>31 October 1988</u> £
Corporation tax at 35% (1988 - 35%)	38,426	38,134
Prior year adjustment relating to the receipt of Oil Lease Taxation from the United States of America	6,038	4,902
Prior year group relief adjustments	(20,048)	-
Prior year US State property taxation	(2,096)	-
	<u>22,320</u>	<u>43,036</u>

6 FIXED ASSETS - TANGIBLE ASSETS

	<u>Oil exploration and development costs</u> £
<u>Cost</u>	
At 1 November 1988	6,241,808
Additions	7,200
Adjustment to prior year cost	<u>49,070</u>
At 31 January 1990	<u>6,298,078</u>
<u>Amounts written off</u>	
At 1 November 1988	6,241,808
Write down for the period	<u>49,070</u>
At 31 January 1990	<u>61,290,878</u>
<u>Net book amount</u>	
At 31 January 1990	<u>7,200</u>
At 1 November 1988	-

The amounts shown above represent expenditure incurred in respect of certain UK offshore concessions. The adjustment to the prior year cost relates to interest received of £49,070 on cash refunds which was deducted from the original cost. (See also note 4).

THF OIL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1990 (continued)

7 FIXED ASSETS - INVESTMENTS

	Trade <u>investments</u> £
<u>Cost or valuation</u>	
At 1 November 1988 and 31 January 1990	<u>399,890</u>
<u>Amounts written off</u>	
At 1 November 1988	193,179
Charge for period	<u>12,500</u>
At 31 January 1990	<u>205,679</u>
<u>Net book amounts</u>	
At 31 January 1990	<u>194,211</u>
At 1 November 1988	<u>206,711</u>

The company holds a 5% working interest in the Ledger Gas Field, Montana, USA.

8 CREDITORS - amounts falling due within one year

	<u>1990</u> £	<u>1988</u> £
Trade creditors	912	1,042
Amount owed to ultimate holding company	<u>349,316</u>	<u>7,165,914</u>
	<u>350,228</u>	<u>7,166,956</u>

THF OIL LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1990 (continued)

9 CALLED UP SHARE CAPITAL

	<u>1990</u>	<u>1988</u>
	£	£
Authorised:		
6,800,000 (1988: 100) Ordinary shares of £1 each	<u>6,800,000</u>	<u>100</u>
Allotted and fully paid:		
6,800,000 (1988: 100) Ordinary shares of £1 each	<u>6,800,000</u>	<u>100</u>

The share capital was increased during the period with the issue of 6,799,900 Ordinary shares of £1 in exchange for inter-company debt with Trusthouse Forte PLC.

10 PROFIT AND LOSS ACCOUNT

	<u>Profit and loss account</u>
	£
At 1 November 1988 - deficit	(6,739,585)
Profit for the period	<u>15,533</u>
At 31 January 1990 - deficit	<u>(6,724,052)</u>

11 HOLDING COMPANY

The company's ultimate holding company is Trusthouse Forte PLC, a company incorporated in England.