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TRAFALGAR HOUSE NORTH SEA LIMITED

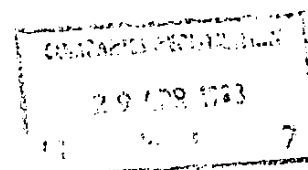
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REPORT AND ACCOUNTS

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30 SEPTEMBER 1987

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## TRAFALGAR HOUSE NORTH SEA LIMITED

### DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and Accounts for the year ended 30th September 1987.

#### PRINCIPAL ACTIVITY

The Company's principal activity is the exploration for and the exploitation of oil and gas resources.

#### BUSINESS REVIEW

The Company continued to trade offshore in the North Sea.

An oil discovery in the UK North Sea block 29/9b was further appraised.

The Company intends to continue its present programme of exploration for oil and gas and the development of commercial discoveries.

#### RESULTS

The results for the year to 30th September 1987 are set out on page 4.

#### DIVIDENDS

The Directors do not propose to recommend the payment of any dividends on the Issued Ordinary Share Capital of the Company in respect of the year ended 30th September 1987.

#### FIXED ASSETS

Details of the movements in fixed assets during the period are set out on page 7.

#### DIRECTORS

The following persons were Directors of the Company during the year since 30th September 1986.

J R Williamson     -     Chairman  
R J R Cairns  
P J Carter  
J E Riley  
M W Lockhart

#### DIRECTORS' SHARE INTERESTS

Given on the next page are details of the interest in the Shares and Debentures of Trafalgar House Public Limited Company (the ultimate holding company) at 30th September 1987 of Directors of the Company at that date who were not also Directors of Trafalgar House Public Limited Company. Details of their interests at 30th September 1986 are shown in brackets.

TRAFALGAR HOUSE NORTH SEA LIMITED  
DIRECTORS' REPORT (continued)

Trafalgar House Public Limited Company Ordinary Shares of 20p each

	Ordinary Shares Options (Note 1)	Ordinary Shares Fully Paid 1979 Scheme (Note 2)	Other Beneficial
P J Carter	30,351 (30,351)	- (-)	- (-)
R J R Cairns	45,527 (45,527)	- (-)	- (-)
J E Riley	15,263 (15,263)	231 (231)	- (-)
M W Lockhart	15,324 (15,324)	494 (1,037)	1,034 (491)

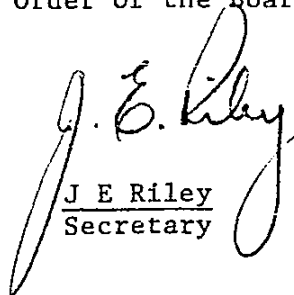
Notes:

- Options granted under the terms of the Trafalgar House Public Limited Company 1984 Executive Share Option Scheme.
- Fully paid Ordinary Shares appropriated to participants in the Trafalgar House Public Limited Company 1979 Profit Sharing Scheme.

AUDITORS

A resolution to re-appoint the Auditors, Touche Ross & Co., will be proposed at the Annual General Meeting.

By Order of the Board

  
J E Riley  
Secretary

3rd March 1988

20 Eastbourne Terrace  
London W2 6LE

AUDITORS' REPORT TO THE MEMBERS

of

TRAFALGAR HOUSE NORTH SEA LIMITED

We have audited the accounts and notes on pages 4 to 8 in accordance with approved Auditing Standards.

In our opinion the accounts and notes give a true and fair view of the state of affairs of the Company at 30 September 1987 and its profit for the year then ended and comply with the Companies Act 1985.

*Touche Ross & Co.*

TOUCHE ROSS & CO.

Chartered Accountants

*30 March 1988*

Hill House,  
1, Little New Street,  
LONDON, EC4A 3TR

TRAFALGAR HOUSE NORTH SEA LIMITED  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 1987

	<u>Notes</u>	<u>Year to</u> <u>30 September 1987</u> <u>£000's</u>	<u>Year to</u> <u>30 September 1986</u> <u>£000's</u>
Interest and finance charges	3	11	20
<u>Profit on ordinary activities</u> <u>before taxation</u>	4	11	20
Taxation	5	(4)	-
<u>Profit on ordinary activities after</u> <u>taxation</u>		7	20
Surplus/(Deficit) brought forward		14	(6)
Surplus carried forward		21 =====	14 =====

TRAFALGAR HOUSE NORTH SEA LIMITED  
BALANCE SHEET AT 30 SEPTEMBER 1987

	<u>Note</u>	<u>30 September 1987</u> <u>£000's</u>	<u>30 September 1986</u> <u>£000's</u>
<u>Fixed assets</u>			
Tangible assets	6	3,815	2,707
		<hr/>	<hr/>
<u>Current assets</u>			
Stocks	7	63	6
Debtors	8	1	1
Cash and bank balances		32	196
		<hr/>	<hr/>
		96	203
		<hr/>	<hr/>
<u>Creditors : amounts falling due within one year.</u>	9	3,889	2,895
		<hr/>	<hr/>
<u>Net current liabilities</u>		(3,793)	(2,692)
		<hr/>	<hr/>
<u>Total assets less current liabilities</u>		22	15
		<hr/>	<hr/>
		=====	=====
<u>Capital and reserves</u>			
Called up share capital	10	1	1
Profit and loss account		21	14
		<hr/>	<hr/>
		22	15
		<hr/>	<hr/>
		=====	=====

The accounts were approved by the Directors at a meeting held on 3rd March 1988

J.R Williamson

Directors

J.E Riley

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*[Handwritten initials]*

# TRAFALGAR HOUSE NORTH SEA LIMITED

## NOTES TO THE ACCOUNTS AT 30 SEPTEMBER 1987

### 1. Ultimate Holding Company

The Company is a wholly owned subsidiary of Trafalgar House Oil and Gas Limited and the ultimate holding company is Trafalgar House Public Limited Company, both of which are incorporated in Great Britain.

### 2. Accounting policies

The accounts have been prepared under the historical cost convention. The accounting policies adopted are disclosed in the appropriate notes below.

### 3. Interest and finance charges

	<u>Year ended</u> <u>30 September 1987</u> <u>£000's</u>	<u>Year ended</u> <u>30 September 1986</u> <u>£000's</u>
Interest receivable	17	20
Interest payable	(6)	-
	<u>11</u>	<u>20</u>
	==	==

Interest payable represents interest on bank loans and overdrafts repayable within five years.

### 4. Profit on ordinary activities before taxation

The Company has no employees and the Directors received no remuneration for their services in respect of the year ended 30th September 1987 (30 September 1986 £ Nil).

Overheads and interest expenses are capitalised, where appropriate, and are included in the cost attributable to tangible fixed assets. The amount capitalised for the current period was £75,000 (30 September 1986 - £67,000)

### 5. Taxation

Group Relief payment	4	-
	====	=====

There is no potential liability to deferred taxation.

### 6. Tangible fixed assets Oil and gas properties

The Company is a member of consortia engaged in the exploitation of North Sea licence blocks.

The Full Cost method of accounting is used for oil and gas properties, whether productive or not, whereby costs relating to exploration, appraisal and development are capitalised in separate cost pools for each materially different geographic area on a group basis. Each pool is depleted on a unit of production basis calculated on its estimated proven oil and gas reserves.

A ceiling test is employed annually to ensure that the net book value of oil and gas properties does not exceed the estimated discounted value of future net revenues from estimated proven oil and gas reserves.

TRAFALGAR HOUSE NORTH SEA LIMITED

NOTES TO THE ACCOUNTS AT 30 SEPTEMBER 1987

<u>Cost</u>	<u>£000's</u>
At 30 September 1986	2,707
Additions	1,108
At 30 September, 1987	<u>3,815</u> =====

7. Stocks

Stocks of drilling and other equipment are stated at the lower of cost and net realisable value.

	<u>30 Sept 1987</u> <u>£000's</u>	<u>30 Sept 1986</u> <u>£000's</u>
8. <u>Debtors</u>		
Prepayments and accrued income	-	1
Owed by other group companies	1	-
	<u>1</u> ===	<u>1</u> ===

9. Creditors: amounts falling due within one year

Bank overdraft	109	-
Trade creditors	3	2
Amounts owed to immediate holding company	3,773	2,893
Amounts owed to fellow subsidiaries	4	-
	<u>3,889</u> =====	<u>2,895</u> =====

10. Called up share capital

	<u>Authorised</u>		<u>Allotted and fully paid</u>	
	<u>No. of shares</u>	<u>£000's</u>	<u>No. of shares</u>	<u>£000's</u>
Ordinary shares of £1 each				
As at 30 September 1987				
and 30 September 1986	1,000	1	1,000	1
	<u>1,000</u> =====	<u>1</u> =====	<u>1,000</u> =====	<u>1</u> =====

11. Foreign currencies

Assets and liabilities in foreign currencies have been translated into sterling at the rates of exchange ruling at 30 September 1987. Differences arising on translation are taken to profit and loss account.

12. Contingent liabilities

The Company has a contingent liability under a joint and several guarantee given to the bankers in support of other group companies party to the memorandum bank account, of which the Company is a member.



TRAFALGAR HOUSE NORTH SEA LIMITED

NOTES TO THE ACCOUNTS AT 30 SEPTEMBER 1987

13. Capital commitments

The Company is committed to carry out various programmes of exploration and development, the precise costs of which cannot be accurately determined. Based on the estimates provided by the operators of the joint ventures, through which the work is conducted, the directors estimate that these costs will amount to £29,000 (1986 £1 million).