

11421481

TAYLOR WOODROW ENERGY LIMITED  
Directors' Report and Accounts  
31st December 1986



TAYLOR WOODROW ENERGY LIMITED

Contents

Page

Directors' Report

1 - 2

Auditors' Report

3

Profit and loss account

4

Balance Sheet

5

Notes on the Accounts

6 - 12

TAYLOR WOODROW ENERGY LIMITED  
REPORT OF THE DIRECTORS TO THE MEMBERS FOR THE YEAR ENDED 31ST DECEMBER 1986

DIRECTORS

The following were directors for the whole of the financial year:

Messrs A.W. Cheyne (Chairman and Managing Director), R. Broadhead, G.N. Davies, J.P. Gibson M. Prokopiou and R.S. Taylor.

Messrs. G.N. Davies and R.S. Taylor resigned on 31st December 1986.

Messrs. R.C. Pemberton and J.R. Smith were appointed as directors on 1st January 1987.

REVIEW OF BUSINESS

The principal activities of the company comprise oil and gas exploration and production and the provision of management and engineering services to the energy industry. There have been no significant changes in such activities during the year.

Exploration drilling during the year has been modest with only one appraisal well on the Hatfield Moors (South Yorkshire) gas producing field where the company is the Operator. Such well proved larger gas reserves on the structure than had been earlier anticipated. A local brickworks, to who gas is sold, has now nearly doubled its consumption.

In North Yorkshire, where gas discoveries have been made in two fields, namely Malton and Kirby Misperton, negotiations have been proceeding with British Gas for a gas sales contract and feasibility studies are progressing for the development of these two fields.

On two blocks awarded in Morecambe Bay in the 9th Round of Licencing in respect of which the company is the Operator, seismic work has been undertaken and the evaluation of those blocks is nearing completion.

An oil discovery by RTZ at Crossby Warren, South Yorkshire, in which the company is a partner, has been put on long term test and appears quite promising. However, further drilling may be necessary before the field can be fully developed.

At the end of the year, the company possessed the necessary financial and technical resources with which to continue the development of its business and to take the benefit of future improvements in the economic situation.

RESULTS AND DIVIDENDS

The results of the company for the year are set out in the profit and loss account on page 4. The directors recommend that no dividend be paid in respect of the year ended 31st December 1986 (1985 - £Nil).

FIXED ASSETS

There have been no significant changes in the nature of the fixed assets of the company during the year. A summary of movements of fixed assets is shown in notes 6 and 7 to the accounts.

TAYLOR WOODROW ENERGY LIMITED  
REPORT OF THE DIRECTORS TO THE MEMBERS - continued

DIRECTORS' INTERESTS IN SHARE AND LOAN CAPITAL OF THE COMPANY, ITS FELLOW  
SUBSIDIARIES, ITS PARENT AND ITS ULTIMATE HOLDING COMPANY

Mr J.P Gibson had no disclosable interest.

Mr G.N. Davies is also a director of the ultimate holding company, and his interests are disclosed in the Directors' Report of that company.

Messrs R. Broadhead, A.W. Cheyne, M. Prokopiou and R.S. Taylor are also directors of the parent company, Taylor Woodrow Construction Limited, and their interests are disclosed in the Directors' Report of that company.

The directors' interests in the above shares and loan capital are all beneficial.

DIRECTORS' INTERESTS IN CONTRACTS

No director had an interest in any contract or arrangement of a material nature with the company, its fellow subsidiaries, its parent or its ultimate holding company during the year under review.

ELECTION OF DIRECTORS

Messrs. R.C. Pemberton and J.R Smith, having been appointed since the last annual general meeting, retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

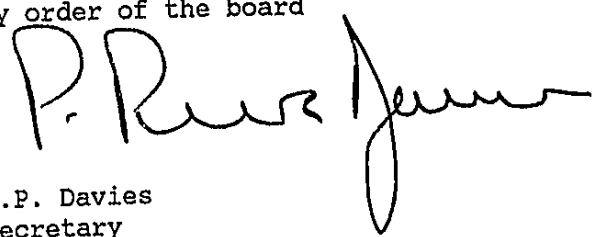
AUDITORS

Touche Ross & Co have expressed their willingness to continue in office as auditors, and a resolution to re-appoint them will be proposed at the forthcoming annual general meeting.

GENERAL

The company is not a close company as defined in the Income and Corporation Taxes Act 1970.

By order of the board

  
P.P. Davies  
Secretary

9th April 1987

AUDITORS' REPORT TO THE MEMBERS OF

TAYLOR WOODROW ENERGY LIMITED

We have audited the accounts and notes on pages 4 to 12 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 31st December 1986 and of its result for the year then ended and comply with the Companies Act 1985.

The accounts do not include a statement of source and application of funds as required by Statement of Standard Accounting Practice No. 10.

9th April 1987



Chartered Accountants  
London

TAYLOR WOODROW ENERGY LIMITEDPROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st. DECEMBER 1986

	Notes	1986 £	1985 £
TURNOVER		9,131,070	8,953,196
		=====	=====
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2 - 4	(42,350)	(1,407,524)
Taxation	5	306,300	0
		-----	-----
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(348,650)	(1,407,524)
EXTRAORDINARY ITEM			
Contribution from parent company		348,650	1,407,524
		-----	-----
PROFIT FOR THE FINANCIAL YEAR		0	0
		=====	=====

TAYLOR WOODROW ENERGY LIMITEDBALANCE SHEET AS AT 31st. DECEMBER 1986

	Notes	1986 £	1985 £
<b>ASSETS EMPLOYED</b>			
Fixed Assets			
Intangible assets	6	1,335,944	892,498
Tangible assets			
Other	7	586,231	356,709
Investments			
Group companies	8	0	0
		<u>1,922,175</u>	<u>1,249,207</u>
<b>Current Assets</b>			
Work in progress and stocks	9	1,040,988	745,847
Debtors	10	731,206	1,568,455
Bank balances and cash		3,827	23,192
		<u>1,776,021</u>	<u>2,337,494</u>
Creditors falling due within one year	11	3,291,896	3,486,701
		<u>(1,515,875)</u>	<u>(1,149,207)</u>
<b>Net current liabilities</b>			
Total assets less current liabilities		<u>406,300</u>	<u>100,000</u>
<b>FINANCED BY</b>			
Provision for liabilities and charges	12	306,300	0
Capital and Reserves			
Called up ordinary share capital	13	100,000	100,000
		<u>406,300</u>	<u>100,000</u>

*Ans. Chryne*

*M. Tokpouin* } Directors

9th April 1987

TAYLOR WOODROW ENERGY LIMITED  
NOTES ON THE ACCOUNTS

1. ACCOUNTING DEFINITIONS AND POLICIES

The following accounting definitions and policies have been used consistently unless otherwise stated in dealing with items which are considered material.

Basis of the accounts

The accounts are prepared under the historical cost convention.

Turnover

Turnover comprises the value of work executed during the year. It includes the company's share of joint venture turnover, but excludes value added tax.

Profit on ordinary activities for the year

The profit for the year includes the result of the year's operations together with residual profits in respect of work done in prior years. No credit is taken for claims until the cash is received.

Work in progress

Contract work in progress is valued generally at cost plus attributable profit less provision for known losses and contingencies, after deducting payments received on account. No distinction is drawn between long and short term contracts, which remain in work in progress until final payment is received.

Work in progress includes the appropriate net interest in joint ventures.

Fixed Assets

Research and development costs are written off as incurred.

The company capitalises all costs relating to the exploration for oil and gas reserves. Full provision is made against costs capitalised until a decision has been made to develop the reserves discovered, from which time cumulative expenditure for the project is carried at cost. This expenditure is generally depleted on a unit of production method using estimates of total reserves. Premiums paid are valued by the company based on the prospect of future development.



TAYLOR WOODRICE ENERGY LIMITED  
NOTES ON THE ACCOUNTS - continued

Deferred taxation

Deferred taxation is provided at the latest known tax rates for future liabilities resulting from the difference between the treatment of items in the accounts and their treatment for taxation purposes.

Subsidiary company

The investment is included in the company's balance sheet at the net asset value at the time of acquisition less post acquisition losses.

Consolidated accounts have not been prepared as the accounts of the company and its wholly owned subsidiary have been consolidated with those of its parent company.

Overseas currencies

Profit and loss accounts of overseas subsidiary companies are translated into sterling at average rates. Assets and liabilities are translated at exchange rates ruling at the balance sheet date.

Unrealised exchange differences on share capital, revaluation reserves, pre-acquisition retained profits and inter-company long term loans are taken to revaluation reserves without provision for taxation.

Exchange differences on post acquisition profits in overseas currencies are taken to retained profits.

Extraordinary items

Extraordinary items are those material items which derive from events or transactions outside the ordinary activities of the company.

Source and application of funds

No source and application of funds statement has been included in the accounts since it would not provide any useful information in view of the close financial arrangements with the ultimate holding company.

TAYLOR WOODROW ENERGY LIMITED  
NOTES TO THE ACCOUNTS - continued

2. LOSS ON ORDINARY ACTIVITIES  
 BEFORE TAXATION

	1986 £	1985 £
Turnover	9,131,070	8,953,196
Cost of sales	(8,775,148)	(9,740,805)
Gross Profit/(loss)	355,922	(787,609)
Administrative expenses	(696,149)	(570,517)
Interest receivable	6,772	14,848
Amounts written off investments	291,105	(64,246)
	(42,350)	(1,407,524)

The loss on ordinary activities  
 is after charging

Directors' emoluments	Nil	Nil
Plant hire	250,560	237,959
Auditors' remuneration	5,800	4,630

3. DEPRECIATION

Tangible assets	308,750	167,912
Intangible assets provisions - charged in year	1,032,602	1,181,292
- written back in year	(855,209)	0
	486,143	1,349,204

4. PARTICULARS OF TEAM MEMBERS

	No.	No.
Average number employed	1	1
	£	£
Remuneration	9,504	1,843
Wages	911	109
Social security costs	0	0
Other pension costs	10,415	1,952

TAYLOR WOODROW ENERGY LIMITED  
NOTES ON THE ACCOUNTS - continued

## 5. TAXATION

1986  
£1985  
£

Based on the results for the year

United Kingdom tax  
 Corporation tax at 36.25%  
 (1985 - 41.25%)

Before group relief	(651,300)	(512,600)
Group relief	651,300	512,600
	-----	-----
	0	0
Deferred	306,300	0
	-----	-----
	306,300	0
	=====	=====

## 6. INTANGIBLE ASSETS

	<u>Premium</u> £	<u>Oil and gas Exploration &amp; Production</u> £	<u>Total</u> £
Cost			
31st. December 1985	600,000	4,130,353	4,730,353
Additions	0	1,138,497	1,138,497
Transfers to Tangible Assets	0	(517,658)	(517,658)
Disposals	0	(861,429)	(861,429)
	-----	-----	-----
31st. December 1986	600,000	3,889,763	4,489,763
	=====	=====	=====
Provisions			
31st. December 1985	300,000	3,537,855	3,837,855
Disposals	0	(861,429)	(861,429)
Charge for year	300,000	732,602	1,032,602
Written back in the year	0	(855,209)	(855,209)
	-----	-----	-----
31st. December 1986	600,000	2,553,819	3,153,819
	=====	=====	=====
Net Values			
31st. December 1986	0	1,335,944	1,335,944
	=====	=====	=====
31st. December 1985	300,000	592,498	892,498
	=====	=====	=====

TAYLOR WOODROW ENERGY LIMITED  
NOTES TO THE ACCOUNTS - continued

7. OTHER TANGIBLE ASSETS

	<u>Productive</u> <u>Wells</u> £
Cost	
31st. December 1985	552,497
Additions	20,614
Transfers from Intangible Assets	517,658
Disposals	(7,324)
31st. December 1986	----- 1,083,445 =====
Depreciation	
31st. December 1985	195,788
Disposals	(7,324)
Charge for year	308,750
31st. December 1986	----- 497,214 =====
Net values	
31st. December 1986	586,231 =====
31st. December 1985	356,709 =====

8. INVESTMENT IN SUBSIDIARIES

	£
Cost	
31st. December 1985 and 1986	10,077 =====
Amounts provided	
31st. December 1985 and 1986	10,077 =====
Net values	
31st. December 1985 and 1986	0 =====

The company holds 100% of the £9,756 called up ordinary share capital of Taywood Energy Services Limited, which is incorporated in Canada.

TAYLOR WOODROW ENERGY LIMITED  
NOTES ON THE ACCOUNTS - continued

9. WORK IN PROGRESS AND STOCKS

	1986 £	1985 £
Contract work in progress	12,650,648	12,972,601
Deduct payments received on account	12,594,885	12,916,721
	-----	-----
Net work in progress	55,763	55,880
Joint ventures	985,225	689,967
	-----	-----
	1,040,988	745,847
	=====	=====
Amount of net work in progress certified and unpaid	0	0
	=====	=====

The inclusion of profit in contract work in progress is in accordance with Statement of Standard Accounting Practice No. 9 and is required by S228 (5) of the Companies Act 1985 to enable the Accounts to give a true and fair view. This constitutes a departure from the valuation rules contained in the same Act. As payments received on account cannot be allocated meaningfully between cost and profit, it is not practicable to state the effect of this departure on the balance sheet.

	1986 £	1985 £
10. DEBTORS		
Receivable within one year		
Trade	80,751	78,653
Group companies	574,978	1,407,524
Prepayments and accrued income	75,477	82,278
	-----	-----
	731,206	1,568,455
	=====	=====

11. CREDITORS FALLING DUE WITHIN ONE YEAR

Payments received on account	25,139	19,537
Trade creditors	215,331	100,063
Group companies	2,839,432	3,198,874
Other taxation and social security	100,110	115,942
Accruals and deferred income	61,884	41,385
	-----	-----
	3,291,896	3,486,701
	=====	=====

TAYLOR WOODROW ENERGY LIMITED  
NOTES TO THE ACCOUNTS - continued

12. PROVISION FOR LIABILITIES AND CHARGES

Deferred Taxation

31st. December 1985

Charged to profit and loss account

31st. December 1986

£

0

306,300

-----  
 306,300

=====

The balance arises from the effect of timing differences.

13. ORDINARY CAPITAL

Authorised

100,000 shares of £1 each  
 (1985 - 100,000)

100,000

=====

Called up and fully paid  
 100,000 shares of £1 each  
 (1985 - 100,000)

100,000

=====

14. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Taylor Woodrow plc, which is incorporated in Great Britain