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KELT UK LIMITED

(formerly TAYLOR WOODROW ENERGY LIMITED)

Directors' Report and Accounts

31st December 1987

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KELT UK LIMITED (formerly TAYLOR WOODROW ENERGY LIMITED)

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KELT UK LIMITED (formerly TAYLOR WOODROW ENERGY LIMITED)
REPORT OF THE DIRECTORS TO THE MEMBERS FOR THE YEAR ENDED 31ST DECEMBER 1987

DIRECTORS

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

Messrs A.W. Cheyne (Chairman and Managing Director), R. Broadhead, J.P. Gibson, R.C. Pemberton, M. Prokopiou and J.R. Smith.

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

Mr A.W. Cheyne resigned on 31st December 1987. Messrs. R. Broadhead, J.P. Gibson, R.C. Pemberton, M. Prokopiou and J.R. Smith resigned on 3rd February 1988.

Messrs. A. Locke, D. Bizeau and R.L. Makin were appointed as directors on 3rd February 1988.

CHANGE OF NAME

The Company changed its name from Taylor Woodrow Energy Limited to Kelt UK Limited on 18th February 1983.

REVIEW OF BUSINESS

The principal activities of the Company comprised oil and gas exploration and production and the provision of management and engineering services to the energy industry.

During the year the company transferred at net book value, assets and liabilities not relating directly to the operation and participation in landward and seaward licences to a subsidiary of its former parent company.

KELT UK LIMITED (formerly TAYLOR WOODROW ENERGY LIMITED)
REPORT OF THE DIRECTORS TO THE MEMBERS - continued

RESULTS AND DIVIDENDS

The results of the Company for the year are set out in the profit and loss account on page 5. The directors recommend that no dividend be paid in respect of the year ended 31st December 1987 (1986 - £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.

CHANGE OF OWNERSHIP

The ownership of the Company was transferred to Concorde Energy Plc on 3rd February 1988.

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

TAYLOR WOODROW plc 25p ordinary shares	<u>Fully paid</u>	
	<u>At 31st December 1987</u>	<u>At 1st January 1987</u>
R.C. Pemberton	1,000	1,000

In addition, the directors held options to acquire the following shares:

TAYLOR WOODROW plc 25p ordinary shares		
	<u>At 31st December 1987</u>	<u>At 1st January 1987</u>
J.P. Gibson	4,435	0
R.C. Pemberton	15,603	15,426
J.R. Smith	14,972	13,908

Messrs R. Broadhead, A.W. Cheyne and M. Prokopiou 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.

RELT UK LIMITED (formerly TAYLOR WOODROW ENERGY LIMITED)
REPORT OF THE DIRECTORS TO THE MEMBERS - continued


DIRECTORS' INTERESTS IN CONTRACTS

No director who held office during 1987 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. A. Locke, D. Bizeau and R.L. Makin, 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.

By order of the board



S. Kian Wah
Secretary

18 March 1988

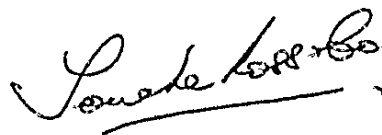
AUDITORS' REPORT TO THE MEMBERS OFKELT UK LIMITED (formerly TAYLOR WOODROW ENERGY LIMITED)

We have audited the accounts and notes on pages 5 to 13 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 1987 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.

2/4 March 1988



Chartered Accountants
London

KEIT JK LIMITED (formerly TAYLOR WOODROW ENERGY LIMITED)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st. DECEMBER 1987

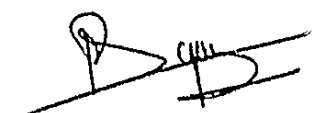
	Notes	1987 £	1986 £
TURNOVER		9,604,854	9,131,070
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2 - 4	82,722	(42,350)
Taxation	5	49,023	306,300
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		33,699	(348,650)
EXTRAORDINARY ITEM		0	348,650
Contribution from parent company		33,699	0
PROFIT RETAINED			

KELT UK LIMITED (formerly TAYLOR WOODROW ENERGY LIMITED)BALANCE SHEET AS AT 31st. DECEMBER 1987

	Notes	1987 £	1986 £
ASSETS EMPLOYED			
Fixed Assets			
Intangible assets	6	1,345,270	1,335,944
Tangible assets			
Other	7	459,604	586,231
Investments			
Group companies	8	0	0
		<u>1,804,874</u>	<u>1,922,175</u>
Current Assets			
Work in progress and stocks	9	57,809	1,040,988
Debtors	10	61,987	731,206
Bank balances and cash		10,028	3,827
		<u>129,824</u>	<u>1,776,021</u>
Creditors falling due within one year	11	1,462,699	3,291,896
		<u>(1,332,875)</u>	<u>(1,515,875)</u>
Net current liabilities			
Total assets less current liabilities		<u>471,999</u>	<u>406,300</u>
FINANCED BY			
Provision for liabilities and charges	12	338,300	306,300
Capital and Reserves			
Called up ordinary share capital	13	100,000	100,000
Retained earnings		33,699	0
		<u>471,999</u>	<u>406,300</u>



)
) Directors
)


18 March 1988

NELT UK LIMITED (formerly 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. 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.

KELT UK LIMITED (formerly TAYLOR WOODROW 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.

KELT UK LIMITED (formerly TAYLOR WOODROW ENERGY LIMITED)
NOTES TO THE ACCOUNTS - continued

	1987 £	1986 £
2. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		
Turnover	9,604,854	9,131,070
Cost of sales	(8,890,853)	(8,775,148)
Gross profit	714,001	355,922
Administrative expenses	(597,617)	(696,149)
Interest receivable	5,338	6,772
Interest payable to group companies	(39,000)	0
Amounts written off investments	0	291,105
	82,722	(42,350)

The profit/(loss) on ordinary activities
is after charging

Directors' emoluments	Nil	Nil
Plant hire	228,067	250,560
Auditors remuneration	6,000	5,800

3. DEPRECIATION

Tangible assets	113,249	308,750
Intangible assets provisions - charged in year	787,062	1,032,602
- written back in year	0	(855,209)
	900,311	486,143

4. PARTICULARS OF TEAM MEMBERS

	No.	No.
Average number employed	1	1
	£	£
Remuneration		
Wages	13,318	9,504
Social security costs	1,231	911
Other pension costs	0	0
	14,549	10,415

KELT UK LIMITED (formerly TAYLOR WOODROW ENERGY LIMITED)
NOTES ON THE ACCOUNTS - continued

5. TAXATION

1987
£

1986
£

Based on the results for the year

United Kingdom tax
 Corporation tax at 35%
 (1986 - 36.25%)

Before group relief

Group relief

Deferred

Prior years - Deferred

17,023	(651,300)
0	651,300
17,023	0
16,800	306,300
15,200	0
49,023	306,300
=====	=====

6. INTANGIBLE ASSETS

	<u>Premium</u> £	<u>Oil and gas Exploration & Production</u> £	<u>Total</u> £
Cost			
31st. December 1986	600,000	3,889,763	4,489,763
Additions	0	777,245	777,245
Transfers from Tangible Assets	0	19,143	19,143
31st. December 1987	600,000	4,686,151	5,286,151
Provisions			
31st. December 1986	600,000	2,553,819	3,153,819
Charge for year	0	787,062	787,062
31st. December 1987	600,000	3,340,881	3,940,881
Net Values			
31st. December 1987	0	1,345,270	1,345,270
31st. December 1986	0	1,335,944	1,335,944

KENT UK LIMITED (formerly TAYLOR WOODROW ENERGY LIMITED)
NOTES TO THE ACCOUNTS - continued

7. OTHER TANGIBLE ASSETS

	<u>Productive</u> <u>Wells</u> £
Cost	
31st. December 1986	1,083,445
Additions	5,765
Transfers to Intangible Assets	(19,143)
31st. December 1987	<u>1,070,067</u> =====
Depreciation	
31st. December 1986	497,214
Charge for year	113,249
31st. December 1987	<u>610,463</u> =====
Net values	
31st. December 1987	<u>459,604</u> =====
31st. December 1986	<u>586,231</u> =====

8. INVESTMENT IN SUBSIDIARIES

	£
Cost	
31st. December 1986	10,077
Disposal	(10,077)
31st December 1987	<u>0</u> =====
Amounts provided	
31st. December 1986	10,077
Disposal	(10,077)
31st December 1987	<u>0</u> =====
Net values	
31st. December 1986 and 1987	<u>0</u> =====

During the year, the company transferred its investment in Taywood Energy Services Limited, which is incorporated in Canada.

FELT UK LIMITED (formerly TAYLOR WOODROW ENERGY LIMITED)
NOTES ON THE ACCOUNTS - continued

9. WORK IN PROGRESS AND STOCKS

	1987 £	1986 £
Contract work in progress	6,237,052	12,650,648
Deduct payments received on account	6,179,243	12,594,885
Net work in progress	57,809	55,763
Joint ventures	0	985,225
	57,809	1,040,988
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.

	1987 £	1986 £
10. DEBTORS		
Receivable within one year		
Trade	13,058	80,751
Group companies	0	574,978
Prepayments and accrued income	48,929	75,477
	61,987	731,206

11. CREDITORS FALLING DUE WITHIN ONE YEAR

Payments received on account	0	25,139
Trade creditors	105,969	215,331
Group companies	1,229,359	2,889,432
Taxation on profits	17,023	0
Other taxation and social security	48,680	100,110
Accruals and deferred income	61,668	61,884
	1,462,699	3,291,896

KELT UK LIMITED (formerly TAYLOR WOODROW ENERGY LIMITED)
NOTES TO THE ACCOUNTS - continued

13.

12. PROVISION FOR LIABILITIES AND CHARGES

	£
Deferred Taxation	
31st. December 1986	306,300
Charged to profit and loss account	32,000

31st. December 1987	338,300
	=====

The balance arises from the effect of timing differences.

13. ORDINARY CAPITAL

Authorised	
100,000 shares of £1 each	
(1986 - 100,000)	100,000
	=====
Called up and fully paid	
100,000 shares of £1 each	
(1986 - 100,000)	100,000
	=====

14. ULTIMATE HOLDING COMPANY

The company's ultimate holding company to 3rd February 1988 was Taylor Woodrow plc, which is incorporated in England. After that date, the company's ultimate holding company is Concorde Energy Plc, which is incorporated in England.