

Company Registration No. SC205015

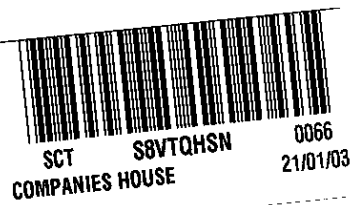
OIL WELL LIMITED

Report and Financial Statements

31 May 2002

**Deloitte & Touche
Aberdeen**

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OIL WELL LIMITED**REPORT AND FINANCIAL STATEMENTS 2002**

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OIL WELL LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M D Burnett
A S Paton

SECRETARY

Adam Cochran & Co

REGISTERED OFFICE

Adam Cochran & Co
6 Bon Accord Square
ABERDEEN
AB11 6XU

BANKERS

Lloyds TSB Scotland plc
19 Union Terrace
Aberdeen
AB10 1WH

SOLICITORS

Adam Cochran & Co
6 Bon Accord Square
Aberdeen
AB11 6XU

AUDITORS

Deloitte & Touche
Chartered Accountants
Aberdeen

OIL WELL LIMITED**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 May 2002.

ACTIVITIES

The company's principal activity is that of a holding and management company.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The directors are satisfied with the results for the period, and are confident of the prospects for the company and its subsidiary to continue for the foreseeable future.

RESULTS AND TRANSFERS TO RESERVES

The company made a profit after taxation of £46,069 (2001: £4,042). A dividend of £23,400 was paid to the holders of 'B' ordinary shares during the year (2001 period: £23,400). The directors recommend that the retained profit of £22,669 (2001 period: £4,042) is transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year, together with their interests in the share capital of the company, are as follows:

	As at 31 May 2002			As at 31 May 2001		
	A Ordinary shares No.	B Ordinary shares No.	Preference shares No.	A Ordinary shares No.	B Ordinary shares No.	Preference shares No.
M D Burnett	10,000	1,000	30,000	10,000	1,000	40,000
A S Paton	10,000	1,000	30,000	10,000	1,000	40,000

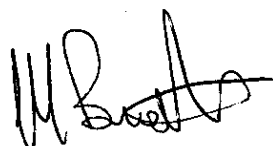
M D Burnett and A S Paton each redeemed 10,000 10% preference shares of £1 each at par on 28 May 2002.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the board of directors
and signed on behalf of the board

M D Burnett
Director



17th January 2003

OIL WELL LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 to 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OIL WELL LIMITED

We have audited the financial statements of Oil Well Limited for the year ended 31 May 2002, which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to *audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.*

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. 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 financial statements, and of whether the accounting policies are appropriate to the company's circumstances, 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. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Deloitte & Touche**

Chartered Accountants and Registered Auditors
Aberdeen

20 January 2003.

OIL WELL LIMITED
PROFIT AND LOSS ACCOUNT
Year ended 31 May 2002

		1 June 2001 to 31 May 2002 £	15 March 2000 to 31 May 2001 £
	Note		
TURNOVER: continuing operations	2	186,270	179,294
Administrative expenses		(109,287)	(136,953)
OPERATING PROFIT: continuing operations		76,983	42,341
Investment income	4	-	15,000
Interest payable and similar charges	5	(18,770)	(23,231)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		58,213	34,110
Tax on profit on ordinary activities	6	(12,144)	(6,668)
PROFIT FOR THE FINANCIAL YEAR		46,069	27,442
Dividends	7	(23,400)	(23,400)
RETAINED PROFIT FOR THE FINANCIAL YEAR			
TRANSFERRED TO RESERVES	14	22,669	4,042

The statement of movements on reserves is shown in note 14 to the accounts.

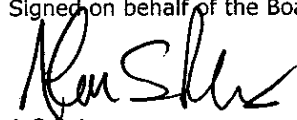
There are no recognised gains and losses for the current financial year and the preceding financial period other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses has been prepared.

OIL WELL LIMITED
**BALANCE SHEET
31 May 2002**

	Note	31 May 2002 £	31 May 2001 £
FIXED ASSETS			
Investments	8	118,635	118,635
CURRENT ASSETS			
Debtors	9	253,775	255,907
Cash at bank and in hand		4,551	8,913
		258,326	264,820
CREDITORS: amounts falling due within one year	10	(35,532)	(30,113)
NET CURRENT ASSETS		222,794	234,707
TOTAL ASSETS LESS CURRENT LIABILITIES		341,429	353,342
CREDITORS: amounts falling due after more than one year	11	(233,718)	(248,300)
NET ASSETS		107,711	105,042
CAPITAL AND RESERVES			
Called up share capital	13	81,000	101,000
Capital redemption reserve	14	20,000	-
Profit and loss account	14	6,711	4,042
SHAREHOLDERS' FUNDS	15	107,711	105,042
Attributable to equity shareholders		40,711	25,042
Attributable to non-equity shareholders		60,000	80,000

These financial statements were approved by the Board of Directors on 17/01/2003.

Signed on behalf of the Board of Directors



A S Paton
Director

OIL WELL LIMITED**NOTES TO THE ACCOUNTS**
Year ended 31 May 2002**1 ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Group Accounts

Under the provisions of section 248 of the Companies Act 1985 and in accordance with paragraph 21a of FRS2 the company is exempt from preparing consolidated accounts by virtue of the fact that the company is parent of a small group. The financial statements therefore present information about the company as an individual undertaking and not the group.

Cash flow statement

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it qualifies as a small company under Sections 246 and 247 of the Companies Act 1985.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Deferred taxation

Deferred taxation is provided in full on timing differences which represent a liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets and liabilities are not discounted.

Pension costs

The pension cost charge represents contributions payable by the company to personal pension plans in respect of the period.

2 TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax.

The turnover, which arises in the United Kingdom, is attributable to the company's principal activity.

OIL WELL LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 May 2002
3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1 June 2001 to 31 May 2002 £	15 March 2000 to 31 May 2001 £
Directors' remuneration		
Emoluments (excluding pension contributions)	88,047	95,012
Company contributions to a defined contribution pension scheme	1,920	1,680
The number of directors who:		
▪ are members of a defined contribution scheme	2	2
Average number of persons employed		
Management and administration	3	3
Staff costs during the year (including directors)		
Wages and salaries	90,925	102,100
Social security costs	9,176	9,817
Pension costs	2,414	1,980
	102,515	113,897

OIL WELL LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 May 2002
4 INVESTMENT INCOME

	1 June 2001 to 31 May 2002 £	15 March 2000 to 31 May 2001 £
Income from shares in group undertakings	-	15,000

5 INTEREST PAYABLE AND SIMILAR CHARGES

	1 June 2001 to 31 May 2002 £	15 March 2000 to 31 May 2001 £
Bank loans and overdrafts	18,770	23,231

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1 June 2001 to 31 May 2002 £	15 March 2000 to 31 May 2001 £
<i>Current taxation</i>		
United Kingdom corporation tax at 19% (2001 - 20%)	12,144	6,668

OIL WELL LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 May 2002
6 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

	1 June 2001 to 31 May 2002 £	15 March 2000 to 31 May 2001 £
Profit on ordinary activities before taxation	58,213	34,110
Tax on profit on ordinary activities at standard rate	11,060	6,822
<i>Factors affecting charge for the year:</i>		
Expenses not deductible for tax purposes	574	2,846
Tax rate changes	510	-
Non taxable income	-	(3,000)
Total actual amount of current tax	12,144	6,668

7 DIVIDENDS

	1 June 2001 to 31 May 2002 £	15 March 2000 to 31 May 2001 £
'B' Ordinary shares		
Interim paid - £23.40 per 'B' Ordinary share (2001 - £23.40 per 'B' Ordinary share)	23,400	23,400

8 INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary undertaking £
At 1 June 2001 and at 31 May 2002	118,635

The subsidiary undertaking, which is 100% owned, is Sub Drill Supply Limited, a company registered in Scotland. Its principal activity is the sale of equipment and consumables to the oil industry. As at 31 May 2002 its net assets were £255,691 (2001: £81,554), and its profit for the year then ended was £174,137 (2001: £111,069).

OIL WELL LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 May 2002
9 DEBTORS

	31 May 2002 £	31 May 2001 £
Amounts due from subsidiary	253,639	255,693
Other debtors	136	214
	<u>253,775</u>	<u>255,907</u>

All amounts are due within one year.

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 May 2002 £	31 May 2001 £
Bank loans (note 12)	19,613	19,223
Trade creditors	926	1,464
Corporation tax	12,144	6,668
Other taxes and social security	2,849	2,758
	<u>35,532</u>	<u>30,113</u>

11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 May 2002 £	31 May 2001 £
Bank loans (note 12)	<u>233,718</u>	<u>248,300</u>
Amounts payable wholly or partly after five years		
Bank loans	<u>155,267</u>	<u>171,407</u>

OIL WELL LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 May 2002
12 BORROWINGS

	31 May 2002 £	31 May 2001 £
Bank loans and overdrafts	253,331	267,523
The maturity of the above amounts is as follows:		
In one year or less, or on demand	19,613	19,223
In more than one year but not more than two years	19,613	19,223
In more than two years but not more than five years	58,838	57,670
In more than five years	155,267	171,407
	<u>253,331</u>	<u>267,523</u>

The loan is repayable in 180 monthly instalments commencing April 2000. It bears interest at the Bank's base rate plus 2.5 per cent.

The bank loan is secured by a bond and floating charge over the assets of the group, and cross guarantees are in place between the parent and subsidiary (note 16).

13 CALLED UP SHARE CAPITAL

	31 May 2002 £	31 May 2001 £
Authorised		
80,000 10% redeemable preference shares of £1.00 each	80,000	80,000
20,000 'A' ordinary shares of £1.00 each	20,000	20,000
1,000 'B' ordinary shares of £1.00 each	1,000	1,000
	<u>101,000</u>	<u>101,000</u>
Called up, allotted and fully paid		
60,000 (2001 - 80,000) 10% redeemable preference shares of £1.00 each	60,000	80,000
20,000 'A' Ordinary shares of £1.00 each	20,000	20,000
1,000 'B' Ordinary shares of £1.00 each	1,000	1,000
	<u>81,000</u>	<u>101,000</u>

OIL WELL LIMITED
**NOTES TO THE ACCOUNTS
Year ended 31 May 2002**
13 CALLED UP SHARE CAPITAL (continued)
10% redeemable preference shares

Balance at 1 June 2001	80,000	-
New issue	-	80,000
Redemption	(20,000)	-
Balance at 31 May 2002	<u>60,000</u>	<u>80,000</u>

'A' Ordinary shares

Balance at 1 June 2001	20,000	-
New Issue	-	20,000
Balance at 31 May 2002	<u>20,000</u>	<u>20,000</u>

'B' Ordinary shares

Balance at 1 June 2001	1,000	-
New Issue	-	1,000
Balance at 31 May 2002	<u>1,000</u>	<u>1,000</u>

OIL WELL LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 May 2002
13 CALLED UP SHARE CAPITAL (continued)

The main rights attached to each class of share are as follows:

10% REDEEMABLE PREFERENCE SHARES OF £1 EACH

These shares are entitled to a fixed cumulative preferential dividend at the rate of 10% per annum payable half yearly on 28 May and 28 November. On the 14 October 2002 the shareholders passed a resolution to waive their entitlement to all dividends accrued to that date.

These shares carry no voting rights.

These shares are scheduled to be redeemed for the consideration originally paid of £1 per share, in four equal tranches on 28 May 2002, 2003, 2004 and 2005, upon giving to the holders of the shares not less than 30 days notice in writing.

On the 28 May 2002 20,000 shares were redeemed at £1 per share.

On winding up, the amount distributable to members shall be applied first in repaying the holders of these shares the amount paid plus any arrears or deficiency of the fixed dividend.

B' ORDINARY SHARES OF £1 EACH

The holders of 'A' ordinary and 'B' ordinary shares rank pari passu subject to the rights attached to the 'B' ordinary shares as follows:

(a) These shares are entitled to receive a dividend in priority, separately from and to the exclusion of the holders of 'A' ordinary share of such amount as the directors approve.

(b) The holders of the 'B' ordinary shares are entitled to receive notice and attend but not vote on any resolution put to a general meeting unless the Resolution relates to:

- (i) a voluntary winding up
- (ii) an increase in the authorised or issued share capital of the company, or
- (iii) the authorisation of any bonus issue of shares credited as fully paid up to Members of the Company.

A' ORDINARY SHARES OF £1 EACH

The holder of these shares is entitled to receive a dividend separately from and to the exclusion of the holders of 'B' ordinary shares.

14 STATEMENT OF MOVEMENTS ON RESERVES

	Capital redemption reserve	Profit and loss account	Total
	£	£	£
At 1 June 2001	-	4,042	4,042
Profit retained for the year	-	22,669	22,669
Redemption of shares	20,000	(20,000)	-
At 31 May 2002	20,000	6,711	26,711

OIL WELL LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 May 2002
15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 May 2002 £	31 May 2001 £
Profit attributable to members of the company	46,069	27,442
Dividends	(23,400)	(23,400)
	22,669	4,042
Redemption of shares	(20,000)	-
Capital subscribed	-	101,000
	2,669	105,042
Net addition to shareholders' funds	2,669	105,042
Opening shareholders' funds	105,042	-
	107,711	105,042
Closing shareholders' funds	107,711	105,042

16 CONTINGENT LIABILITIES

The company along with its subsidiary, Sub Drill Supply Limited, has entered into a cross guarantee in respect of bank borrowings. The company's contingent liability at 31 May 2002 under this arrangement amounted to £Nil (2001:£Nil).

17 PENSION SCHEMES

Contributions made by the company to personal pension plans during the year amounted to £2,414 (2001:£1,980). There were no outstanding or prepaid contributions at 31 May 2002 (2001:£Nil).

18 RELATED PARTY TRANSACTIONS

During the period the company was recharged £81,386 (2001: £96,692) for the remuneration costs of directors initially borne by its subsidiary undertaking, Sub Drill Supply Limited.

A charge of £186,270 (2001: £179,294) for management services was made to the subsidiary undertaking and a dividend of £Nil (2001: £15,000) was receivable. At 31 May 2002, £253,639 (2001: £255,693) was due from the subsidiary undertaking. This amount is included within debtors.