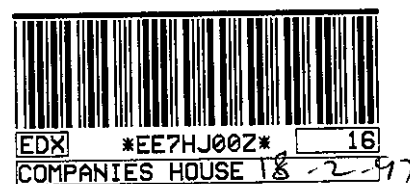


**Falmouth Oil Services  
(1994) Limited**

**Directors' report and financial statements**

**31 December 1995**

Registered number 2856486



# Falmouth Oil Services (1994) Limited

## Directors' report

The directors present their annual report together with the financial statements and auditors' report for the year ended 31 December 1995.

### Principal activity and business review

The company operates a bonded oil terminal at Falmouth in support of a 24 hour bunkering service to marine vessels of all sizes. A full range of bunker fuels is stocked, including heavy and intermediate fuel oil, marine diesel and gas oil. As part of the all inclusive service offered to vessels calling at Falmouth the company also operates a maritime agency and a fully licensed slop-reception facility.

The company continued its capital expenditure program during the year, completing a major refurbishment of the Eastern Jetty and acquiring additional waste oil and water treatment equipment in order to further enhance the fully licensed slop reception facilities.

A new five year contract has been concluded with a major supplier and this commenced on 1 January 1996. In addition to providing longer term security of income, this has enabled the company to expand the existing bunkering and gas oil supply business into new outlets.

### Results and dividends

The results for the period are shown on page 6 to the financial statements.

The directors do not recommend the payment of a dividend.

### Parent company

The entire share capital of the company was acquired on 22 December 1995 by Garraf Limited.

### Directors and their interests

The directors who held office during the year were as follows:

PJ de Savary (resigned 22 December 1995)

CJ Walters

RB Linfield (resigned 22 December 1995)

DS Burnet and RY Birley were appointed directors of the company on 14 February 1996.

The interests of the director who held office at the year end in the shares of Garraf Limited are shown in that company's accounts.

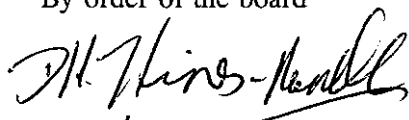
# Falmouth Oil Services (1994) Limited

## Directors' report (*continued*)

### Auditors

In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of Robinson Reed Layton as auditors of the company, is to be proposed at the forthcoming Annual General Meeting.

By order of the board

  
*Secretary*  
DK Hines-Randle

The Docks  
FALMOUTH  
Cornwall

10 February 1997

## Auditors' report to the members of Falmouth Oil Services (1994) Limited

We have audited the financial statements on pages 5 to 18.

### *Respective responsibilities of directors and auditors*

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

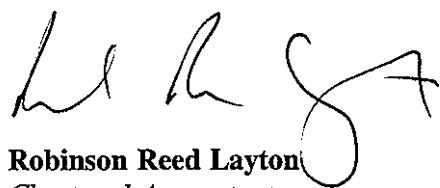
### *Basis of opinion*

We conducted our audit in accordance with 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 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Robinson Reed Layton**  
*Chartered Accountants*  
*Registered Auditors*

Peat House  
Newham Road  
TRURO  
Cornwall  
TR1 2DP

14 February 1997

# Falmouth Oil Services (1994) Limited

## Profit and loss account for the year ended 31 December 1995

	Notes	1995 £	5 months ended 31 December 1994 as restated £
<b>Turnover</b>	1, 2	<b>6,013,021</b>	<b>2,115,142</b>
Cost of sales		<b>(5,395,918)</b>	<b>(1,723,788)</b>
<b>Gross profit</b>		<b>617,103</b>	<b>391,354</b>
Administrative expenses		<b>(705,276)</b>	<b>(331,105)</b>
Other operating income	3	<b>445,804</b>	<b>325,659</b>
<b>Operating profit</b>		<b>357,631</b>	<b>385,908</b>
Interest receivable and similar income		<b>8,854</b>	<b>26,938</b>
Amounts written off fixed asset investments		<b>(4,895)</b>	<b>-</b>
Interest payable and similar charges	6	<b>(76,967)</b>	<b>(37,878)</b>
<b>Profit on ordinary activities before taxation</b>	4	<b>284,623</b>	<b>374,968</b>
Tax on profit on ordinary activities	7	<b>-</b>	<b>-</b>
<b>Profit for the financial period</b>	17	<b>284,623</b>	<b>374,968</b>
Retained profit brought forward		<b>374,968</b>	<b>-</b>
<b>Retained profit carried forward</b>		<b>659,591</b>	<b>374,968</b>

The company commenced to trade on 29 July 1994 and all turnover and operating profit were derived from operations commenced in that period. There were no acquisitions or discontinued operations during the year ended 31 December 1995.

## Statement of total recognised gains and losses for the year ended 31 December 1995

	1995 £	1994 as restated £
Profit for the financial year/period and total recognised gains and losses relating to that period	<b>284,623</b>	<b>374,968</b>
Prior year adjustment (see note 26)	<b>211,113</b>	
<b>Total gains and losses recognised since last annual report</b>	<b>495,736</b>	

# Falmouth Oil Services (1994) Limited

## Balance sheet at 31 December 1995

	Notes	1995	1994 as restated
		£	£
<b>Fixed assets</b>			
Tangible assets	8	3,345,796	2,619,790
Investments	9	10,105	-
<b>Current assets</b>			
Stocks	10	41,882	11,333
Debtors	11	819,263	648,599
Cash at bank and in hand		5,673	586,097
		<u>866,818</u>	<u>1,246,029</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(1,292,495)</u>	<u>(1,092,320)</u>
<b>Net current (liabilities)/assets</b>		<u>(425,677)</u>	<u>153,709</u>
<b>Total assets less current liabilities</b>		<u>2,930,224</u>	<u>2,773,499</u>
<b>Creditors: amounts falling due after more than one year</b>	13	(774,741)	(792,586)
<b>Provisions for liabilities and charges</b>	14	(47,280)	(44,000)
<b>Accruals and deferred income</b>	15	<u>(448,612)</u>	<u>(561,945)</u>
<b>Net assets</b>		<u>1,659,591</u>	<u>1,374,968</u>
<b>Capital and reserves</b>			
Called up share capital	16	1,000,000	1,000,000
Profit and loss account		659,591	374,968
<b>Equity shareholders' funds</b>	17	<u>1,659,591</u>	<u>1,374,968</u>

These financial statements were approved by the board of directors on 10 February 1997 and were signed on its behalf by:

  
CJ Walters  
Director

**Cash flow statement**  
*for the year ended 31 December 1995*

	<i>Note</i>	<b>1995</b>	<b>5 months ended 31 December 1994</b>
		£	£
<b>Net cash inflow from operating activities</b>	<b>20</b>	<b>169,076</b>	<b>638,160</b>
<b>Return on investments and servicing of finance</b>			
Interest received		8,837	26,938
Interest paid		(76,810)	(35,833)
Interest element of finance lease rental payments		(1,235)	(375)
		<u>          </u>	<u>          </u>
<b>Net cash outflow from returns on investment and servicing of finance</b>		<b>(69,208)</b>	<b>(9,270)</b>
<b>Investing activities</b>			
Purchase of investment		(15,000)	-
Purchase of tangible fixed assets		(768,556)	(2,646,611)
		<u>          </u>	<u>          </u>
<b>Net cash outflow from investing activities</b>		<b>(783,556)</b>	<b>(2,646,611)</b>
<b>Financing</b>			
Issue of ordinary share capital		-	1,000,000
Grants received		170,000	680,000
New secured loan repayable over 7 years		-	925,000
Loan repayments		(75,036)	-
Capital element of finance lease rental payments		(17,737)	(1,182)
		<u>          </u>	<u>          </u>
<b>Net cash inflow from financing</b>		<b>77,227</b>	<b>2,603,818</b>
		<u>          </u>	<u>          </u>
<b>(Decrease)/Increase in cash and cash equivalents</b>	<b>21</b>	<b>(606,461)</b>	<b>586,097</b>
		<u>          </u>	<u>          </u>

# Falmouth Oil Services (1994) Limited

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared under the historical cost accounting rules.

The company is exempt under S.248 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

#### *Fixed assets and depreciation*

Depreciation is provided at rates calculated to write-off the cost of each asset less estimated residual value on a straight-line basis over its expected useful life, as follows:

Long leasehold buildings	- 50 years
Plant and equipment	- 4 - 50 years
Tankers	- 8 years

No depreciation is charged on long leasehold land as the period of lease is 999 years.

#### *Drydock repairs and prepaid survey costs*

Provision is made on a daily basis for the estimated costs of repair, generally on the assumption that the vessel will drydock twice during a five year period. Any difference between the actual cost of repairs and the amount accrued is amortised over the period to the next drydock.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### *Leases*

Assets held under finance leases are initially recorded at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges to the profit and loss account and reduction of the liability, and allocated to cost of sales and other operating expenses as appropriate.

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

# Falmouth Oil Services (1994) Limited

## Notes (continued)

### 1 . Accounting policies (continued)

#### *Pensions*

The company contributes to a defined contribution pension scheme. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

#### *Stocks*

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

#### *Taxation*

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise in the foreseeable future.

#### *Turnover*

Turnover represents the amounts (excluding Value Added Tax) derived from the provision of goods and services to third party customers during the period.

#### *Investments*

Investments in subsidiary undertakings are stated at cost less any provision necessary to equate the carrying value of the investment to that subsidiary's balance sheet total.

#### *Government grants*

Regional Selective Assistance is included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the period of the project.

### 2 Analysis of turnover

	1995 £	5 months ended 31 December 1994 £
Bunkering services	4,703,239	1,814,404
Agency services	914,446	180,478
Discharges, tank cleaning and waste oil treatment	395,336	120,260
	<hr/>	<hr/>
	6,013,021	2,115,142
	<hr/>	<hr/>

# Falmouth Oil Services (1994) Limited

## Notes (continued)

### 3 Other operating income

	1995 £	5 months ended 31 December 1994 £
Exceptional income - Payment for rights of access to adjoining land	-	200,000
Exceptional income-loan writedown (see below)	152,904	-
Rental income	9,567	7,604
Release of government grant	283,333	118,055
	<u>445,804</u>	<u>325,659</u>

As part of agreement for the purchase of Falmouth Oil Services (1994) by Garraf Limited debts totalling £152,904 were assigned to the new parent undertaking for consideration of £1. Garraf Limited has agreed not to collect this debt.

### 4 Profit on ordinary activities before taxation

*Profit on ordinary activities before taxation is stated after charging:*

	1995 £	5 months ended 31 December 1994 £
Auditors' remuneration	6,000	6,000
Depreciation of tangible fixed assets	110,612	33,511
Hire of plant and machinery	12,687	3,267
Operating leases	42,542	18,330
Exchange loss	13,537	-
<i>and after crediting</i>		
Profit on disposal	2,317	-
Exchange gains	-	3,407
	<u>        </u>	<u>        </u>

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	1995	5 months ended 31 December 1994
Administration	7	7
Sales	2	2
Distribution	54	54
	<u>63</u>	<u>63</u>

# Falmouth Oil Services (1994) Limited

## Notes (continued)

### 5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	1995 £	5 months ended 31 December 1994 £
Wages and salaries	1,173,216	464,183
Social security costs	116,975	44,977
Other pension costs	41,253	17,066
	<u>1,331,444</u>	<u>526,226</u>

Directors remuneration:

	1995 £	5 months ended 31 December 1994 £
<i>Directors remuneration was paid in respect of directors of the company as follows:</i>		
Emoluments	<u>40,716</u>	<u>28,618</u>
<i>The directors' remuneration shown above (excluding pension contributions) included:</i>		
Chairman	<u>Nil</u>	<u>Nil</u>
Highest paid director	<u>40,716</u>	<u>27,618</u>

Directors received emoluments (excluding pension contributions) in the following ranges:

Nil	2	3
£25,001 - £30,000	-	1
£40,001 - £45,000	1	-
	<u>3</u>	<u>4</u>

### 6 Interest payable and similar charges

	1995 £	5 months ended 31 December 1994 £
On bank loans and overdrafts, and other loans repayable within five years	75,662	6,609
On other loans	1,305	31,269
	<u>76,967</u>	<u>37,878</u>

Included in the above is the interest element of charges payable under finance leases amounting to £1,235 (1994 : £375).

# Falmouth Oil Services (1994) Limited

## Notes (continued)

### 7 Tax on profit on ordinary activities

	1995 £	5 months ended 31 December 1994 £
UK corporation tax at 33% on the profit for the year/period on ordinary activities	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The company has substantial tax losses to carry forward and offset against future profits of the same trade. (see note 26).

### 8 Tangible fixed assets

	Long leasehold land and buildings £	Tankers £	Plant and equipment £	Total £
<b>Cost</b>				
At 1 January 1995 - as previously stated	356,070	350,000	1,772,079	2,478,149
Prior year adjustment	175,152	-	-	175,152
	<u>531,222</u>	<u>350,000</u>	<u>1,772,079</u>	<u>2,653,301</u>
At 1 January 1995 - as restated	531,222	350,000	1,772,079	2,653,301
Additions	6,318	4,250	830,233	840,801
Disposals	-	-	(4,183)	(4,183)
	<u>537,540</u>	<u>354,250</u>	<u>2,598,129</u>	<u>3,489,919</u>
At 31 December 1995	537,540	354,250	2,598,129	3,489,919
<b>Depreciation</b>				
At 1 January 1995	552	18,200	14,759	33,511
Charged in year	1,663	44,035	64,914	110,612
	<u>2,215</u>	<u>62,235</u>	<u>79,673</u>	<u>144,123</u>
At 31 December 1995	2,215	62,235	79,673	144,123
<b>Net book value</b>				
At 31 December 1995	<u>535,325</u>	<u>292,015</u>	<u>2,518,456</u>	<u>3,345,796</u>
<b>Net book value</b>				
At 31 December 1994	<u>530,670</u>	<u>331,800</u>	<u>1,757,320</u>	<u>2,619,790</u>

Included in the total net book value of plant and equipment is £104,832 (1994 : £44,055) in respect of assets held under finance leases. Depreciation for the year on these assets was £5,351 (1994 : £945).

Included in long leasehold land and buildings is £425,000 (1994 : £425,000 as restated) for long leasehold land which is not being depreciated.

# Falmouth Oil Services (1994) Limited

## Notes (continued)

### 9 . Fixed asset investments

	Shares in group undertakings £
<b>Cost</b>	
At beginning of year	-
Additions	15,000
	<hr/>
At end of year	15,000
	<hr/>
<b>Provisions</b>	
At beginning of year	-
Provided in year	4,895
	<hr/>
At end of year	4,895
	<hr/>
<b>Net book value</b>	
At 31 December 1995	10,105
	<hr/>
At 31 December 1994	-
	<hr/>

The company purchased the entire share capital of Tamblyn Shipping Limited, a company registered in England and Wales. The company acts as a shipping agent.

Financial information in respect of the subsidiary is as follows:

	£
Aggregate amount of capital and reserves	10,105
Profit/(loss) for the year	12,619

### 10 Stocks

Stocks consist of fuel oil, tanker spares and lubricating oil. There is no material difference between the replacement cost of stocks and their balance sheet amounts.

### 11 Debtors

	1995 £	1994 £
Amounts falling due within one year:		
Trade debtors	587,254	406,509
Other debtors	92,061	140,015
Amounts owed by subsidiary undertaking	7,178	-
Prepayments and accrued income	132,770	102,075
	<hr/>	<hr/>
	819,263	648,599
	<hr/>	<hr/>

# Falmouth Oil Services (1994) Limited

## Notes (continued)

### 12 Creditors: amounts falling due within one year

	1995 £	1994 £
Bank overdraft (secured)(note 13)	26,037	-
Bank loan (note 13)	112,106	135,371
Obligations under finance leases (note 13)	16,669	2,587
Trade creditors	855,508	537,829
Other creditors	102,675	331,163
Accruals and deferred income	179,500	85,370
	<u>1,292,495</u>	<u>1,092,320</u>

### 13 Creditors: amounts falling due after more than one year

	1995 £	1994 £
Bank loan	737,894	789,665
Obligations under finance leases (payable in second to fifth years inclusive)	36,847	2,921
	<u>774,741</u>	<u>792,586</u>

The bank loan is repayable by monthly instalments over 6 years as follows:

	£	£
Within one year	112,106	135,371
In second to fifth years inclusive	562,894	541,484
Over five years	175,000	248,181
	<u>850,000</u>	<u>925,036</u>

The bank loan and overdraft are secured by a legal charge over 30 acres of land at The Docks, Falmouth and ships mortgages over the vessels known as 'Falmouth Enterprise' and 'Falmouth Endeavour'. Interest is charged on the loan at 2.5% above base.

The finance lease obligations are secured on the relevant fixed assets.

# Falmouth Oil Services (1994) Limited

## Notes (continued)

### 14 Provisions for liabilities and charges

	Dry docking provision £	Deferred tax £	Total £
At beginning of year as previously stated	44,000	49,851	93,851
Prior year adjustment	-	(49,851)	(49,851)
At beginning of year - restated	44,000	-	44,000
Charge for year in the profit and loss account	127,898	-	127,898
Expenditure in year	(124,618)	-	(124,618)
At end of year	47,280	-	47,280

The amounts provided for deferred taxation are set out below.

	1995		1994	
	Provided £	Unprovided £	Provided £	Unprovided £
Difference between accumulated depreciation and amortisation and capital allowances	257,960	-	65,100	-
Tax effect of losses carried forward	(102,044)	-	-	-
Capital gain rolled over	-	66,000	-	66,000
Other timing differences	(155,916)	-	(65,100)	-
	-	66,000	-	66,000

### 15 Accruals and deferred income

	1995 £	1994 £
<i>Government grants</i>		
At beginning of year	561,945	-
Receivable during year	170,000	680,000
Credited to trading profit	(283,333)	(118,055)
At end of year	448,612	561,945

# Falmouth Oil Services (1994) Limited

## Notes (continued)

### 16 Called up share capital

	1995 £	1994 £
<i>Authorised</i>		
Ordinary shares of £1 each	1,000,000	1,000,000
Redeemable preference shares of £1 each	1,000,000	1,000,000
	<u>2,000,000</u>	<u>2,000,000</u>
 <i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

### 17 Reconciliation of movements in shareholders' funds

	1995 £	1994 as stated £
Profit for the financial year	284,623	374,968
New share capital subscribed	-	1,000,000
Opening shareholders' funds (originally £1,163,855 before prior year adjustment of £211,113)	1,374,968	-
	<u>1,659,591</u>	<u>1,374,968</u>
Closing shareholders' funds		

### 18 Contingent liabilities

Included in debtors is £71,796 (1994 : £67,800) placed on deposit to provide surety to Commissioners of Custom & Excise.

The company received Regional Selective Assistance amounting to £170,000 in 1995 (1994 : £680,000). These grants are repayable in certain circumstances. In accordance with the company's accounting policy for government grants £448,612 (1994 : £561,945) is included in accruals and deferred income (note 15).

To secure payments for oil sales due, or that become due, by the company to its main supplier the company's bankers have provided a guarantee of US\$400,000.

# Falmouth Oil Services (1994) Limited

## Notes (continued)

### 19 Commitments

(i) Annual commitments under non-cancellable operating leases are as follows:

	1995 £	1994 £
Operating leases which expire in the second to fifth years inclusive	<u>42,452</u>	<u>44,000</u>

(ii) Capital commitments at the end of the financial year for which no provision has been made:

	1995 £	1994 £
Contracted	<u>-</u>	<u>534,000</u>

### 20 Reconciliation of operating profit to net cash inflow from operating activities.

	1995 £	1994 as restated £
Operating profit	357,631	385,908
Depreciation charge	110,612	33,511
Profit on disposal of fixed assets	(2,317)	-
Increase in stocks	(30,549)	(11,333)
Increase in debtors	(170,647)	(647,109)
Increase in creditors	184,399	951,238
Release of capital grant	(283,333)	(118,055)
Increase in provisions	<u>3,280</u>	<u>44,000</u>
Net cash inflow from operating activities	<u>169,076</u>	<u>638,160</u>

### 21 Analysis of changes in cash and cash equivalents

	Cash £	Overdraft £	Total £
Balance at 1 January 1995	586,097	-	586,097
Net cash outflow	<u>(580,424)</u>	<u>(26,037)</u>	<u>(606,461)</u>
Balance at 31 December 1995	<u>5,673</u>	<u>(26,037)</u>	<u>(20,364)</u>

# Falmouth Oil Services (1994) Limited

## Notes (continued)

### 22 • Analysis of changes in financing during the year

	Share capital £	Loans and finance lease obligations £
Balance at 1 January 1995	1,000,000	930,544
Cash inflow/(outflow) from financing	-	(92,773)
Inception of finance lease contracts	-	65,745
	<hr/>	<hr/>
Balance at 31 December 1995	1,000,000	903,516

### 23 Related party transactions

During the period the company repaid amounts owed to the Righthalt Limited (previously Falmouth Oil Services Limited) group of companies. These companies shared CJ Walters, PJ de Savary and RB Linfield as common directors. At the year end the company owed £27,585 (1994 : £228,983) to Falmouth Oil Services Limited.

The company also made sales of waste oil totalling £35,382 to Docolon Holdings Limited, a company in which C J Walters owns 30% of the issued share capital.

During the year the company paid consultancy fees of £33,624 to Expandroute Limited, a company in which CJ Walters is a director and shareholder.

All transactions were entered into on normal commercial terms.

### 24 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £41,253. (1994 £17,066). Included within accruals and deferred income is £23,862 (1994:£3,505) in respect of pension contributions due.

### 25 Parent company

The entire share capital of the company was acquired by Garraf Limited, a company incorporated in the United Kingdom, registered in England and Wales.

### 26 Prior year adjustment

The prior year adjustment relates to a change in accounting policy applied to government grants and the Inland Revenue's agreement that corporation tax losses can be brought forward from the Righthalt Limited group of companies to Falmouth Oil Services (1994) Limited for use against profits of the same trade. The effect of the change is that the amount of government grant released to the profit in prior period has increased by £111,675 and the tax charge of £99,438 has been reduced to nil.

If the financial statements had been prepared on the same basis as the previous year, these would have shown a profit before tax of £20,339.