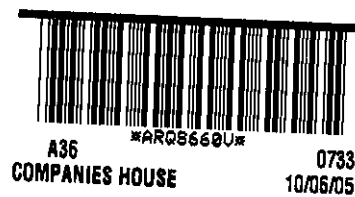


Falmouth Oil Services Limited

Directors' report and financial statements

For the year ended 31 December 2004

Company registration number 2856486



Falmouth Oil Services Limited

Contents

	<i>Page</i>
Officers and professional advisers	1
Chairman's Report	2-3
Directors' report	4-5
Independent auditors' report	6-7
Profit and loss account	8
Balance sheet	9
Cash flow statement	10
Notes to the financial statements	11-23

Falmouth Oil Services Limited

Officers and professional advisers

Directors:	CJ Walters Mr RD Kemp
Company secretary:	DK Hines-Randle
Registered office:	The Docks FALMOUTH Cornwall TR11 4NR
Auditors:	Robinson Reed Layton Peat House Newham Road TRURO Cornwall TR1 2DP
Bankers:	National Westminster 15 High Street BATH

Falmouth Oil Services Limited

Chairman's Report

For the year ended 31 December 2004

Results

Results show a profit on ordinary activities of £37,361 for the year, an improvement on the small loss shown in 2003.

Following the substantial changes seen at the end of last year, 2004 commenced with a new terminalling contract in place with Tramp Oil as well as the inland supply contract with Chevron Texaco which produced consistent levels of income through the year.

The year began very well with some good volumes being sold from Falmouth. The oil market was, however, exceptionally volatile during 2004 with record prices being seen on several occasions, which did affect bunker volumes as well as our income. The market does appear to have stabilised somewhat towards the end of the year and bunker volumes have noticeably improved.

As planned, an existing storage tank was converted to handle low flash slops (crude oil, petroleum, etc) and a further barge was chartered to provide a disposal facility at Falmouth. It was originally intended that this would occur early in the year but the project was subject to some delays and thus did not become fully operational until the end of the third quarter. Nevertheless the company did undertake some profitable slop reception work towards the end of 2004.

Our conventional waste oil business was affected by low availability of product, partly as a result of the closure of our transfer site at Totton during 2003. We have, however, identified other sources of product which will produce improved results later.

Our local gasoil business from our fuel barge at Falmouth again produced good levels of profit and this aspect of the business seems fairly consistent.

In many respects this year is seen as one of transition with the business now having two contracts in place which underpin the main activities of the company while also achieving a long standing objective of providing the business with low flash slop reception facilities.

Prospects for 2005

The year has commenced well with most areas of the business achieving budget during the first quarter.

New sources of recoverable waste oil have been established and we are already seeing the benefit of this income.

We feel that the business will benefit from some proactive marketing in 2004 to promote the facilities that we can provide at Falmouth, particularly newer initiatives such as our low flash slop reception as well as the ongoing bunkering serve.

In addition, the Company has a wonderful opportunity in early 2006 when European legislation on low sulphur bunker fuel comes into force. Falmouth is ideally located 'on the line' where ships will be required to use such fuel and, with the deep water port and sea fed terminal, as well as our proximity to major shipping routes, the company is in an excellent position to service this new market.

There are further opportunities to expand the range of fuels and products which we can receive, store and redeliver from our terminal and the company remains committed to a policy of expansion.

Falmouth Oil Services Limited

Chairman's Report (continued)

For the year ended 31 December 2004

Much has been achieved in the last year and the range of services available at Falmouth makes the port more attractive to ship owners as, effectively, a 'one stop shop' for all their marine requirements. With other opportunities materialising in the next year or so the immediate prospects are very good.

CJ Walters

Chairman

Falmouth Oil Services Limited

Directors' report

For the year ended 31 December 2004

The directors present their annual report and financial statements for the year ended 31 December 2004.

Principal activities

The principal activities of the company during the year continued to be the provision of bunkering services to marine vessels through the operation of a bonded oil terminal at Falmouth. The company also operates a maritime agency and a fully licensed slop reception facility, as part of an all inclusive service to vessels calling at Falmouth and is a supplier of marine and engineering maintenance services.

Business review

The balance sheet as detailed on page 9 shows a satisfactory position, shareholders' funds amounting to £1,316,773 (2003: £1,279,412).

In November 2003, the company ended its contract with Fuel and Marine Marketing for the offshore bunkering service. A new contract was signed with Tramp Oil Limited for this service to start in January 2004.

Future developments

The directors of the company foresee that the company will continue to grow with the new contracts that are in place.

Results and dividends

The trading results of the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2004 £	2003 £
Dividends paid on ordinary shares	-	1,000,000

Directors

The directors who served the company during the year were as follows:

CJ Walters
Mr RD Kemp

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

Fixed assets

In the opinion of the directors, there is no significant difference between the present market value of the company's properties and the amounts at which they are stated in the accounts. Details are set out in note 11.

Falmouth Oil Services Limited

Directors' report

For the year ended 31 December 2004

Auditors

Target Consulting Limited retired as auditors to the company and Robinson Reed Layton were appointed.

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Robinson Reed Layton be re-appointed auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

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 and of the profit or loss 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;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the Board


C.J. Walters
Director

The Docks
FALMOUTH
Cornwall
TR11 4NR

20 May 2005

Falmouth Oil Services Limited

Independent auditors' report to the shareholder of Falmouth Oil Services Limited

We have audited the financial statements on pages 8 to 23 for the year ended 31 December 2004. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out herein.

This report is made solely to the company's shareholder, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholder those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholder, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities on page 5 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 chairman's statement and director's report and consider the implications for our report if we become aware of any apparent misstatements within it.

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.

Falmouth Oil Services Limited

Independent auditors' report
to the shareholder of Falmouth Oil Services Limited

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 2004 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
TR1 2DP

9 June 2005

Falmouth Oil Services Limited

Profit and loss account

For the year ended 31 December 2004

	Notes	2004 £	2003 £
Turnover	2	6,098,922	5,265,855
Cost of sales		(4,855,006)	(4,045,474)
Gross profit		1,243,916	1,220,381
Administrative expenses		(1,164,868)	(1,064,358)
Other operating income	3	35,655	19,872
Operating profit	4	114,703	175,895
Redundancy costs	5	-	(106,103)
Profit on ordinary activities before interest		114,703	69,792
Interest receivable		139	88
Interest payable	8	(77,481)	(75,974)
Profit/(loss) on ordinary activities before taxation		37,361	(6,094)
Tax on profit/(loss) on ordinary activities	9	-	-
Profit/(loss) on ordinary activities after taxation		37,361	(6,094)
Dividends	10	-	(1,000,000)
Profit/(loss) for the financial year		37,361	(1,006,094)
Balance brought forward		279,412	1,285,506
Balance carried forward		316,773	279,412

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The company has no recognised gains or losses other than the results for the year as set out above.

Falmouth Oil Services Limited

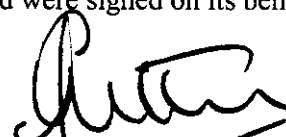
Balance sheet

As at 31 December 2004

	Notes	£	2004 £	£	2003 £
Fixed assets					
Tangible assets	11 & 12		4,454,209		3,852,821
Investments	13		10,105		10,105
			<hr/>		<hr/>
			4,464,314		3,862,926
Current assets					
Stocks	14	61,607		113,061	
Debtors	15	690,461		895,062	
Cash at bank		41,686		15,056	
			<hr/>	<hr/>	
			793,754	1,023,179	
Creditors: amounts falling due within one year	16	(1,690,609)		(2,882,358)	
			<hr/>	<hr/>	
Net current liabilities			(896,855)		(1,859,179)
			<hr/>		<hr/>
Total assets less current liabilities			3,567,459		2,003,747
Creditors: amounts falling due after more than one year	17		(2,250,686)		(724,335)
			<hr/>		<hr/>
Net assets			1,316,773		1,279,412
			<hr/>		<hr/>
Capital and reserves					
Share capital	21		1,000,000		1,000,000
Profit and loss account			316,773		279,412
			<hr/>		<hr/>
Equity shareholder's funds	22		1,316,773		1,279,412
			<hr/>		<hr/>

These financial statements were approved by the Board of directors on
and were signed on its behalf by:

20 May 2005


CJ Walters
Director

Falmouth Oil Services Limited

Cash flow statement

For the year ended 31 December 2004

	Notes	£	2004 £	£	2003 £
Net cash inflow from operating activities	23		951,085		1,135,855
Returns on investments and servicing of finance					
Interest received		139		88	
Interest paid		(39,189)		(37,449)	
Interest element of hire purchase payments		(36,292)		(38,525)	
Net cash inflow/(outflow) from returns on investments and servicing of finance			(75,342)		(75,886)
Taxation					
Corporation tax paid		-		(899)	
			-		(899)
Capital expenditure					
Payments to acquire tangible fixed assets		(841,143)		(93,446)	
Receipts from sales of tangible fixed assets		12,579		77,001	
Net cash outflow from capital expenditure			(828,564)		(16,445)
Equity dividends paid			-		(1,000,000)
Cash inflow before financing			47,179		42,625
Financing					
Repayment of bank loans		(55,380)		(76,759)	
Capital element of hire purchase payments		(117,640)		(126,439)	
Net outflow from other long-term creditors		(7,000)		(7,000)	
			(180,020)		(210,198)
Decrease in cash in the year	24		(132,841)		(167,573)

Falmouth Oil Services Limited

Notes

(forming part of the financial statements)

1 Accounting policies

1.1 Basis of accounting

The financial statements have been prepared under the historical cost convention.

1.2 Consolidation

The company is exempt under s248 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.

1.3 Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

1.4 Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold property	10-50 years
Plant and machinery	Between 4 and 50 years
Barges	10 years

Freehold and leasehold land is not depreciated.

Capital expenditure funded from grants received is capitalised. The amount capitalised is then reduced by the amount of the grant received. The directors consider that this treatment, although not in accordance with Financial Reporting Standard 15 'Tangible Fixed Assets', reflects a more true and fair disclosure of the transaction.

1.5 Stocks

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

1.6 Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on a normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

1.7 Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

1.8 Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

1.9 Pension costs

The pension costs charged to the profit and loss account represent the contributions payable by the company in respect of the accounting year.

Falmouth Oil Services Limited

Notes

(forming part of the financial statements)

1.10 *Deferred taxation*

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.11 *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. Gains and losses on translation are included in the profit and loss account.

1.12 *Investment Properties*

In accordance with Statement of Standard Accounting Practice No 19:

- investment properties are revalued annually by the directors on an open market basis and the aggregate surplus or deficit is transferred to a revaluation reserve; and
- no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment, as regards certain of the company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or qualified.

2 **Turnover**

The turnover and profit/(loss) before tax are attributable to the one principal activity of the company.

The analysis of turnover by location is as follows:

	2004 £	2003 £
United Kingdom	6,098,922	5,265,855

3 **Other operating income**

	2004 £	2003 £
Rent receivable	17,440	13,126
Other operating income	18,215	6,746
	35,655	19,872

Falmouth Oil Services Limited

Notes

(forming part of the financial statements)

4 Operating profit

	2002 £	2001 £
<i>Operating profit is stated after charging/(crediting):</i>		
Depreciation	304,170	301,355
Loss/(profit) on disposal of fixed assets	667	(7,543)
Auditors' remuneration - as auditors	12,240	15,771
Hire of plant and equipment	11,244	2,854
Rental of other assets	19,133	16,750
Foreign exchange losses	6,755	-
	<u> </u>	<u> </u>

5 Redundancy costs

	2004 £	2003 £
Redundancy costs	-	106,103
	<u> </u>	<u> </u>

In November 2003, the company made redundancies due to the restructuring of the bunkering services following the termination of the Fuel and Marine Marketing Limited contract and the new Tramp Oil contract entered into in the period.

6 Particulars of employees

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

	2004 No	2003 No
Distribution staff	21	36
Administration staff	8	8
Sales staff	3	3
	<u> </u>	<u> </u>
	32	47
	<u> </u>	<u> </u>

The aggregate payroll costs of the above were:

	2004 £	2003 £
Wages and salaries	558,614	821,427
Social security costs	52,609	75,072
Other pension costs	7,603	15,245
	<u> </u>	<u> </u>
	618,826	911,744
	<u> </u>	<u> </u>

Falmouth Oil Services Limited

Notes

(forming part of the financial statements)

7 Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2004 £	2003 £
Emoluments receivable	12,000	12,000

Retirement benefits are accruing to one (2003: one) director under defined contribution pension schemes.

8 Interest payable

	2004 £	2003 £
On bank loans and overdrafts	19,678	15,685
On other loans	13,756	16,338
Hire purchase finance charges	36,292	38,525
Other	7,755	5,426
	77,481	75,974

Falmouth Oil Services Limited

Notes

(forming part of the financial statements)

9 Taxation

	2004 £	2003 £
Current year tax		
UK corporation tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Tax on profit/(loss) on ordinary activities	-	-
Factors affecting the tax charge for the year		
Profit/(loss) on ordinary activities before taxation	37,361	(6,094)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2003: 30.00%)	11,208	(1,828)
Effects of:		
Non deductible expenses	11,555	6,837
Depreciation	91,451	412
Capital allowances	(98,799)	(12,572)
Tax losses arising	2,905	7,151
Tax losses utilised	(18,320)	-
	(11,208)	1,828
Current year tax	-	-

The company has substantial tax losses to carry forward against profits from the same trades which will reduce tax payable in future years.

10 Dividends

	2004 £	2003 £
The following dividends have been paid in respect of the year:		
Final dividend paid on ordinary shares	-	1,000,000

Falmouth Oil Services Limited

Notes

(forming part of the financial statements)

11 Tangible fixed assets

	Leasehold property £	Plant and machinery £	Barges £	Total £
Cost				
At 1 January 2004	487,690	4,828,904	127,771	5,444,365
Additions	28,383	209,384	41,037	278,804
Disposals	-	(43,495)	-	(43,495)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	516,073	4,994,793	168,808	5,679,674
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 January 2004	13,439	1,490,371	87,734	1,591,544
Charge for the year	1,374	296,272	6,524	304,170
On disposals	-	(30,249)	-	(30,249)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	14,813	1,756,394	94,258	1,865,465
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2004	501,260	3,238,399	74,550	3,814,209
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	474,251	3,338,533	40,037	3,852,821
	<hr/>	<hr/>	<hr/>	<hr/>

Included above are assets under hire purchase agreements as follows:

	Plant and machinery £	Barges £	Total £
Net book values			
At 31 December 2004	354,491	34,032	388,523
	<hr/>	<hr/>	<hr/>
At 31 December 2003	305,101	40,037	345,138
	<hr/>	<hr/>	<hr/>
Depreciation charge for the year			
At 31 December 2004	31,445	6,006	37,451
	<hr/>	<hr/>	<hr/>
At 31 December 2003	111,688	6,006	117,694
	<hr/>	<hr/>	<hr/>

Falmouth Oil Services Limited

Notes

(forming part of the financial statements)

12 Tangible fixed assets

	Investment properties £
Cost or valuation	
At 1 January 2004	-
Additions	640,000
	<hr/>
At 31 December 2004	640,000
	<hr/>

The freehold properties of the company held for investment purposes were valued at 31 December 2004 on an open market basis by C Walters, a director of the company, at the amounts shown above.

The historic cost of the company's investment properties is £640,000. If depreciation had been provided on such properties the accumulated depreciation at that date based on cost would be £12,800.

If the company's properties were disposed of at market value a corporation tax liability of £nil would arise.

13 Investments

	Shares in group Undertakings £
Cost	
At 1 January 2004 and 31 December 2004	10,105
	<hr/>

Subsidiary Undertaking	Country of incorporation	Principle activity	Class and percentage of shares held
Tamlyn Shipping Limited	England and Wales	Dormant	100% ordinary
Falcon Oil Services Limited	England and Wales	Dormant	100% ordinary

Financial information in respect of the above companies is as follows:

	Aggregate amount of capital and reserves	Result for the year
Tamlyn Shipping Limited	10,105	-
Falcon Oil Services Limited	(24,532)	-

The directors of Falcon Oil Services Limited have applied to the Registrar of Companies to have the company removed from the register.

14 Stocks

	2004 £	2003 £
Raw materials	61,607	98,174
Work in progress	-	14,887
	<hr/>	<hr/>
	61,607	113,061
	<hr/>	<hr/>

Falmouth Oil Services Limited

Notes

(forming part of the financial statements)

15 Debtors

	2004 £	2003 £
Trade debtors	511,120	621,708
Corporation tax repayable	960	899
Prepayments and accrued income	178,381	208,455
	<hr/>	<hr/>
	690,461	895,062
	<hr/>	<hr/>

16 Creditors: amounts falling due within one year

	2004 £	2003 £
Bank loans and overdrafts	550,482	399,167
Trade creditors	646,793	582,762
Amounts owed to group undertakings	103,642	1,306,930
<i>Other creditors including taxation and social security:</i>		
Other taxation and social security	32,105	39,363
Hire purchase agreements	86,755	105,199
Other creditors	14,982	15,760
Directors current accounts	37,541	19,118
	<hr/>	<hr/>
	1,472,300	2,468,299
Accruals and deferred income	218,309	414,059
	<hr/>	<hr/>
	1,690,609	2,882,358
	<hr/>	<hr/>

Falmouth Oil Services Limited

Notes

(forming part of the financial statements)

17 Creditors: amounts falling due after more than one year

	2004 £	2003 £
Bank loans	90,919	138,143
Other loans	516,022	523,022
Hire purchase agreements	41,635	63,170
Amounts owed to group undertakings	1,026,110	-
Other creditors	576,000	-
	<hr/>	<hr/>
	2,250,686	724,335
	<hr/>	<hr/>

Analysis of loans

Not wholly repayable within five years other than by instalments	494,022	494,022
Wholly repayable within five years	179,564	241,944
	<hr/>	<hr/>
	673,586	735,966
	<hr/>	<hr/>
Included in current liabilities	(66,645)	(74,801)
	<hr/>	<hr/>
	606,941	661,165
	<hr/>	<hr/>

Loan maturity analysis

In more than one year but not more than two years	97,919	74,801
In more than two years but not more than five years	15,000	92,342
In more than five years	494,022	494,022
	<hr/>	<hr/>

The bank borrowings are secured by way of fixed and floating charges over the group's assets.

Net obligations under hire purchase agreements

Repayable within one year	86,755	105,199
Repayable between one and five years	41,635	63,170
	<hr/>	<hr/>
	128,390	168,369
	<hr/>	<hr/>
Included in current liabilities	(86,755)	(105,199)
	<hr/>	<hr/>
	41,635	63,170
	<hr/>	<hr/>

Net obligations under hire purchase contracts are secured on the assets to which they relate.

Falmouth Oil Services Limited

Notes

(forming part of the financial statements)

18 Commitments under operating leases

At 31 December 2004, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings £	2004 Other items £	Land and buildings £	2003 Other items £
Operating leases which expire:				
Within one year	12,500	-	-	-
In two to five years	3,000	42,200	-	-
After more than 5 years	5,300	-	8,000	1,141
	<u>20,800</u>	<u>42,200</u>	<u>8,000</u>	<u>1,141</u>

19 Pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £7,603 (2003: £15,245) including contributions in respect of employees. Contributions amounting to £2,899 (2003: £1,621) were payable to the fund at the year end and are included in creditors.

20 Related party transactions

The company has taken advantage of the exemption from disclosing transactions with group undertakings.

On 23 August 2002, CJ Walters, a director of Garraf Limited (the parent company) and the ultimate controlling party purchased Zilva Corporation interest in Garraf Limited and its share of the assigned overdraft owed by Falmouth Oil Services Limited. The amount left on the assigned overdraft payable to CJ Walters is £494,022 (2003: £494,022) included in creditors due after one year. Interest of £13,756 (2003: £16,338) was paid in respect of this loan during the year. Included in accruals is an amount of £192,963 (2003: £192,963) of interest accrued on the loan in previous years.

Creditors due after more than one year includes £Nil (2003: £Nil) of working capital loans from the shareholders of Garraf Limited. A repayment of £Nil (2003: £10,001) was made to CJ Walters during the year.

During the previous year the company sold some land for £50,000 to CJ Walters. This land is being leased back to the company at a rate of £5,300 per annum. This transaction was done on an arms length basis.

During the previous year the company sold a motor vehicle to CJ Walters for £27,000, this transaction was done at the market value of the car.

At the year end the company owed CJ Walters £7,541 (2003: £19,118).

CJ Walters has provided a personal guarantee to the bank limited to £50,000.

CJ Walters is also a director of Christian Walters Limited a company incorporated in the UK. During the year the company provided administration services to Christian Walters Limited of £6,000 (2003: £Nil). The amount outstanding at the year end was £5,287 (2003: £Nil) and is included in trade debtors.

During the year, the company received a loan of £50,000 from R Kemp, a director of the company. At the end of the year, £30,000 remained outstanding to R Kemp included in creditors due within one year. Interest of £2,000 was payable on the loan during the year.

The company also paid R Kemp £4,400 (2003: £Nil) during the year for consultancy services.

Falmouth Oil Services Limited

Notes

(forming part of the financial statements)

21 Share capital

	2004 £	2003 £
Authorised share capital:		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
1,000,000 preference shares of £1 each	1,000,000	1,000,000
	<hr/>	<hr/>
	2,000,000	2,000,000
	<hr/>	<hr/>
Allotted, called up and fully paid:		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
	<hr/>	<hr/>

22 Reconciliation of movements in shareholder's funds

	2004 £	2003 £
Profit/(loss) for the financial year	37,361	(6,094)
Dividends	-	(1,000,000)
	<hr/>	<hr/>
	37,361	(1,006,094)
Opening shareholder's funds	1,279,412	2,285,506
	<hr/>	<hr/>
Closing shareholder's funds	1,316,773	1,279,412
	<hr/>	<hr/>

23 Reconciliation of operating profit to net cash inflow from operating activities

	2004 £	2003 £
Operating profit	114,703	69,792
Depreciation	304,170	301,355
Loss/(profit) on disposal of fixed assets	667	(7,543)
Decrease in stocks	51,454	65
Decrease/(increase) in debtors	204,601	(147,364)
Increase in creditors	275,490	919,550
	<hr/>	<hr/>
Net cash inflow from operating activities	951,085	1,135,855
	<hr/>	<hr/>

Falmouth Oil Services Limited

Notes

(forming part of the financial statements)

24 Reconciliation of net cash inflow to movement in net debt

	2004 £	2003 £
Decrease in cash in the period	(132,841)	(167,573)
Net cash outflow from bank loans	55,380	76,759
Cash outflow in respect of hire purchase	117,640	126,439
Net cash outflow from other long-term creditors	7,000	7,000
	<hr/>	<hr/>
Movement in net debt resulting from cash flows	47,179	42,625
New finance leases	(77,661)	-
	<hr/>	<hr/>
Movement in net debt	(30,482)	42,625
Net debt at 1 January 2004	(1,213,645)	(1,256,270)
	<hr/>	<hr/>
Net debt at 31 December 2004	(1,244,127)	(1,213,645)
	<hr/>	<hr/>

25 Analysis of change in net debt

	At 1 January 2004 £	Cash flows £	Other non cash changes £	At 31 December 2004 £
Net cash:				
Cash in hand and at bank	15,056	26,630		41,686
Overdrafts	(331,366)	(159,471)		(490,837)
	<hr/>	<hr/>		<hr/>
	(316,310)	(132,841)		(449,151)
	<hr/>	<hr/>		<hr/>
Debt:				
Debt due within one year	(67,801)	-		(67,801)
Debt due after one year	(661,165)	62,380		(598,785)
Hire purchase agreements	(168,369)	117,640	(77,661)	(128,390)
	<hr/>	<hr/>	<hr/>	<hr/>
	(897,335)	180,020	(77,661)	(794,976)
	<hr/>	<hr/>	<hr/>	<hr/>
Net debt	(1,213,645)	47,179	(77,661)	(1,244,127)
	<hr/>	<hr/>	<hr/>	<hr/>

26 Ultimate parent company

The parent company is Garraf Limited, a company registered in England and Wales.

27 Control

The ultimate controlling party is CJ Walters (director).

Falmouth Oil Services Limited

Notes

(forming part of the financial statements)

28 Capital Commitments

At 31 December 2004, the company had capital commitments as follows:

	2004 £	2003 £
Contracted for but not provided in the financial statements	<u>56,000</u>	<u>-</u>

29 Contingent liability

There is a cross guarantee in place whereby the company has guaranteed the overdraft of its parent undertaking. The amount outstanding at the end of the year was £11 (2003: £Nil) and the maximum amount outstanding during the year was £11 (2003: £Nil).