

FALMOUTH OIL SERVICES LIMITED
FORMERLY TRADING AS
FALMOUTH OIL SERVICES (1994) LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 1999

Registered number: 2856486

THE DAVID NAISH PARTNERSHIP

REGISTERED AUDITORS

Bath



FALMOUTH OIL SERVICES LIMITED
FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED
FINANCIAL STATEMENTS
for the year ended 31 December 1999

CONTENTS

	Page
Company information	1
Directors' report	2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Statement of total recognised gains and losses	6
Balance sheet	7
Cash flow statement	8
Notes	9

The following pages do not form part of the statutory accounts

Detailed trading and profit and loss account	Appendix	1
Schedule to the detailed trading and profit and loss account	Appendix	2

FALMOUTH OIL SERVICES LIMITED**FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED****COMPANY INFORMATION****31 December 1999**

INCORPORATED	England
NUMBER	2856486
DIRECTORS	C J Walters P Baines (appointed 7/99)
SECRETARY	D K Hines-Randle
REGISTERED OFFICE	The Docks Falmouth Cornwall
AUDITORS	The David Naish Partnership Registered Auditors Lawrence House Lower Bristol Road Bath

FALMOUTH OIL SERVICES LIMITED
FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED

DIRECTORS' REPORT

31 December 1999

The directors present their report and the audited financial statements for the year ended 31 December 1999.

Principal activity

The principal activity of the company is 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.

Business review

On 29 September 1999 the company changed its name from Falmouth Oil Services (1994) Limited to Falmouth Oil Services Limited.

The company's balance sheet as detailed on page 7 shows a satisfactory position, shareholders' funds amounting to £2,064,076.

Results and dividends

The results for the year are shown in the profit and loss account on page 5. The directors do not propose payment of an ordinary dividend.

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 10.

Directors

The directors of the company during the year and their interests in the shares of the company and its holding company as recorded in the register of directors' interests were as follows:

	Falmouth Oil Services Limited		Garraf Limited	
	31/12/99	31/12/98	31/12/99	31/12/98
R Birley (resigned 4/99)	-	-	-	-
C J Walters - Ordinary shares	-	-	200,000	200,000
Preference shares	-	-	474,900	-
P Baines (appointed 7/99)	-	-	-	-
D S Burnet (resigned 6/99)	-	-	-	-

continued

FALMOUTH OIL SERVICES LIMITED**FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED****DIRECTORS' REPORT**

(continued)

31 December 1999**Year 2000**

Many computer systems express dates using only the last two digits of the year and have required modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting commercial disruption.

To date, the cross over of computer systems to the year 2000 date has not caused the company any problems. However, there continues to be an exposure to risk in this area in the immediate future.

European Monetary Union

In view of the nature of the company's business the directors do not envisage any potential impact on its business operations arising from European Monetary Union.

Auditors

The David Naish Partnership have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board



D K Hines-Randle
Secretary

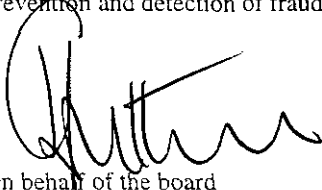
The Docks
Falmouth
Cornwall

FALMOUTH OIL SERVICES LIMITED
FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED
STATEMENT OF 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 of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and 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 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.

A handwritten signature in black ink, appearing to be 'J. H. Smith', written over the text 'On behalf of the board'.

On behalf of the board

19 May 2000

FALMOUTH OIL SERVICES LIMITED
FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED
AUDITORS' REPORT

Auditors' report to the members of

Falmouth Oil Services Limited

We have audited the financial statements on pages 5 to 19 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

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 error or other irregularity. 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

the David Naish partnership

The David Naish Partnership
Bath
Registered Auditors

22nd May 2000

FALMOUTH OIL SERVICES LIMITED
FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1999

		1999		1998 as re-stated	
	Note	£	£	£	£
Turnover	2				
Continuing operations		4,293,295		4,825,342	
Discontinued operations		-		825,868	
Cost of sales	4		4,293,295 (3,365,632)		5,651,210 (4,680,233)
Gross profit			927,663		970,977
Net operating expenses	4				
Administrative expenses			(774,154)		(707,473)
Other operating income			6,352		5,600
Operating profit	3				
Continuing operations		159,861		269,104	
			159,861		269,104
Loss on termination of discontinued operations	8		-		(359,205)
Profit/(loss) on ordinary activities before interest			159,861		(90,101)
Investment income	6		2		430
Interest payable	7		(88,333)		(119,443)
Profit/(loss) on ordinary activities before taxation			71,530		(209,114)
Taxation	9		-		-
Profit/(loss) on ordinary activities after taxation	20		71,530		(209,114)
retained for the year					

Movements in reserves are shown in note 20.

FALMOUTH OIL SERVICES LIMITED
 FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED
 STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
 for the year ended 31 December 1999

	1999	1998 as restated
	£	£
Profit / (loss) for the financial year	71,530	(209,114)
Prior year adjustment relating to 1998 and before (explained in note 24)	(81,238)	-
Total gains and losses recognised since last annual report	<u>(9,708)</u>	<u>(209,114)</u>

FALMOUTH OIL SERVICES LIMITED

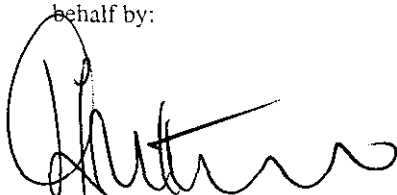
FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED

BALANCE SHEET

at 31 December 1999

	Note	£	1999 £	As restated 1998 £	£
Fixed assets					
Tangible assets	10		3,419,802		3,399,536
Investments	12		10,107		10,107
			<u>3,429,909</u>		<u>3,409,643</u>
Current assets					
Stocks	13	69,164		321,586	
Debtors	14	781,413		596,039	
Cash at bank and in hand		75,847		50,906	
			<u>926,424</u>	<u>968,531</u>	
Creditors: amounts falling due within one year	15	(1,511,373)		(2,013,180)	
Net current liabilities			<u>(584,949)</u>		<u>(1,044,649)</u>
Total assets less current liabilities			<u>2,844,960</u>		<u>2,364,994</u>
Creditors: amounts falling due after more than one year	16		(780,884)		(372,448)
			<u>2,064,076</u>		<u>1,992,546</u>
Capital and reserves					
Called up share capital	19		1,000,000		1,000,000
Profit and loss account	20		1,064,076		992,546
Total shareholders' funds	18		<u>2,064,076</u>		<u>1,992,546</u>

The financial statements on pages 5 to 19 were approved by the board of directors on 19 May 2000 and signed on its behalf by:



C J Walters
Director

FALMOUTH OIL SERVICES LIMITED
FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED

CASH FLOW STATEMENT

for the year ended 31 December 1999

		1999		1998	
	Note	£	£	As restated	£
Net cash inflow from operating activities	21		635,719		126,029
Returns on investments and servicing of finance					
Interest received		2		430	
Interest paid		(73,901)		(102,439)	
Interest element of finance lease rental payments		(14,432)		(16,485)	
			(88,331)		(118,494)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(195,860)		(103,304)	
Sale of tangible fixed assets		2,338		21,864	
			(193,522)		(81,440)
			(353,866)		(73,905)
Financing					
Loans and lease purchase agreements		(91,279)		(260,927)	
			(91,279)		(260,927)
Increase in cash			262,587		(334,832)

FALMOUTH OIL SERVICES LIMITED
FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED
NOTES ON FINANCIAL STATEMENTS

31 December 1999

1 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

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.

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.

Tangible fixed assets

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Long leasehold buildings	50 years
Plant and equipment	between 4 and 50 years
Improvements to leased barges	unexpired period of barge charter

No depreciation is charged on long leasehold land, in accordance with applicable accounting standards, on the basis that its useful economic life is unlimited.

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Stocks and work in progress

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

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Defined contribution pension scheme

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

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.

FALMOUTH OIL SERVICES LIMITED

FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1999

2 Turnover

	1999	1998
	£	As restated £
Bunkering services	3,441,571	4,437,813
Agency services	507,007	785,569
Discharges, tank cleaning and waste oil treatment	344,717	427,828
	<u>4,293,295</u>	<u>5,651,210</u>

3 Operating profit

	1999	1998
	£	As restated £
Operating profit is stated after crediting:		
Rental income	<u>6,352</u>	<u>5,600</u>
and after charging:		
Staff costs (note 5)	979,415	1,336,812
Auditors' remuneration	<u>10,200</u>	<u>9,600</u>
Depreciation of tangible fixed assets (note 10):		
Owned assets	<u>174,340</u>	<u>198,322</u>

FALMOUTH OIL SERVICES LIMITED

FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1999

4 Operating profit

1999

	Continuing operations		Discontinued operations	Total
		Acquisitions		
	£	£	£	£
Cost of sales	3,365,632	-	-	3,365,632
Net operating expenses				
Administrative expenses	774,154	-	-	774,154
Other operating income	(6,352)	-	-	(6,352)
	767,802	-	-	767,802

1998 (as restated)

	Continuing operations		Discontinued operations	Total
		Acquisitions		
	£	£	£	£
Cost of sales	3,854,365	-	825,868	4,680,233
Net operating expenses				
Administrative expenses	707,473	-	-	707,473
Other operating income	(5,600)	-	-	(5,600)
	701,873	-	-	701,873

FALMOUTH OIL SERVICES LIMITED

FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1999

5 Directors and employees

	1999	1998 As restated
Staff costs	£	£
Wages and salaries	871,973	1,183,508
Social security costs	80,626	116,210
Pension costs	26,816	37,094
	<u>979,415</u>	<u>1,336,812</u>
Average monthly number employed including executive directors:	Number	Number
Administration	7	7
Sales	2	2
Distribution	38	54
	<u>47</u>	<u>63</u>
	£	£
Directors' emoluments	<u>-</u>	<u>-</u>

Defined contribution pension scheme

The company operates a defined contribution 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 £26,816 (1998 £37,094) including contributions in respect of employees. Contributions totalling £8,066 (1998 £9,140) were payable to the fund at 31 December 1999 and are included in creditors.

6 Investment income

	1999	1998 As restated
	£	£
Interest receivable	<u>2</u>	<u>430</u>

7 Interest payable

	1999	1998 As restated
	£	£
Interest payable	28,558	43,720
Bank loan interest	35,338	53,112
Leasing interest	10,005	6,126
Hire purchase interest	14,432	16,485
	<u>88,333</u>	<u>119,443</u>

FALMOUTH OIL SERVICES LIMITED
FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED
NOTES ON FINANCIAL STATEMENTS

31 December 1999

8 Exceptional items

	1999 £	1998 £
Loss on disposal of discontinued operations	-	359,205

The company restructured its operational activities during 1998, ceasing to use its own oil tankers for oil delivery. The tankers were consequently included on the balance sheet at 31 December 1998 at sale value as 'assets held for resale'. The tankers were sold during 1999 at that value.

9 Taxation

No liability for corporation tax arises on the results for the year.

10 Tangible fixed assets

	Plant and Machinery £	Fixtures and Fittings £	Land and Buildings £	Total £
Cost				
1 January 1999 (as restated)	3,315,578	68,060	537,690	3,921,328
Additions	194,106	1,754	-	195,860
Disposals	(4,245)	-	-	(4,245)
31 December 1999	<u>3,505,439</u>	<u>69,814</u>	<u>537,690</u>	<u>4,112,943</u>
Depreciation				
1 January 1999 (as restated)	479,025	36,298	6,469	521,792
Charge for the year	158,866	14,064	1,410	174,340
On disposals	(2,991)	-	-	(2,991)
31 December 1999	<u>634,900</u>	<u>50,362</u>	<u>7,879</u>	<u>693,141</u>
Net book amount				
31 December 1999	<u>2,870,539</u>	<u>19,452</u>	<u>529,811</u>	<u>3,419,802</u>
1 January 1999 (as restated)	<u>2,836,553</u>	<u>31,762</u>	<u>531,221</u>	<u>3,399,536</u>

11 Land and buildings

	1999 £	1998 £
Long leasehold	<u>529,811</u>	<u>531,221</u>

Long leaseholds are those leaseholds with more than 50 years unexpired.

FALMOUTH OIL SERVICES LIMITED
FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED
NOTES ON FINANCIAL STATEMENTS

31 December 1999

12 Fixed asset investments

	Shares in group undertakings £
Cost	
At 1 January 1999 and 31 December 1999	15,002
Provisions	
At 1 January 1999 and 31 December 1999	4,895
Net book value	
At 31 December 1999	10,107
At 1 January 1999	10,107

Subsidiary undertaking	Country of Incorporation	Principal 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)	-

In the directors' opinion the investments in, and amounts due from, the company's subsidiary undertakings are worth at least the amount at which they are stated in the balance sheet.

FALMOUTH OIL SERVICES LIMITED

FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1999

13	Stocks	1999	1998
		£	£
	Assets held for resale	-	257,350
	Stock	69,164	64,236
		<u>69,164</u>	<u>321,586</u>
	<i>Stock consists of fuel oil, lubricating oil and waste oil.</i>		
14	Debtors	1999	1998
		£	£
	Amounts falling due within one year		
	Trade debtors	521,969	426,349
	Other debtors	129,030	5,562
	<i>Prepayments and accrued income</i>	130,414	164,128
		<u>781,413</u>	<u>596,039</u>
15	Creditors: amounts falling due within one year	1999	1998
		£	£
	Bank loans and overdrafts	-	714,667
	Payment received in advance	-	33,037
	Trade creditors	927,231	633,837
	Amounts owed to group undertakings	264,799	193,421
	Other taxes and social security	48,295	103,594
	Other creditors	13,026	79,500
	Accruals and deferred income	229,140	203,548
	Obligations under finance leases	28,882	51,576
		<u>1,511,373</u>	<u>2,013,180</u>

The company's overdraft and loans from Barclays Bank were assigned to the shareholders of its parent undertaking Garraf Limited during the year as part of an overall financing strategy. The directors are of the opinion that these liabilities should no longer be regarded as falling due within one year. They are disclosed accordingly as creditors falling due after more than one year.

FALMOUTH OIL SERVICES LIMITED

FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1999

16 Creditors: amounts falling due
after more than one year

	1999 £	1998 £
Other liabilities		
Bank loans	-	336,752
Overdraft and loans assigned to shareholders of Garraf Ltd	763,295	-
Obligations under finance leases and hire purchase contracts	17,589	35,696
	<u>780,884</u>	<u>372,448</u>
Maturity of debt		
In one year or less, or on demand - see note 15	-	-
In more than five years	763,295	336,752
	<u>763,295</u>	<u>336,752</u>
Amounts falling due after more than five years:		
Bank loans	-	336,752
Overdraft and loans assigned to shareholders of Garraf Ltd	763,295	-
	<u>763,295</u>	<u>336,752</u>

17 Deferred taxation

	1999		1998	
	Amount unprovided £	Amount provided £	Amount unprovided £	Amount provided £
Corporation tax deferred by				
Capital allowances in excess of depreciation	-	423,743	-	562,176
Other timing differences	-	(4,634)	-	(4,634)
Unrelieved taxation losses	-	(419,109)	-	(557,542)
Capital gains rolled over	66,000	-	66,000	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Advance corporation tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Corporation tax on revaluation surplus	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

FALMOUTH OIL SERVICES LIMITED
FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1999

18 Reconciliation of movements in shareholders' funds

	1999	1998 As restated
	£	£
Profit/(loss) for the financial year representing a	71,530	(209,114)
Net addition to/(subtraction from) shareholders' funds		
Opening shareholders' funds (as restated for prior year adjustment)	1,992,546	2,201,660
Closing shareholders' funds	<u>2,064,076</u>	<u>1,992,546</u>

19 Called up share capital

	1999	1998
	Number of shares	Number of shares
	£	£
Authorised		
Ordinary shares of £1 each	1,000,000	1,000,000
Redeemable preference shares	1,000,000	1,000,000
	<u>2,000,000</u>	<u>2,000,000</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

20 Profit and loss account

	1999 £
1 January 1999 as previously stated	1,073,784
Prior year adjustment	(81,238)
1 January 1999 as restated	992,546
Retained profit for the year	71,530
31 December 1999	<u>1,064,076</u>

FALMOUTH OIL SERVICES LIMITED

FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1999

21 Notes to the cash flow statement

Reconciliation of operating profit
to operating cash flows

	1999 £	1998 As restated £
Operating profit	159,861	269,104
Depreciation charges	174,340	198,322
(Profit)/loss on disposal of fixed assets	(1,084)	(63)
Decrease/(increase) in stocks	252,422	23,798
(Increase)/decrease in debtors	(185,374)	340,360
Increase/(decrease) in creditors	235,554	(505,047)
Cost of termination of tanker activity	-	(200,445)
Net cash inflow from operating activities	635,719	126,029

22 Notes to the cash flow statement (continued)

Analysis of changes in net debt

	At start of year £	Cash flows £	Other non- cash changes £	At end of year £
Cash at bank and in hand	50,906	24,941	-	75,847
Bank overdraft	(531,169)	237,646	293,523	-
Increase in cash in the year		262,587		
Loans and lease purchase liabilities				
Due within one year	(235,074)	91,279	114,913	(28,882)
Due after one year	(372,448)	-	(408,436)	(780,884)
	(1,087,785)	353,866	-	(733,919)

Reconciliation of net cash flow to movement in net debt

	1999 £	1998 £
Increase/(decrease) in cash in the year	262,587	(334,832)
Cash outflow from decrease in debt and lease financing	91,279	260,927
Change in net debt resulting from cash flows	353,866	(73,905)
New finance leases	-	(32,688)
Net debt at 1 January 1999	(1,087,785)	(981,192)
Net debt at 31 December 1999	(733,919)	(1,087,785)

FALMOUTH OIL SERVICES LIMITED**FORMERLY TRADING AS FALMOUTH OIL SERVICES (1994) LIMITED****NOTES ON FINANCIAL STATEMENTS****31 December 1999****23 Related parties**

Garraf Limited, the holding company, charged a management fee of £65,500 (1998 £79,500). The amount outstanding at the year end was £364,370 (1998 £263,280), of which £145,000 (1998 £79,500) is included within accruals. The company also owed £7,151 (1998 £7,151) to its dormant subsidiary Tamlyn Shipping Limited.

The company made sales of waste oil totalling £137,805 (1998 £152,857) to Docolon Holdings Limited, a company in which Garraf Limited owns 30% of the issued share capital. Falmouth Oil Services Limited was owed £nil (1998 £14,968) by Docolon Holdings Limited at 31 December 1999.

During the year the company paid consultancy fees of £32,371 (1998 £46,000) to Expandroute Limited a company in which C J Walters is a director and shareholder. Falmouth Oil Services Limited owed £nil (1998 £3,995) to Expandroute Limited at the year end. During the year the company paid consultancy fees of £8,069 (1998 £12,890) to R Birley who was a non-executive director. All transactions were entered into on normal commercial terms.

Creditors due after more than one year includes £763,295 (1998 nil) of overdrafts and loans assigned to the shareholders of Garraf Limited. £254,432 of this balance is owed to the director C J Walters.

During the year Zilva Corporation, the ultimate holding company, advanced funds to Falmouth Oil Services Limited to assist in payment of repairs. At 31 December 1999 Zilva Corporation was owed £38,278.

24 Prior year adjustment

Repair and maintenance costs totalling £100,231 had been capitalised in previous years and a total of £18,993 depreciation charged. The expenditure should have been expensed through the profit and loss account in the period in which it was incurred and depreciation should not have been charged (requiring a net adjustment of £81,238).

The comparative figures have been adjusted to reflect this more appropriate accounting treatment. In restating the results for the year ended 31 December 1998, an amount of £4,662 has been debited to the loss for the year. The remaining net adjustment of £76,576 related to periods prior to 1 January 1998.

25 Ultimate parent undertaking

The parent company is Garraf Limited and the ultimate holding company is Zilva Corporation (incorporated in the Bahamas).

26 Ultimate controlling party

The day to day control of the business is undertaken by the director C J Walters. The company is ultimately controlled by Mr R Baines.