

Company No: 3298186

SUPERAPPLY LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1998



SUPERAPPLY LIMITED

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31st December 1998.

INCORPORATION.

The Company is incorporated in England.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS.

Principal activities

The principal activity of the Company is to participate in financing transactions related to ship building. The transactions entered into in the period are described in detail at Note 6 to these financial statements. The Directors expect that the present level of activity will be sustained for the foreseeable future.

RESULTS FOR THE YEAR AND STATE OF AFFAIRS AT 31ST DECEMBER 1998.

The profit for the year amounts to £ nil.

DIVIDENDS.

The Directors are unable to recommend a dividend for the year.

DIRECTORS AND SECRETARY.

The Directors who held office during the year and subsequently were:-

J.A.J. Chapman
R.T. Gibson
S.B. De Carteret

The Secretary who held office during the year and subsequently is:-

Jordans Company Secretaries Limited

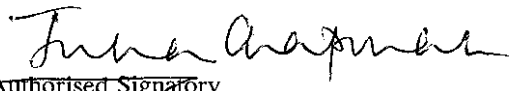
AUDITORS.

Ernst & Young were appointed as auditors by the Directors and they will be re-appointed at the Annual General Meeting.

REGISTERED OFFICE.

21 St. Thomas's Street
Bristol
BS1 6JS

BY ORDER OF THE BOARD.

 - Director
Authorised Signatory
Jordans Company Secretaries Limited
Secretary

SUPERAPPLY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company Law requires the Directors to prepare financial statements which shall be in accordance with UK generally accepted accounting principles and show a true and fair view of the profit or loss of the Company for the year and of the state of the Company's affairs at the end of the year.

In preparing the financial statements the Directors should:

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

The Directors are responsible for keeping accounting records which are sufficient to show and explain the Company's transactions and are such as to 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, errors and other irregularities.

YEAR 2000 ISSUE

Some computer systems express dates using only the last two digits of the year and require modification or replacement before the Year 2000 to avoid malfunctions.

The Directors are giving the Year 2000 issue the highest priority to ensure that their computer systems are being modified, enhanced or changed as necessary and tested so as to be Year 2000 compliant.

In instances where the Directors depend on third party suppliers, they are seeking to ensure that all such suppliers are Year 2000 compliant.

The Directors are satisfied that sufficient resources are being devoted to deal with Year 2000 problems in so far as the Company is concerned.

While the Directors believe that they will achieve an acceptable state of readiness, it is not possible, given the complexity of the problem for any organisation to guarantee Year 2000 compliance.

REPORT OF THE AUDITORS

TO THE MEMBERS OF SUPERAPPLY LIMITED

We have audited the financial statements on pages 4 to 7, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 5.

Respective responsibilities of Directors and Auditors

As described on page 2, the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

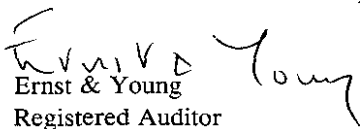
Basis of opinion

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 at 31st December 1998 and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Registered Auditor
Chartered Accountants
Le Gallais Chambers
St Helier
Jersey
Channel Islands

Date: 15 August 1999

SUPERAPPLY LIMITED

BALANCE SHEET**AS AT 31ST DECEMBER 1998**

	<u>Notes</u>	<u>1998</u>		<u>1997</u>
CURRENT ASSETS				
Debtor	2	2		2
TOTAL NET ASSETS		£ 2	£	2
CAPITAL AND RESERVES				
Called up share capital	3	2		2
	5	£ 2	£	2

Approved by the Directors on the 18th day of AUGUST 1999.

Director: Tina Chapman

(The notes on pages 5 to 7 form part of these financial statements)

SUPERAPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1998

1. ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The more significant accounting policies used are set out below:-

Transaction reporting.

The Company entered into the transactions described in Note 6 to these financial statements. The substance of such transactions are not, pursuant to the requirements of FRS 5, reflected in the balance sheet forming part of these financial statements as, in the Directors' view, no quantifiable financial benefits or risks accrue to the Company as a result of its participation in the said transactions.

Cash flow statement.

A cash flow statement has not been included in these financial statements as the Company qualifies for exemption as a small company under the terms of Financial Reporting Standard No.1 (Revised) "Cash Flow Statements".

2. DEBTOR

	1998	1997
Called up share capital unpaid	£ <u>2</u>	£ <u>2</u>

3. CALLED UP SHARE CAPITAL

	1998	1997
AUTHORISED:		
1,000 ordinary shares of £1 each	£ <u>1,000</u>	£ <u>1,000</u>
ISSUED AND UNPAID:		
2 ordinary shares of £1 each	£ <u>2</u>	£ <u>2</u>

4. OPERATING EXPENSES

Operating expenses of the company have been settled by a third party.

SUPERAPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 1998

5. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998	1997
Opening shareholders' funds	2	-
New share capital subscribed	-	2
Closing shareholders' funds	£ 2	£ 2

6. TRANSACTIONS

On 15th September, 1997 the Company entered into an amended and restated ship building contract (the "Shipbuilding Contract") relating to the construction and acquisition by the Company of an offshore loading tanker known as Hull 317 (the "Vessel"). The Shipbuilding Contract was further amended on 29th September 1997 and on 19th November 1998. The total consideration payable to the Company for the Vessel amounts to PTA17,200,000,000. As at the balance sheet date payments under the terms of the Shipbuilding Contract totalling PTA7,339,337,713 had been made, leaving PTA9,860,662,287 due upon the launching and delivery of the Vessel.

The Company has also entered into a contract dated 25th September, 1997 to sell the Vessel (the "Sales Contract") to a commercial counterparty (the "Purchaser"). The Sales Contract was further amended on 29th September 1997 and 19th November 1998. The total consideration payable by the Purchaser for the Vessel amounts to US\$80,500,000 plus PTA2,500,000,000. As at the balance sheet date amounts when converted to PTA of PTA7,339,337,713, had been invoiced by the Company under the terms of the Sales Contract and received from the Purchaser. To secure its obligations under the Sales Contract the Company has assigned all of its rights, title and interest in and to the Shipbuilding Contract to the Purchaser.

The Company has instructed the Purchaser to pay US\$ amounts payable under the terms of the Sales Contract to the Midland Bank plc (the "Bank"). The Bank has entered into the forward foreign exchange and interest rate swap transactions hereinafter referred to (the "Swap Transactions") and, inter alia, converted such US\$ amounts into amounts of PTA. The said PTA amounts are maintained on a secured deposit account (the "Secured Deposit") in the name of the Company with the Bank. At the balance sheet date a total balance of PTA7,339,337,713 was maintained on the Secured Deposit. The Secured Deposit bears interest fixed at 8.80% per annum payable annually in arrears. The principal amount of the Secured Deposit has been pledged by the Company to the Bank as security for the obligations of the Company to the Bank arising in connection with the Loan Agreement (as hereinafter defined).

The PTA amounts payable by the Company under the terms of the Shipbuilding Contract have been or will be financed in the following manner. First, the Company has entered into a loan agreement (the "Loan Agreement") with the Bank dated 24th December, 1997. An aggregate advance of PTA12,443,550,000 (the "Loan") is available to the Company under the terms of the Loan Agreement drawable in six tranches during the construction of the Vessel. Amounts drawn down under the Loan Agreement bear interest at the fixed rate of 8.80% payable annually in arrears. All amounts drawn down under the Loan Agreement are repayable in full by ten annual installments commencing three years after the date of delivery of the Vessel.

SUPERAPPLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 1998

6. TRANSACTIONS - (continued)

The amount drawn down under the Loan Agreement at the balance sheet date was PTA7,339,337,713.

A shortfall arises when the aggregate advance available under the Loan Agreement is applied against the aggregate amount payable by the Company pursuant to the Shipbuilding Contract. The shortfall will be met by the payment by the Bank to the shipbuilder (upon delivery of the Vessel) of certain interest adjustment amounts receivable by the Bank in connection with the Loan Agreement in the manner set out in, and upon the terms of, a financing agreement (the "Financing Agreement") made between the Company and, inter alia, the Bank on 15th September, 1997 in connection with the Vessel.

The Loan advanced to the Company by the Bank is denominated in PTA. Payments to the Company pursuant to the Sales Contracts are received in US\$. Any potential exposure of the Company to movements in interest and exchange rates arising therefrom has been hedged as a result of the Bank entering into the Swap Transactions.

Pursuant to a deposit agreement (the "Deposit Agreement") made between the Company and the Bank and dated 24th December, 1997 the principal balance from time to time of the Secured Deposit and interest accruing thereon is and may be applied by the Bank to discharge the Company's obligations to the Bank arising under or in connection with the Loan Agreement. Interest received by the Company on the Secured Deposit is and will be applied to finance loan interest payable by the Company to the Bank. The principal amount of the Secured Deposit will be the source of repayment of the principal amount of the Loan.

As a result of the limited recourse and other provisions of the Shipbuilding Contract, the Sales Contract, the Financing Agreement, the Deposit Agreement, the Swap Transactions and the other documents entered into by the Company in connection with the aforementioned transactions the said transactions are not considered to produce any inflow or outflow of benefit to, or risk or reward for, the Company. As a result, payments received and made, receivable and payable in respect of those transactions as well as any currency, interest or other exposures or benefits arising therefrom do not constitute new assets or liabilities, as defined under FRS5, and consequently are not recognised on the balance sheet.

7. HOLDING COMPANY

The Company is owned by Mourant & Co. Trustees Limited as trustees of the Ultra Charitable Trust. The Directors do not consider there to be a single ultimate controlling party under the definition of FRS 8.