

Azure Oil Services Limited
(formerly Falmouth Oil Services Limited)

Directors' report and financial statements

For the year ended 31 December 2010

Company registration number 02856486

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Azure Oil Services Limited

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Azure Oil Services Limited

Officers and professional advisers

Director: CJ Walters

Company secretary: DK Hines-Randle

Registered office: c/o Metal Surgery
Unit 9
Kernick Industrial Estate
Parkengue
PENRYN
Cornwall
TR10 9EP

Auditors: Robinson Reed Layton
Peat House
Newham Road
TRURO
Cornwall
TR1 2DP

Bankers: National Westminster
15 High Street
BATH

Azure Oil Services Limited

Directors' report

For the year ended 31 December 2010

The directors present their annual report and financial statements for the year ended 31 December 2010

Principal activities

The principal activities of the company during the year was that of a supplier of marine and engineering maintenance services

Business review

The major factor affecting the Company's accounts and trading during 2010 was the sale of most of the trade and assets of the oil terminal and bunkering facilities at Falmouth, as well as the established shipping agency, which took place in early January

The Company retains an interest in part of the oil terminal including the site at Middle Point and continues to rent this facility to the new terminal operators in the short term while they are building their own replacement storage

During 2010 the company incurred clean up costs at Middle Point in excess of a quarter of a million pounds and the site will eventually have to be decommissioned. However, the Board consider that the value of this site, even allowing for clean up costs, is well in excess of that shown in the balance sheet. The four and a half acres of land remains the only waterfront site in Falmouth with development potential

The Company also retained its interest in the engineering business, Metal Surgery which it continues to operate from the factory in Penryn, near Falmouth

On 24 March 2010 975,000 of the company's ordinary shares were cancelled

Azure Oil Services Limited

Directors' report

For the year ended 31 December 2010

Future Developments

Following the sale of the trade and assets of the marine oil terminal and bunkering business, the Company is in a very healthy condition, particularly given the cash position of the business

Future strategy is to make the engineering division, which trades as 'Metal Surgery', a profitable, stand alone business. In the past this was operated effectively as an in-house repair and fabrication facility for the oil terminal but the priority must now be to make this a successful business in its own right. The Company has since invested in training, for example to ensure that our welders are fully 'coded', and also in new products which can be manufactured, including our ShelterCo range of bicycle shelters, smoking shelters and a wide variety of other shelters and storage equipment. The strategy appears to be working well and Metal Surgery is now winning some large work orders.

In addition the Company continues to look at opportunities for investment and during 2011 acquired Kernick Supplies, a business trading in industrial clothing, workwear and protective equipment. The retail premises of this business has since been expanded to twice its original size, along with an investment in stock and storage facilities, while a new website, 'workwearcornwall.co.uk', has been established to give this business a presence on the internet as well as enabling online sales to be made.

Following the clean up operation at Middle Point during 2010, new equipment has been installed at the site to reduce the risk of future seepage of oil while also being in place to deal, in part, with the longer term plan of completely cleaning and decommissioning Middle Point prior to redevelopment of this valuable waterfront property.

2011 is therefore not expected to be a profitable trading year, but rather a year of investment and development of new business in order to enable the Company to grow and to move forward with operations in the future.

Results and dividends

The results for the year are shown on page 7.

The directors have not recommended a dividend for the year (2009 £Nil).

Directors

The director who served the company during the year was as follows:

CJ Walters

Auditors

The auditors are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Azure Oil Services Limited

Directors' report

For the year ended 31 December 2010

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board

Azure Oil Services Limited
c/o Metal Surgery
Unit 9 Kernick Industrial Estate
Parkengue
PENRYN
TR10 9EP



DK Hines-Randle
Company Secretary

15 October 2012

Azure Oil Services Limited

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

We have audited the financial statements of Azure Oil Services Limited for the year ended 31 December 2010 set out on pages 7 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Azure Oil Services Limited

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Paul Reed (Senior Statutory Auditor)

for and on behalf of ~~Robinson~~ Reed Layton, Statutory Auditors

Peat House
Newham Road
TRURO
TR1 2DP

17 October 2012

Azure Oil Services Limited

Profit and loss account

For the year ended 31 December 2010

	Notes	£	2010 £	£	2009 £
Turnover	2				
Continuing operations		349,343		348,232	
Discontinued operations		-		13,324,173	
			349,343		13,672,405
Cost of sales before exceptional item	4		(284,279)		(12,455,727)
			65,064		1,216,678
Gross profit					
Administrative expenses	4		(1,177,885)		(1,635,443)
Other operating income	3		3,036,307		32,634
Operating profit/(loss) before exceptional item	5				
Continuing operations		1,923,486		(128,989)	
Discontinued operations		-		(257,142)	
			1,923,486		(386,131)
Exceptional item	5		(3,100,000)		-
Operating loss					
Continuing operations		1,923,486		(128,989)	
Discontinued operations		(3,100,000)		(257,142)	
			(1,176,514)		(386,131)
Interest receivable			5,484		15
Interest payable	8		(159,830)		(128,643)
Loss on ordinary activities before taxation			(1,330,860)		(514,759)
Tax on loss on ordinary activities	10		-		-
Loss on ordinary activities after taxation and loss for the financial year	24		(1,330,860)		(514,759)

Azure Oil Services Limited

Balance sheet

As at 31 December 2010

	Notes	£	2010 £	£	2009 £
Fixed assets					
Intangible assets	10		-		16,400
Tangible assets	11 & 12		1,205,756		5,754,717
Investments	13		10,105		10,105
			<hr/>		<hr/>
			1,215,861		5,781,222
Current assets					
Stocks	14	81,332		115,645	
Debtors	15	3,542,595		3,576,740	
Cash at bank		167,939		190,341	
			<hr/>	<hr/>	
			3,791,866	3,882,726	
Creditors: amounts falling due within one year	16	(622,695)		(6,500,897)	
			<hr/>	<hr/>	
Net current assets/(liabilities)			3,169,171		(2,618,171)
			<hr/>	<hr/>	
Total assets less current liabilities			4,385,032		3,163,051
Creditors: amounts falling due after more than one year	17		(610,000)		(1,157,159)
Provisions for liabilities and charges	18		(3,100,000)		-
			<hr/>	<hr/>	
Net assets			675,032		2,005,892
			<hr/> <hr/>		<hr/> <hr/>
Capital and reserves					
Share capital	23		25,000		1,000,000
Profit and loss account	24		(490,332)		840,528
Other reserves	24		1,140,364		165,364
			<hr/>		<hr/>
Equity shareholder's funds	25		675,032		2,005,892
			<hr/> <hr/>		<hr/> <hr/>

These financial statements were approved by the Board of directors on 15 October 2012 and were signed on its behalf by


Director - CJ Walters

Company Registration No 02856486

Azure 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 as modified for the revaluation of certain fixed assets

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary

1.2 *Consolidated accounts*

The ultimate holding company has produced group accounts and on this basis the company has taken advantage of the exemption granted by the Companies Act 2006 not to prepare intermediate group accounts. The accounts present information about the company as an individual undertaking and not about the group as a whole

1.3 *Turnover*

Turnover represents revenue recognised in the accounts. Revenue is recognised when the company fulfils its contractual obligations to customers by supplying goods and services and excludes 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

Long leasehold property	5-50 years on cost
Short leasehold property	10 years on cost
Plant and machinery	Between 4 and 50 years on cost
Barges	10 years on cost

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 *Goodwill*

Acquired goodwill is written off over its estimated useful economic life

1.6 *Intellectual property rights*

Intellectual property rights are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives

1.7 *Investments*

Investments are stated at cost less amounts written off

1.8 *Stocks*

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

Azure Oil Services Limited

Notes

(forming part of the financial statements)

1 9 *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 10 *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 11 *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 12 *Pension costs*

The company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension costs charged to the profit and loss account represent the contributions payable by the company in respect of the accounting year.

1 13 *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 14 *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 15 *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 quantified.

Azure Oil Services Limited

Notes

(forming part of the financial statements)

2 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company

The analysis of turnover by location is as follows

	2010 £	2009 £
United Kingdom	349,343	11,095,208
Europe	-	2,577,197
	<u>349,343</u>	<u>13,672,405</u>

3 Other operating income

	2010 £	2009 £
Rent receivable	5,000	19,816
Profit on disposal	3,006,306	-
Other operating income	25,001	12,818
	<u>3,036,307</u>	<u>32,634</u>

4 Cost of sales before exceptional item and net operating expenses

	Continued £	Discontinued £	2010 Total £	Continued £	Discontinued £	2009 Total £
Cost of sales	284,279	-	284,279	213,300	12,242,427	12,455,727
Administrative expenses	1,177,885	-	1,177,885	263,921	1,371,522	1,635,443
	<u>1,462,164</u>	<u>-</u>	<u>1,462,164</u>	<u>477,221</u>	<u>13,613,949</u>	<u>14,091,170</u>

Azure Oil Services Limited

Notes

(forming part of the financial statements)

5 Operating loss

	2010	2009
	£	£
<i>Operating loss is stated after charging/(crediting)</i>		
Depreciation	101,576	513,862
Amortisation	-	2,050
Auditors' remuneration - as auditors	12,000	12,000
Hire of plant and equipment	11,715	19,667
Rental of other assets	41,170	65,423
Foreign exchange losses	1,921	4,864
	<u>101,576</u>	<u>513,862</u>

The company has not disclosed fees payable to the auditor for other (non-audit) services because the consolidated accounts of the company's parent are required to disclose other (non-audit) services on a consolidated basis

Operating loss includes an exceptional item in the year to 31 December 2010 being a provision for land remediation costs £3,100,000

6 Particulars of employees

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

	2010	2009
	No	No
Distribution staff	9	35
Administration staff	3	4
Sales staff	-	2
	<u>12</u>	<u>41</u>

The aggregate payroll costs of the above were

	2010	2009
	£	£
Wages and salaries	305,894	1,012,836
Social security costs	26,006	106,351
Other pension costs	13,759	9,384
	<u>345,659</u>	<u>1,128,571</u>

7 Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were

	2010	2009
	£	£
Emoluments receivable	-	12,000
	<u>-</u>	<u>12,000</u>

Retirement benefits are accruing to nil (2009 one) director under defined contribution pension schemes

Azure Oil Services Limited

Notes

(forming part of the financial statements)

8	Interest payable	2010 £	2009 £
	On bank loans and overdrafts	27,409	28,294
	On other loans	2,133	38,563
	Hire purchase finance charges	35,080	36,540
	Other	95,208	25,246
		159,830	128,643
		159,830	128,643
9	Taxation	2010 £	2009 £
	<i>Current year tax</i>		
	UK corporation tax	-	-
	<i>Deferred tax</i>		
	Origination and reversal of timing differences	-	-
		-	-
	<i>Tax on profit on ordinary activities</i>	-	-
		-	-
	<i>Factors affecting the tax charge for the year</i>		
	Loss on ordinary activities before taxation	(1,330,860)	(514,759)
		(1,330,860)	(514,759)
		(1,330,860)	(514,759)
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21% (2009 0%)	-	-
	Effects of		
	Non deductible expenses	-	-
	Depreciation	-	-
	Capital allowances	-	-
	Chargeable gains	-	-
	Other	-	-
		-	-
		-	-
	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

Azure Oil Services Limited

Notes

(forming part of the financial statements)

10 Intangible assets

	Intellectual Property Rights £	Goodwill £	Total £
Cost			
At 1 January 2010	15,000	5,500	20,500
Disposals	(15,000)	(5,500)	(20,500)
	<hr/>	<hr/>	<hr/>
At 31 December 2010	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Amortisation			
At 1 January 2010	3,000	1,100	4,100
On disposals	(3,000)	(1,100)	(4,100)
	<hr/>	<hr/>	<hr/>
At 31 December 2010	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value			
At 31 December 2010	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2009	12,000	4,400	16,400
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Azure Oil Services Limited

Notes

(forming part of the financial statements)

11 Tangible fixed assets

	Short leasehold property £	Long leasehold property £	Plant and machinery £	Barges £	Total £
Cost					
At 1 January 2010	120,429	573,465	7,104,472	868,124	8,666,490
Additions	-	-	3,603	-	3,603
Disposals	(28,383)	(573,465)	(5,840,814)	(868,124)	(7,310,786)
At 31 December 2010	92,046	-	1,267,261	-	1,359,307
Depreciation					
At 1 January 2010	49,482	36,466	3,350,800	325,025	3,761,773
Charge for the year	9,204	-	92,372	-	101,576
On disposals	(21,869)	(36,466)	(2,476,438)	(325,025)	(2,859,798)
At 31 December 2010	36,817	-	966,734	-	1,003,551
Net book value					
At 31 December 2010	55,229	-	300,527	-	355,756
At 31 December 2009	70,947	536,999	3,753,672	543,099	4,904,717

Included above are assets under hire purchase agreements as follows

	Plant and machinery £	Barges £	Total £
Net book values			
At 31 December 2010	-	-	-
At 31 December 2009	136,537	367,678	504,215
Depreciation charge for the year			
At 31 December 2010	-	-	-
At 31 December 2009	29,340	53,803	83,143

Azure Oil Services Limited

Notes

(forming part of the financial statements)

12 Tangible fixed assets

Investment properties
£

Cost or valuation

At 1 January 2010 and 31 December 2010

850,000

The freehold properties of the company held for investment purposes were valued at 31 December 2010 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 £684,636 (2009 £684,636) If depreciation had been provided on such properties the accumulated depreciation at that date based on cost would be £161,636 (2009 £134,250)

If the company's properties were disposed of at market value a corporation tax liability of £3,500 (2009 £14,127) would arise

13 Investments

Shares in group Undertakings
£

Cost

At 1 January 2010 and 31 December 2010

10,105

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

Financial information in respect of the above company is as follows

	Aggregate amount of capital and reserves	Result for the year
Azure Shipping Limited	10,105	-

The company was struck off the Companies House register on 28 June 2011

14 Stocks

	2010 £	2009 £
Raw materials	81,332	115,645

Azure Oil Services Limited

Notes

(forming part of the financial statements)

15 Debtors	2010 £	2009 £
<i>Amounts falling due within one year</i>		
Trade debtors	121,148	2,588,438
Prepayments and accrued income	176,291	789,221
Other tax and social security	65,058	63,104
Director's current account	-	135,977
Other Debtors	1,032,891	-
Amounts owed by group undertakings	1,077,207	-
	<hr/>	<hr/>
	2,472,595	3,576,740
 <i>Amounts falling due in more than one year</i>		
Other debtors	1,070,000	-
	<hr/>	<hr/>
	3,542,595	3,576,740
	<hr/> <hr/>	<hr/> <hr/>
 16 Creditors amounts falling due within one year	 2010 £	 2009 £
Bank loans and overdrafts (see note 17)	1,655	1,191,136
Other loans	10,675	2,307,863
Trade creditors	350,617	2,396,942
Amounts owed to group undertakings	-	55,000
<i>Other creditors including taxation and social security</i>		
Other taxation and social security	21,628	25,967
Hire purchase agreements (see note 17)	-	169,934
Other creditors	(835)	2,853
Directors current accounts	-	53,500
Accruals and deferred income	238,955	297,702
	<hr/>	<hr/>
	622,695	6,500,897
	<hr/> <hr/>	<hr/> <hr/>

Azure Oil Services Limited

Notes

(forming part of the financial statements)

17 Creditors amounts falling due after more than one year

	2010 £	2009 £
Bank loans	610,000	610,000
Hire purchase agreements	-	14,709
Amounts owed to group undertakings	-	532,450
	<u>610,000</u>	<u>1,157,159</u>
<i>Analysis of loans</i>		
Not wholly repayable within five years other than by instalments	611,655	610,000
Wholly repayable within five years	-	1,655
	<u>611,655</u>	<u>611,655</u>
Included in current liabilities	(1,655)	(1,655)
	<u>610,000</u>	<u>610,000</u>
<i>Loan maturity analysis</i>		
In more than five years	<u>610,000</u>	<u>610,000</u>

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

Investment property mortgages of £610,000 (£2009 £610,000) are interest only to be repaid in May 2016
Interest is charged at 0.7% less than the bank's standard variable rate

Net obligations under hire purchase agreements

Repayable within one year	-	169,934
Repayable between one and five years	-	14,709
	<u>-</u>	<u>184,643</u>
Included in current liabilities	-	(169,934)
	<u>-</u>	<u>14,709</u>

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

18 Provisions for liabilities and charges

	2010 £	2009 £
Land remediation provision	<u>3,100,000</u>	<u>-</u>

Azure Oil Services Limited

Notes

(forming part of the financial statements)

19 Commitments under operating leases

At 31 December 2010, the company had annual commitments under non-cancellable operating leases as set out below

	2010 Land and buildings £	2009 Land and buildings £
Operating leases which expire In two to five years	41,500	41,500
	<hr/>	<hr/>
	41,500	41,500
	<hr/> <hr/>	<hr/> <hr/>

20 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 £13,759 (2009 £9,384) including contributions in respect of employees. Contributions amounting to £858 (2009 £1,959) were payable to the fund at the year end and are included in creditors.

21 Related party transactions

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

CJ Walters is also a director of Christian Walters Limited a company incorporated in the UK.

During the year the company made a loan to Christian Walters Limited of £Nil (2009 £10,000). The balance at the year end is £18,470 (2009 £18,470), included in prepayments.

During the year the company provided services to Christian Walters Ltd of £Nil (2009 £3,200). The balance included in prepayments at the year end is £3,200 (2009 £3,200).

Included in other loans is a loan from the executive pension scheme of £Nil (2009 £Nil). Interest of £Nil (2009 £885) was charged during the year.

On 23 August 2002, CJ Walters, a director of Garraf Limited (the parent company) and the ultimate controlling party purchased Zilva Corporation's interest in Garraf Limited and its share of the assigned overdraft owed by Azure Oil Services Limited. The amount left on the assigned overdraft payable to CJ Walters is £Nil (2009 £Nil). Interest of £Nil (2009 £Nil) was charged in respect of this loan during the year. Included in accruals is an amount of £Nil (2009 £192,963) of interest accrued on the loan in previous years.

During the year the company paid rent to CJ Walters of £Nil (2009 £25,000). The balance owed at 31 December 2010 is £Nil (2009 £Nil).

CJ Walters has provided a personal guarantee to the bank limited to £300,000 (2009 £100,000).

Azure Oil Services Limited

Notes

(forming part of the financial statements)

22 Directors advances, credits and guarantees

Included in debtors at the year end was a balance for the director's current account of £Nil owed by CJ Walters (2009 £135,977) The maximum overdrawn balance in the year was £135,977

23 Share capital

	2010 £	2009 £
Allotted, called up and fully paid		
25,000 ordinary shares of £1 each	25,000	1,000,000

On 24 March 2010, 975,000 of the company's shares were cancelled

24 Movement in reserves

	Capital Redemption Reserve £	Investment Property Revaluation Reserve £	Profit and loss account £
At 1 January 2010	-	165,364	840,528
Loss for the year after taxation	-	-	(1,330,860)
Cancellation of shares	975,000	-	-
At 31 December 2010	975,000	165,364	(490,332)

25 Reconciliation of movements in shareholder's funds

	2010 £	2009 £
Loss for the financial year	(1,330,860)	(514,759)
Net reduction in shareholder's funds	(1,330,860)	(514,759)
Opening shareholder's funds	2,005,892	2,520,651
Closing shareholder's funds	675,032	2,005,892

26 Ultimate parent company

The parent company is Garraf Limited, a company registered in England and Wales. The consolidated financial statements of the group may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

27 Control

The ultimate controlling party is CJ Walters (director)

Azure Oil Services Limited

Notes

(forming part of the financial statements)

28 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 £Nil (2009 £Nil) and the maximum amount outstanding during the year was £Nil (2009 £Nil).

The bankers hold bonds in respect of HM Revenue and Customs for £Nil (2009 £20,000).