

GARTH RESOURCES LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2018

Registered number: 01972686

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GARTH RESOURCES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H G Williams
C L Williams
C J G Davies

SECRETARY

V M Dwyer-Davies

REGISTERED OFFICE

1 Caspian Point
Caspian Way
Cardiff
CF10 4DQ

BANKERS

Barclays Bank plc

SOLICITORS

Acuity Legal Limited
Cardiff

GARTH RESOURCES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

This directors' report has been prepared in accordance with the provisions applicable to small companies entitled to the small companies' exemption.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company is a wholly owned subsidiary of Graig Shipping Plc and holds oil exploration licences from which it receives royalties.

There have been no significant events since the balance sheet date.

RESULTS AND DIVIDENDS

The audited results for the financial year are set out in the attached financial statements. The loss for the year amounted to \$1,832 (2017 - \$91,294 profit).

The directors do not recommend the payment of a dividend for the year (2017 - \$nil).

FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of financial risks including credit risk and foreign exchange rate risk. The policies set by the board of directors are implemented by the company's finance department.

Credit risk

The company's credit risk is primarily attributable to its trade debtors. The amount of exposure to any individual customer is subject to a limit.

Foreign currency exchange rate risk

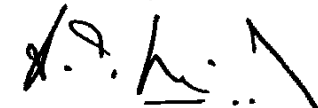
The company is exposed to foreign exchange risk as a result of trade creditors and salaries settled in GBP. During the year the group entered into foreign currency forward contracts to fix the rate at which it will buy GBP from the bank.

GOING CONCERN

The company has net liabilities of \$1.84m at the balance sheet date. A letter of support dated 19 September 2019 has been received from Graig Shipping Plc confirming that Graig Shipping Plc will meet any third party liabilities that the company is unable to meet for a further twelve months from the date of approval of these financial statements. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

DIRECTORS

The directors, who served throughout the financial year and subsequently, are as shown on page 1.



H Williams

Director

30 September 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 accounting estimates that are reasonable and prudent; and
- 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.

GARTH RESOURCES LIMITED**STATEMENT OF INCOME AND RETAINED EARNINGS**

For the year ended 31 December 2018

	Note	2018 \$	2017 \$
TURNOVER	3	6,414	94,771
Cost of sales		<u>-</u>	<u>-</u>
GROSS PROFIT		6,414	94,771
Administrative expenses		<u>(8,246)</u>	<u>(2,847)</u>
PROFIT BEFORE TAXATION	5	(1,832)	91,924
Tax on profit	6	<u>-</u>	<u>-</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(1,832)</u>	<u>91,924</u>
Retained earnings at the beginning of the year		(2,232,093)	(2,324,017)
Retained earnings at the end of the year		<u>(2,233,925)</u>	<u>(2,232,093)</u>

All activities derive from continuing operations.

There have been no recognised gains and losses for the current or the prior year other than stated in the statement of income and retained earnings and, accordingly, no separate statement of other comprehensive income is presented.

GARTH RESOURCES LIMITED**BALANCE SHEET**
As at 31 December 2018

	Note	2018 \$	2017 \$
NON-CURRENT ASSETS			
Investments	7	-	-
CURRENT ASSETS			
Debtors	8	934	92,519
Cash at bank and in hand		5,908	2,238
		<u>6,842</u>	<u>94,757</u>
CREDITORS: amounts falling due within one year	9	<u>(1,845,604)</u>	<u>(1,931,687)</u>
NET CURRENT LIABILITIES		<u>1,838,762</u>	<u>(1,836,930)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES, BEING NET LIABILITIES		<u>(1,838,762)</u>	<u>(1,836,930)</u>
CAPITAL AND RESERVES			
Called-up share capital	10	395,163	395,163
Profit and loss account		<u>(2,233,925)</u>	<u>(2,232,093)</u>
SHAREHOLDER'S DEFICIT		<u>(1,838,762)</u>	<u>(1,836,930)</u>

AUDIT EXEMPTION STATEMENT

For the year ending 31 December 2018, the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The members have not required the company to obtain an audit of its financial statements for the year ended 31 December 2018 in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Section 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The financial statements of Garth Resources Limited, registered number 01972686, were approved by the Board of Directors and authorised for issue on 30 September 2019.

Signed on behalf of the Board of Directors



C J G Davies
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

Garth Resources Limited is a private company limited by shares and incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the directors' report on page 2. The company is registered in Wales.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Garth Resources Limited is considered to be US dollars because that is the currency of the primary economic environment in which the company operates.

Garth Resources Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Garth Resources Limited is consolidated in the financial statements of its parent, Graig Shipping Plc, copies of which may be obtained at 1 Caspian Point, Caspian Way, Cardiff, CF10 4DQ. Exemptions have been taken in these financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Going concern

The financial statements have been prepared under the going concern basis as discussed in the directors' report on page 2.

Turnover and revenue recognition

Turnover represents net royalty payments receivable from wells in the United States of America.

Investments

Investments in oil and gas extraction ventures are carried out at costs less amortisation and provisions for permanent diminution in value. The cost is amortised over the productive life of the wells.

Investments in oil and gas exploration ventures are capitalised. It is intended to write off these costs off against revenue arising from productive wells.

Impairment

The company reviews all fixed assets for impairment whenever events and circumstances indicate that the carrying value of the assets may not be fully recoverable based upon estimated cash flows. Provision for impairment in the value of the fixed assets is made in the profit and loss account.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements to conform to generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Given the nature of the company the directors do not believe that there are any critical judgements which are made, or any key sources of estimation used in the preparation of the financial statements.

GARTH RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. TURNOVER

Turnover and profit before tax for the year relate to the receipt of royalty income from oil licences. All activities are carried out in the United States of America.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors were the only employees of the company during the current and the prior financial year. They received no remuneration in respect of services provided to the company during either year.

5. PROFIT BEFORE TAXATION

	2018 \$	2017 \$
Profit before taxation is stated after charging		
Auditor's remuneration – audit of the financial statements	-	2,201
	<u>-</u>	<u>2,201</u>

6. TAX ON PROFIT

	2018 \$	2017 \$
Current taxation		
United Kingdom corporation tax:		
Total tax per income statement	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The difference between the current taxation shown above and the amount calculated by applying the blended rate of UK corporation tax to the profit before tax is as follows:

	\$	\$
Profit/(Loss) before tax	(1,832)	91,924
Tax on profit before tax at 19% (2017 – 19.25%)	(348)	17,692
Factors affecting expense for the year		
Effects of group relief/other reliefs	-	(17,692)
Losses	348	-
Tax expense for the year	<u>-</u>	<u>-</u>

The standard rate of tax applied to the reported profit is 19% (2017 – 19.25%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2016. There is a phased reduction in the rate of corporation tax to 17% by 1 April 2020 and this rate has therefore been used to measure deferred tax assets and liabilities where applicable.

GARTH RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

7. INVESTMENTS

	2018 \$	2017 \$
Cost	-	185,963
Additions		
Shares in Diamond Wuhu	4	-
Shares in Diamond Chengxi	6	-
Impairment	(10)	(185,963)
	<u>-</u>	<u>-</u>

The investments are in respect of oil exploration licences held in the United States of America from which it receives royalties. Additions are company formation shares Diamond Wuhu – 4 companies and Diamond Chengxi – 6 companies.

8. DEBTORS

	2018 \$	2017 \$
Amounts falling due within one year		
Prepayments and accrued income	934	92,519
	<u>934</u>	<u>92,519</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 \$	2017 \$
Trade creditors	3,900	-
Amounts owed to group undertakings	1,841,704	1,931,687
Accruals and deferred income	-	-
	<u>1,845,604</u>	<u>1,931,687</u>

Amounts owed to group undertakings accrue no interest and are repayable on demand.

10. CALLED-UP SHARE CAPITAL AND RESERVES

	2018 \$	2017 \$
Authorised share capital		
1,000,000 £1 ordinary shares	<u>1,580,652</u>	<u>1,580,652</u>
Allotted and fully paid		
250,000 £1 ordinary shares	<u>395,163</u>	<u>395,163</u>

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments. Ordinary shares were translated to United States dollars at a historic rate of 1.58065.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

11. SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company:

Name	Country of Incorporation	Holding	Principal activity
Diamond Chengxi 1 Limited	Marshall Islands	100%	Dormant, being liquidated
Diamond Chengxi 2 Limited	Marshall Island	100%	Dormant, being liquidated
Diamond Chengxi 3 Limited	Marshall Island	100%	Dormant, being liquidated
Diamond Chengxi 3 Limited	Marshall Island	100%	Dormant, being liquidated
Diamond Chengxi 5 Limited	Marshall Island	100%	Dormant, being liquidated
Diamond Chengxi 6 Limited	Marshall Island	100%	Dormant, being liquidated
Diamond Wuhu 1 Limited	Marshall Island	100%	Dormant, being liquidated
Diamond Wuhu 2 Limited	Marshall Island	100%	Dormant, being liquidated
Diamond Wuhu 3 Limited	Marshall Island	100%	Dormant, being liquidated
Diamond Wuhu 4 Limited	Marshall Island	100%	Dormant, being liquidated

Subsidiary and related companies operate principally in countries of incorporation and the UK companies are registered in England and Wales.

The registered office of the companies incorporated in the Marshall Islands is Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands

12. FOREIGN CURRENCIES

The principal rate of exchange used for translation of foreign currencies to United States dollars at the year-end is as follows:

	2018	2017
£ sterling/United States dollar	<u>1.276</u>	<u>1.3503</u>

13. ULTIMATE PARENT COMPANY

The immediate parent company is Graig Shipping Plc, a company incorporated in the United Kingdom, and the ultimate parent company is Idwal Williams and Company Limited, also incorporated in the United Kingdom.

Graig Shipping Plc is the parent of the smallest group of which the company is a member and for which group financial statements are drawn up. Idwal Williams and Company Limited is the parent of the largest group of which the company is a member and for which group financial statements are drawn up.

The registered address of both the ultimate parent company and the immediate parent company is 1 Caspian Point, Caspian Way, Cardiff, CF10 4DQ.

Copies of the financial statements of Idwal Williams and Company Limited and Graig Shipping Plc are available from Companies House, Crown Way, Maindy, Cardiff.