

1976, 1

13 No. OF 1975
of 1975

In the Privy Council

ON APPEAL FROM THE COURT OF APPEAL OF NEW ZEALAND

BETWEEN

EUROPA OIL (N.Z.) LIMITED

Appellant

AND

THE COMMISSIONER OF INLAND REVENUE

Respondent

Record of Proceedings

VOLUME 12

MACFARLANES,
Dowgate Hill House,
London E.C.4.

Agents for:
MORISON, TAYLOR & CO.,
Wellington,
New Zealand.

Solicitors for Appellant

ALLEN & OVERY
9 Cheapside,
London.

Agents for:
CROWN LAW OFFICE,
Wellington,
New Zealand.

Solicitors for Respondent

IN THE PRIVY COUNCIL

ON APPEAL FROM THE COURT OF APPEAL
OF NEW ZEALAND

BETWEEN EUROPA OIL (N.Z.) LIMITED

Appellant

A N D THE COMMISSIONER OF INLAND
REVENUE

Respondent

VOLUME 12

COMMISSIONER'S EXHIBITS

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EXHIBIT 2.

EXTRACT FROM "FORTUNE" FEBRUARY 1969 p.94 at p.174

**Phistication
comes to the Tax Havens** *continued*

antagonize the Treasury and the I.R.S. Even so, the Curaçao banks maintain Swiss-like secrecy, and the courts are reluctant to order them to open their records in tax disputes.

A Panama hat for everyone

Panama can't quite make up its mind about *Yanquis*. *Si*, we need their business, and more of it. *No*, they are trying to turn us into a colony. But the banking, business, and political leaders harbor no doubts, and last year's bloodless revolution changed nothing.

Panama levies no tax on the foreign income of companies incorporated in the country, and it was a booming tax haven in the 1950's. Then came the 1962 Revenue Act, and U.S. companies departed in dozens. But now the trend is upward again. The U.S. newcomers are, however, very different from some of their predecessors; they are using Panama not only as a tax haven, but also as a base for regional management, sales, and distribution. Among them are subsidiaries of several U.S. tire and drug companies, such as Pfizer.

Banking has grown along with business. In a nation of 1,300,000, there are seventeen international banks. Of the \$260 million to \$280 million deposited in banks in Panama, some \$50 million comes from the local subsidiaries of international corporations, and some \$40 million to \$50 million from companies with letter-box operations. Many of the foreign deposits represent the use of Panama purely as a tax haven. A California company, for example, uses a local

subsidiary and Panamanian bank to meet payrolls around the world. It has no exchange problems; the bank account isn't included in the company's taxable assets in the U.S.; and it pays no Panama tax on the interest it earns at the bank, which can run as high as 6 percent on a time deposit.

Panama has solid attractions. Its currency is so closely linked to the U.S. dollar that the government doesn't bother to issue its own paper money, and there is free convertibility—a rarity in Latin America. There are well-founded reports that the governing junta may soon abolish inheritance taxes and turn all of Panama into a free-trade zone. But tax-haven money is nervous, and new fiscal concessions will achieve little if there is a recurrence of the 1964 anti-U.S. riots.

Changes on Bay Street

When the visitor to the Bahamas gets tired of the spectacular sunsets, the dazzling white beaches, and the roulette tables, he can always take in another famous local sight: the company nameplates covering the walls outside local law offices. This self-governing British colony of fewer than 150,000 people has some 11,000 companies. Most of the nameplates can be found in and around Bay Street, Nassau, home of the Bay Street Boys—the group of local merchants, lawyers, bankers, and politicians who turned the Bahamas into a thriving tax haven, and made the colony's name synonymous with fiscal skulduggery.

The colony has been trying to spruce up its reputation recently. In 1965, under heavy pressure from Britain and the U.S., a law was enacted to regulate the establishment and operation of banks. A few years ago, for instance, the late

continued page 178

EXHIBIT 3
Europa Oil (N.Z.) Ltd v C.I.A.
14/12/1978

EXHIBIT 3.

12003

Todd Building,
110-116 Courtenay Place,
Wellington,
New Zealand

20 December 1972

The Commissioner
Inland Revenue Department
P. O. Box 2198
WELLINGTON.

Attention: Mr T. H. Silcock

Dear Mr Silcock

RE: EUROPA OIL (N.Z.) LIMITED & EUROPA REFINING CO. LIMITED

In reply to your letter dated 15 November 1972, addressed to The Secretary, Europa Oil (N.Z.) Limited, I confirm my verbal advice to you - that in response to your previous request of 1 June 1972, I asked everyone at Europa who would have such, to produce for your inspection all files, memos, etc, in terms of your request and therefore anything of the nature now requested by you would have already been produced in what you have seen. I did offer to arrange that you discuss your further request with Mr Bryan Todd, but you subsequently informed me this was not necessary.

You have now seen the Pan-Eastern Vouchers and Accounts for the years 31 December 1967, 31 December 1968 and 31 December 1969. As explained to you, Europa has not received copies for the year 31 December 1971.

Details of "swaps" (exchanges) of products crudes or feedstocks during the period 1 April 1966 to 31 March 1971, as requested in your letter of 15 November 1972, are set out on the attached schedule I.

A statement showing the build-up of the naphtha shipment prices detailed by you is set out on schedule II attached. These prices are in accordance with the provisions of the Feedstock supply Contract of 10.3.64 between Gulf Exploration and Europa Refining as amended. The API Gravity is shown against each shipment as requested.

Referring now to our verbal discussions on 29 November 1972. I have sent you under cover of my letter 13 December 1972 as requested by you:-

- a) Copies of Europa Oil's Computer Tabulation Ledger showing payments as advances to Europa Refining Company Limited in respect of freight on the two shipments nominated by you.
- b) Copies of the Ledger accounts from Europa Refining Company Limited Ledger as nominated by you.

As at 31.3.72 the current account balances between Europa Oil and Europa Refining was \$5,572,257 and the balances owing by Europa Refining to Gulf Companies was:-

(i)	Owing to Gulf Exploration Company	\$3,779,822
(ii)	Owing to Gulf Tankers Incorporated	\$4,108,874
	<u>TOTAL</u>	<u>\$7,888,696</u>

Yours faithfully


N. K. Smith

SCHEDULE I

Product/Naphtha Exchanges October 1967 - March 1971

U.S. Bbls.

3.3

	BP Oct. 67 - March 68	Shell March 68	BP 31.3.69 - 30.9.69	Shell July 69 - Dec. 70	Shell 1.1.71 - 31.3.71	Total
Products:						
Premium	123,060	30,524	59,715	479,600	87,200	750,099
Regular	33,560	31,425	214,092	269,700	62,930	511,707
A.G.O.			76,555	309,600	77,400	463,556
L. Kerosene			57,570	80,800		138,370

Total 156,620 61,949 307,933 1,139,700 227,530 1,393,732

Naphtha: 180,000 110,014 497,324 1,992,689 385,645 3,155,672

Basis of Exchange:

In return for 180,000 bbls. of naphtha plus a fee based on agreed formula BP would provide Europe with the quantities of motor gasoline set out above.

12,251 tons of naphtha for 3,500 tons of Premium and 3,500 tons of Regular Motor Spirit.

Gas Oil ratio 1.0 tons for 1.3 tons naphtha; Kerosene ratio 1.0 tons for 1.7 tons naphtha, Motor Spirit 96 ratio 1.0 tons for 1.9 tons naphtha, Motor Spirit 83 ratio 1.0 tons for 1.5 tons Naphtha.

Govt. bench-mark values for naphtha and products.

Govt. bench-mark values for naphtha and products.

12005

Raphine, Oregon

Tanker No.	3.4		
55	16.1.71	A.P.I. Gravity 68.00	
	K. Crude	1.590	(Posted price prior to 14.11.70)
	Plus	.090	12006
		<u>1.680</u>	
	68		
	31		
	<u>37 x 2</u>	.740	
		<u>2.420</u>	
	Less	.475	
		<u>\$1.945</u>	
56	16.2.71	A.P.I. Gravity 68.20	
	K. Crude	1.590	
	Plus	.090	
		<u>1.680</u>	
	68		
	31		
	<u>37 x 2</u>	.740	
		<u>2.420</u>	
	Less	.475	
		<u>\$1.945</u>	
57	26.2.71	A.P.I. Gravity 68.00	
	K. Crude	1.5900	
	Plus	.5025	
		<u>2.0925</u>	
	68		
	31		
	<u>37 x 2</u>	.7400	
		<u>2.8325</u>	
	Less	.6010	
		<u>\$2.2315</u>	
58	7.4.71	A.P.I. Gravity 67.80	
	K. Crude	1.5900	
	Plus	.5025	
		<u>2.0925</u>	
	67		
	31		
	<u>36 x 2</u>	.7200	
		<u>2.8125</u>	
	Less	.6010	= 42.2115

Europa Oil (N.Z.) Ltd. C-111
 14/2/1973.

12007

*Todd Building,
 110-116 Courtenay Place
 Wellington,
 New Zealand*

20 December 1972

The Commissioner
 Inland Revenue Department
 P. O. Box 2198
 WELLINGTON.

Attention: Mr T. H. Silcock

Dear Mr Silcock

RE: EUROPA OIL (N.Z.) LIMITED & EUROPA REFINING CO. LIMITED

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	<u>TOTAL</u>	<u>\$7,888,696</u>

Yours faithfully


N. K. Smith

SCHEDULE I

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U.S. Bbls.

	BP Oct. 67 - March 68	Shell March 68	BP 31.3.69 - 30.9.69	Shell July 69 - Dec. 70	Shell 1.1.71 - 31.3.71	Total
Products:						
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Regular	33,560	31,425	114,092	269,700	62,930	511,707
G.O.			76,555	309,600	77,400	463,556
Kerosene			57,570	80,800		138,370
Total	156,620	61,949	307,933	1,139,700	227,530	1,893,732

Naphtha:	180,000	110,014	497,324	1,982,689	385,645	3,155,672
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12,251 tons of naphtha for 3,500 tons of Premium and 3,500 tons of Regular. Motor Spirit.

Gas Oil ratio 1.0 tons for 1.3 tons naphtha. Kerosene ratio 1.0 tons for 1.7 tons naphtha, Motor Spirit 96 ratio 1.0 tons for 1.9 tons naphtha, Motor Spirit 83 ratio 1.0 tons for 1.5 tons Naphtha.

Govt. benchmark values for naphtha and products.

Govt. benchmark values for naphtha and products.

3.

Naphtha Prices

Tanker No.

12010

55	16.1.71	A.P.I. Gravity 68.00
		(Posted Price prior to 14.11.70)
	K. Crude	1.590
	Plus	.090
		<u>1.680</u>
	68	
	.31	
	<u> </u>	
	37 x 2	.740
		<u>2.420</u>
	Less	.475
		<u>\$1.945</u>

56	16.2.71	A.P.I. Gravity 68.20
	K. Crude	1.590
	Plus	.090
		<u>1.680</u>
	68	
	31	
	<u> </u>	
	37 x 2	.740
		<u>2.420</u>
	Less	.475
		<u>\$1.945</u>

57	28.2.71	A.P.I. Gravity 68.00
	K. Crude	1.5900
	Plus	.5025
		<u>2.0925</u>
	68	
	31	
	<u> </u>	
	37 x 2	.7400
		<u>2.8325</u>
	Less	.6010
		<u>\$2.2315</u>

58	7.4.71	A.P.I. Gravity 67.80
	K. Crude	1.5900
	Plus	.5025
		<u>2.0925</u>

67	
31	
<u> </u>	

Shell Oil New Zealand Limited



Telox N.Z. 3331
 Telegraphic Address "SHELL"
 Telephone 45-060
 P.O. Box 2091

12011

Shell House The Terrace Wellington 1.

Your Reference:

Our Reference: ISC/SDP

Date: 6th June, 1969

CONFIDENTIAL

Europa Oil (N.Z.) Ltd,
 P.O. Box 591,
 WELLINGTON.

Dear Sirs,

PRODUCT SUPPLIES

We wish to confirm discussions held between our Mr I.S. Cameron and your Mr T. Brow in connection with product supply by Shell Oil New Zealand Limited to Europa Oil (N.Z.) Limited in exchange for Europa naphtha.

- (1) Shell are prepared to offer Europa the following minimum quantities of specification New Zealand market product during the period 1st July 1969 to 31st March 1971:

Premium Gasoline	35,000	Long Tons
Regular Gasoline	25,000	Long Tons
Auto Gas Oil	50,000	Long Tons
Lighting Kerosene	10,000	Long Tons

At Europa's option the above quantities may be increased by 10,000 tons for each product except Lighting Kerosene. The products will be delivered to New Zealand coastal ports c.i.f. and Shell will pay all harbour charges.

- (2) In exchange for the above products Shell will accept Europa feedstock naphtha delivered to Marsden Point c.i.f. and Europa will pay all harbour charges. The naphtha feedstock should be of such a quality that it is fully acceptable to New Zealand Refining Company for processing under the February 1969 programming data. Kuwait naphtha will be acceptable at present specification. Naphtha supplied to Shell by Europa will be delivered evenly (subject to New Zealand Refining Company programming) over the period under consideration, Europa endeavouring if possible to complete delivery by the end of September 1970 and no later than December 1970.
- (3) Subject to the expressed intention of the offer, which is that the product and the naphtha feedstock should be valued at Government bench mark value for industry where these are specific, initially (1st May 1969) the basis of exchange will be on the following valuations:-

(a) Naphtha

Mean of posted prices Ras Tanura plus freight Mena Al Ahmadi/Whangarei @ 75% LR1, 15% LR and 10% GP. Plus insurance @ 0.1359%, plus ocean loss @ 0.5%, plus landing charges Whangarei @ NZ \$0.03497 per bbl.

(b) Products

Mean of posted prices Bandar Mashur less 10% for gasolines and 7½% for gas oils, plus CP freight Bandar Mashur to 2 port New Zealand., plus insurance @ 0.135%, plus ocean loss gasolines Gas Oils 0.4%, Kerosene 0.4%, plus landing charges @ NZ \$0.09576/ (69/1 average) .

The ratios so obtained will be adjusted at the 1st day of each quarter year to reflect any alteration to posted prices, AFRA freights, exchan rates and ruling Government bench mark directives to the Industry.

The attachment to our letter sets out the method by which valuations are obtained.

- (4) At least three months prior to the commencement of quarter years commencing on 1st January, 1st April, 1st July and 1st October, Europa will notify Shell of the product delivery required in the quarter year under consideration. Shell will endeavour to meet Europa product delivery requirements as requested and undertakes to supply the above products over the period within the limits that not more than 75% by weight of the total products be supplied before 1/1/71, and in the case of premium mogas not less than 40% by weight of the total to be supplied post 1/10/70, unless otherwise agreed.

We trust that the above is acceptable to you and await your reply.

Yours faithfully,
For: SHELL OIL NEW ZEALAND LTD.

Encl.

Exchange Rates (1): 1 NZ\$ = 1.1107 US\$; £Stg = 2.1492 NZ\$.

	Premium	Regular	AGO	Kerosine	Naphtha
Postings US \$ /AG (2)	10.1375-	7.2500-	6.7500-	9.5000-	4.7000
Intascale + 3% £Stg/E. Ton (3)	3.41667 ✓	3.41667 ✓	3.41667 ✓	3.41667 ✓	3.18750 ✓
A.F.R.A. (4)	82.7 ✓	82.7	82.7	82.7	68.8 6?
Bbls/Ton Conv. Factor (5)	8.72 ✓	8.99 ✓	7.74 ✓	7.95 ✓	8.93 ✓
<u>In NZ \$/Bbl</u>					
Postings	3.83339 ✓	2.74151 ✓	2.55244 ✓	3.59232 ✓	1.77725 ✓
Discounts	.38334	.27415	.19143	-	-
F.O.B.	3.45005 ✓	2.46736 ✓	2.36101 ✓	3.59232	1.77725
Freight	.69641 ✓	.67549 ✓	.78459 ✓	.76387 ✓	.52779 ✓
Insurance (.1359%)	.00564	.00427	.00427	.00592	.00313
Ocean Loss	4.15210 ✓	3.14712 ✓	3.14987 ✓	4.36211 ✓	2.30817 ✓
Landing/Port Charges	.09576	.09576	.09576	.09576	.03497
Unit Rate	4.26862 ✓	3.25862 ✓	3.25823 ✓	4.47532 ✓	2.35468 ✓

Sources:

- (1) Reserve Bank of New Zealand. T.T. selling rates. Quotation first working day of each quarter.
- (2) Platt's Oilgram Service. Prices as on 1st day of each quarter.
- (3) International Tanker Nominal Freight Scale Association Ltd. Intascale to be used until replaced by Worldscale. Scale as on 1st day each quarter.
- (4) London Tanker Brokers Panel. Rates as for first month each quarter.
- (5) Refinery Programming Data of February 1969 with exception for Kerosine. The Kerosine factor of .795 represents present and expected near future quality of Shell imports.

R 6/6/69

EUROPA OIL (N.Z.) LTD. and
EUROPA REFINING CO. LTD.

9th June, 1969.

CONFIDENTIAL

Shell Oil New Zealand Ltd.
P.O. Box 2091
WELLINGTON.

Dear Sirs,

PRODUCT SUPPLIES

Thank you for your letter of the 6th June containing your offer to Europa of New Zealand Market Products for supply during the period 1st July 1969 to 31st March 1971.

We are pleased to be able to accept your offer on the terms and in the quantities stated in your letter with the proviso, which we understand is acceptable to you, that in the event of trouble in the Persian Gulf outside the control of our supplier at Kuwait and preventing supplies reaching us from that source, we would be unable to continue the arrangement and at that time we would have to claim Force Majeure.

We look forward to discussing the required delivery of product for Europa during the latter part of 1969.

This acceptance is made on behalf of

& EUROPA OIL (N.Z.) LTD.
EUROPA REFINING CO. LTD.

Yours faithfully,
T. Brow.

Shell Oil New Zealand Limited

Telegraphic Address "SHLLL"
 Telephone 45-060
 P.O. Box 2091

12015

Shell House The Terrace Wellington 1.

Your Reference:

Our Reference: ISC/SDP

Date: 21st October, 1970

Europa Refining Company Ltd.,
 Europa Oil (NZ.) Ltd.,
 P.O. Box 591,
WELLINGTON.

Dear Sirs,

PRODUCT AND FEEDSTOCK EXCHANGES

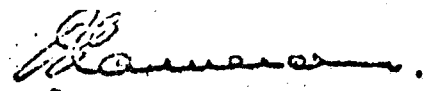
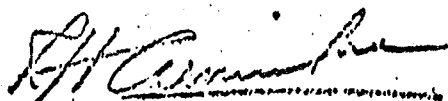
1. We refer to your letter of 7th October 1970, for which we thank you, and to subsequent discussions between us regarding Europa Kuwait Naphtha/Shell Products Exchanges and the supply of New Zealand specification Market Products. The purpose of this letter is to revise the wording as set out in your letter of 7.10.70, to reflect fully the intentions as clarified in the subsequent discussions.
2. Shell are pleased to offer to Europa the supply of Europa's total New Zealand refinery shortfall in market requirements of Premium and Regular Gasolines, Automotive Gas Oil and also its total requirements of Lighting Kerosene until 1st July 1974, or until the proposed New Zealand refinery expansion comes fully on stream whichever is the earlier. These Products will be delivered to New Zealand coastal ports c.i.f., all harbour charges paid.
3. In exchange for the above Products Europa will supply Shell's requirements of New Zealand refinery feedstock Naphtha delivered at the Refinery, Marsden Point, Whangarei. Europa will pay all harbour charges. Naphtha shall be of such a quality that it is fully acceptable for processing by the New Zealand Refining Company. Kuwait Naphtha conforming to the present specification will be acceptable.
4. Products and the Naphtha feedstock will be valued at New Zealand Government "benchmark values for industry" and accordingly these present values and the method by which they are calculated are set out for illustration purposes in the attachment to this letter and shall be used for the purpose of the aforementioned Exchanges.
5. The values so obtained will be adjusted at the first day of each quarter year to include any alterations to posted prices (where these relate to Bench Mark values) AFRA freights, exchange rates, landing charges and ruling Government benchmark directives to the industry.

- 12016
6. If at any time during the course of this agreement Shell's usage of Naphtha is insufficient to cover the exchange of Products required by Europa, or Europa's availability of Naphtha from its existing supplier is insufficient to cover Shell's usage, or Shell has given notice as hereunder and that notice has expired, Europa shall have the right to purchase the shortfall of its requirements of New Zealand Market Products or any balance of its market requirements after partial exchanges as the case may be from such supplier as may be nominated by Shell, at not more than the appropriate valuation determined in paragraphs 4 and 5 above and illustrated in the attached schedule. To the extent that Shell's usage of Naphtha is insufficient to cover the exchange of Products required by Europa Shell undertakes to give twelve months' notice of termination of the Naphtha Exchange arrangements for Products either in whole or in part, such notice not to be tendered before 1.7.71.
 7. Subject to six months' notice having been given to Shell Europa may elect to discontinue the purchase arrangement described in 6 above for all or any of the shortfall requirements described in paragraph 2.
 8. Over the period to be covered by this agreement Europa undertakes to obtain from Shell a minimum quantity of Regular Mogas per year, such quantity to be not less than 12,000 tons per annum.
 9. Deliveries of Products will be in accordance with the quantities notified as firm for each quarter year, such notification to be given by Europa at least three months prior to the commencement of the quarter years commencing 1st January, 1st April, 1st July and 1st October. Additionally Europa will provide to Shell estimates of their forward twelve month requirements at six-monthly intervals prior to January 15th and July 15th each year, or as otherwise agreed.
 10. Deliveries of Naphtha in exchange will be made evenly during the currency of the exchange arrangement as far as possible, subject to New Zealand Refining Company feedstock programming. Imbalances will be carried forward to the next quarter and will be valued at the next quarter's valuation in accordance with paragraphs 4 and 5.
 11. Neither party to this agreement shall be responsible for any failure to fulfil any term of this agreement to the extent that fulfilment has been delayed, hindered, interfered with or prevented by any circumstances whatsoever which are not reasonably within the control of the party in question.
 12. We trust that this revised wording is fully in accordance with the intentions as developed between us to cover the Product Supply arrangements. If you agree, would you please confirm your acceptance that this becomes the operative document.

Yours faithfully,
For: SHELL OIL NEW ZEALAND LIMITED

Acceptance confirmed
For and on behalf of

Europa Refining Company Ltd and
Europa Oil (NZ.) Limited.



CALCULATION OF PRODUCTS IMPORT PARITIES

1st October 1970

Exchange Rates

SUS \$NZ 1.1063 (selling rate)
 £STG \$NZ 2.1492

	Premium	Regular	A.G.O.	Kerosine	Naohtha
Benchmark C.US per US Gal	9.42	6.04	6.105	9.03	4.33
\$ US per Bbl	3.9564	2.5368	2.5641	3.7926	1.82
World Scale	62/3	62/3	62/3	62/3	57/8
A.F.R.A. %	146.6	146.6	146.6	146.6	103.4
\$ NZ	9.80665	9.80665	9.80665	9.80665	6.40747
<hr/>					
		Bbls/Ton			
<u>In \$ NZ Bbl</u>	8.72	8.99	7.74	8.08	8.93
F.O.B. Benchmark	3.57463	2.29201	2.31668	3.42664	1.64438
Freight	1.12462	1.09084	1.26701	1.21369	0.71752
Insurance .1359%	4.69925	3.38285	3.58369	4.64033	2.36190
Ocean Loss	0.00639	0.00460	0.00487	0.00631	0.00321
	4.70564	3.38745	3.58856	4.64664	2.36511
	.02353	.01694	.01435	.01859	.01183
Landing Charges	4.72917	3.40439	3.60291	4.66523	2.37694
Unit Rate	.09576	.09576	.09576	.09576	.03497
	4.82493	3.50015	3.69867	4.76099	2.41191

[Handwritten signatures]

13th October, 1970

EXHIBIT 4MOTOR SPIRITS LICENSING AUTHORITY

APPLICANT: Europa Refining Company Limited

APPLICATION: For a motor spirits wholesaler's licence to allow it to sell to Europa Oil (N.Z.) Ltd, and other wholesalers, motor spirits that applicant company will have processed from the Refinery at Whangarei.

BEFORE: R.W. Edgley, Esq. (Chairman)
H.L. Wise, Esq.
S. Taylor, Esq.

HEARING: Conference Room, fifth floor, Bowen State Building, Wellington:
Monday, 5 October, 1964

APPEARANCES: Mr Taylor, for Applicant
Mr Freeman, for Shell Oil (N.Z.) Limited
Mr Dalgety, for Mobil Oil (N.Z.) Limited
Mr Boone, for B.P. (N.Z.) Limited

MONDAY, 5 OCTOBER 1964

The hearing was commenced at 10 a.m.

MR TAYLOR: I appear in support, if it please the Authority.

MR FREEMAN: I appear to enter a formal objection on behalf of Shell, sir. The position from Shell's point of view, sir, is that the company consents to the application providing it is satisfied that there is no intention to create an additional wholesaler's licence which might at some future time enable that company to sell to retailers. I appreciate that the way
10 the application is drafted it does not appear possible, but I am instructed to enter a formal objection until we hear the witnesses for the applicant.

MR DALGETY: Yes, sir, I appear for Mobil, and lodge an objection. Sir, perhaps I can indicate at this stage we do have a real reservation about the present form of the application. There is no desire to check any proper desires of the Europa Refining Company to get this application, but in its present form we are not happy, sir, and also we would like to have fairly and
20 squarely on the record what are the reasons for it, and also what use it is proposed this licence to put to if it were granted.

THE CHAIRMAN: Could I ask is it something to do with the Memorandum of Association of Europa or something that requires a further company being formed?

MR TAYLOR: Sir, there is an arrangement between the existing wholesalers whereby each was required by themselves or affiliates to take up shares in the Refining Company to enable it to be established and found the capital, and it was done in this particular case by the Europa Refining Company.

30 THE CHAIRMAN: Yes, thank you.

MR BOONE: I appear on behalf of B.P.

THE CHAIRMAN: Are you staying out of this, Mr Upton?

MR UPTON: Yes, sir. I would not say that we are uninterested, but we are disinterested, sir, so we will stay out of it.

THE CHAIRMAN: There is no one else, I take it.

MR TAYLOR: Yes, as the Authority please, this application is the result of the incorporation of the New Zealand Refinery Company Limited, which was incorporated in 1962 with an authorised capital of six million pounds, and it is a public company formed for the purpose of erecting, establishing and operating the refinery at Whangarei. The prospectus which is dated the 28 September 1962 shows that issued capital had already been made to B.P. (N.Z.) Limited, to California Texas Oil Corporation, to Mobil Petroleum Company Inc., Shell Oil (N.Z.) Limited, and Europa Refining Company Limited. Now, these concerns were not all wholesalers under the Act at that time. It was necessary that this capital should be subscribed as a minimum to provide the necessary working capital for the refinery, and the subscribers referred to were, by an arrangement between themselves, able to subscribe personally or by affiliates. Now, Europa Oil was, of course, an existing wholesaler at that period and it, as it was entitled to do, arranged for Europa Refining Company Limited to subscribe; and the application is made today so that Europa Refining will be able to sell on a wholesale basis and on that alone to Europa Oil and, if need be, to other wholesalers. The Authority will be well aware, because of the nature of the oil business, that borrow and lend arrangements are well known because of the exigencies of supply and the local requirements of their individual markets. So that the application from my point of view is just as simple as that: so that Europa Refining may be free to sell at wholesale and no other level, to Europa Oil and, if need be, to other wholesalers.

Now, it is not clear to me, gentlemen, what evidence might be required and I propose to call Mr Bryan Todd merely to confirm what I have said.

Mr Taylor called -

BRYAN JAMES TODD (Sworn)

MR TAYLOR: Your full name is Bryan James Todd, you are a company director residing at Wellington. You are a Director of Europa Refining Company Limited, and you are of course the Managing Director and Chairman of Directors of Europa Oil (N.Z.) Ltd..
Yes.

Europa Refining Company Limited was incorporated on the 17 July 1962 in relation to the establishment and development of the
10 New Zealand Refinery Company Limited and, in accordance with an arrangement between the wholesalers in New Zealand, Europa Refining was entitled as an affiliate of Europa Oil to subscribe for its proportion of share in New Zealand Refining Company Limited? Mr Taylor, I will say "yes" to all that except that it is not in accordance with an agreement entered into between the parents of the wholesalers, an agreement entered into overseas.

Pursuant to that arrangement, Europa Refining has subscribed for 514,286 share in New Zealand Refining Company Limited? Yes.
20 And the present application is made so that Europa Refining which supplies crude into the refinery may be entitled to sell its share of the output to Europa Oil (N.Z.) Limited? ... And to the other.

To Europa Oil (N.Z.) Limited? ...And to the other wholesalers as the situation may require.

Now, under the arrangement to which you have referred, Europa Refining is obliged to take its proportion of output from the refinery? ...No, that is not quite correct. It might be helpful - I don't know at what point you would like me to give
30 the full details of the use of the refinery like provisions in the overseas agreement for the use of the refinery, but it would be over-simplifying to answer your question, Mr Taylor, yes or no.

I am just trying to short-circuit it, sir, and I am not sure whether you are concerned with the arrangement with overseas companies.

THE CHAIRMAN: We might be interested.

MR TAYLOR: Would you indicate that agreement, Mr Todd, please?

...The reason why we raised the point, the obligation to take is either take or pay, so that the obligation if the take is not performed the pay is extracted anyway under the agreement, so that I think perhaps it would be helpful if I read to the
10 Authority the appropriate provisions of the agreement and it may simplify a great deal of the discussion and the objection, if that is in order.

THE CHAIRMAN: Yes, thank you ..I am going to quote, Mr Chairman, from an agreement dated 5 March 1962 entered into between the following parties: the British Petroleum Company Limited of London, the California Texas Oil Company Limited of New York Europa Oil (N.Z.) Limited to Wellington, New Zealand, the Shell Petroleum Company Limited of London, and Mobil Petroleum Company Inc. of New York. The appropriate provisions of that
20 agreement which I will read come under Article 8 of the agreement in clause 8.01 -

MR TAYLOR: 8 decimal 01; it is the American break-down of the numbering of clauses...Sub-paragraph (1). "Notwithstanding any limitations which may be implied in any other clause of this agreement, but subject always to such limitations as are imposed by the design and capabilities of the refinery and subject as hereinafter provided, each participant shall have the right to the use of the refinery up to but not exceeding such share of the capacity of the refinery as is equal to that participant's
30 capacity entitlement as hereinafter established to have processed therein by the refinery company either separately or in admixture with the feedstocks of other participants in accordance with the best refinery practice (so long as the

latter involves no restrictions on the capacity rights of such other participants) such feedstock as that participant or its affiliates may elect to furnish and to obtain there from such yield of products as is required by that participant or its affiliates." Subclause (2) goes on to describe the term "capacity entitlement" and I don't think it is necessary for the purpose of this hearing to go into that. It is a very involved and complex matter.

Mr Todd, you mentioned the word "participants" in reading that
10 clause. Are those participants the five companies that you earlier described? Could I have a look at it? ...I thought it was in the preamble, but it may not be there.

Yes, I don't see it myself in the contract. Now, in reference to affiliates, Mr Todd, is the present applicant, Europa Refining an affiliate of Europa Oil in terms of that agreement?...Yes. The definition of "affiliate" is shown in the schedule, and do you want me to give the definition?

No. The answer apparently is "yes". Now, in respect of the
20 other companies mentioned by you, the five participating companies, is there reference to any of their affiliates in that contract?...Yes. For example, in relation to Shell there is (a) the Royal Dutch Petroleum Company of Holland, (b) the Shell Transport and Trading Company Limited of London, and (c) any company other than Shell (and Shell in this agreement is Shell Petroleum Limited of London) which is for the time being directly or indirectly controlled by - I will give the English name, not the correct Dutch name - the Royal Dutch Petroleum Company, the Shell Transport And Trading Company Limited or by
30 purposes of the foregoing the company is directly controlled by another company or companies holding shares carrying the majority of votes at a general meeting of the first-mentioned company.

In the case of B.P., Mr Todd, who are its affiliates?...In relation to B.P., which is British Petroleum Company Limited of London, any company which is for the time being directly or indirectly controlled by B.P. and then the term "directly or indirectly controlled" is expanded in the last part of the clause.

And you know, of course, that in the case of B.P. and in the case of Shell Company, New Zealand, they are controlled by overseas companies? ...There is a curious thing there. In
10 the case of B.P. New Zealand, it is controlled by British Petroleum Company Limited of London. In the case of Shell, New Zealand, except by definition which is included in this definition of "affiliates", Shell, New Zealand, would not be controlled by the Royal Dutch Company. It is only controlled by definition, one of the ramifications, the complexities of the international oil industry.

Yes, thank you, Mr Todd...Perhaps to give to the Authority if I may, sir, what follows from the provisions for the use of the refinery, at the end of the same Article 8, clause 8.06
20 reads, "Each participant" - and participant as we have seen includes all the affiliates of a participant - "shall be free to arrange on an ad hoc basis such exchanges, purchases or sales of products as it may wish as a result of any imbalances that might occur between the product yield of feedstocks processed in the refinery for it and its market in any period". I won't read the rest of the clause. I don't think that it is relevant to this application, but the fact, of course, is that the application is to have the right for Europa Refining to sell to Europa Oil, a wholesaler, or any other wholesalers
30 flow from the provisions of that clause in the article, and also from the practical needs of the local situation.

Would it be right to say, putting it broadly, Mr Todd that that subclause recognises the borrow and lending principle

that has operated in times gone by in the industry?...Well, not exactly. There is perhaps a hair-line between borrowing and lending, and exchanging and selling. One could say that if you exchange goods for money it is a sale; if you exchange goods for other goods the question is whether it is a sale or not, and whether you exchange goods partly for other goods and partly for money - so that there is in the whole of this situation the need for the right to freely sell in terms of wholesale licence.

10 Between one wholesaler and another?...Between one wholesaler and another.

Yes, thank you Mr Todd.

MR TODD CROSS-EXAMINED BY MR FREEMAN

MR FREEMAN: Mr Todd, one simple question; do you confirm that the Europa Refining Company Limited will not sell to companies or some other persons other than wholesalers within the meaning of the Motor Spirits Distribution Act? ...The application, I should say, speaks for itself. The application - I haven't it before me - but it is precisely that.

20 Do you confirm that?...I'd like you to read the application. Would you like me to read you the application? "For a motor spirits wholesaler's licence to allow it to sell to Europa Oil (N.Z.) Limited, and other wholesalers, motor spirits that applicant company will have processed from the Refinery at Whangarei"...Yes, that's correct.

That's correct?...Yes.

Thank you.

MR TODD CROSS-EXAMINED BY MR DALGETY

MR DALGETY: Mr Todd, two things I think you can assist me on.

30 Firstly, the crude that will go into the refinery in the case of your company, will come in as crude owned by Europa Refining Company - the company making this application? ...Europa Refining Company Limited.

It would not be intended that Europa itself would be putting crude into the refining company as an affiliate of Europa Refining?...It is not intended, but I don't know where my question is leading. I might as well say this, that Europa or any company being an affiliate in terms of this agreement, has the right to do that.

Yes..But I can answer clearly, it is not intended.

But it still retains such right to do that?...It has that right.

That is the first point, Mr Todd, that I wanted to get clarified.

10 The second point is this: Although Europa Refining are applying for this limited wholesale licence whereby in particular Europa Refining obtain the right to sell to Europa, Europa could still itself purchase direct from the refining company if it had put in its own crude?...I don't quite follow the question.

The point I am putting to you - and this is a complicated agreement, Mr Todd, with which you will be far more familiar than I - notwithstanding that you are making this application, Europa the parent company - Europa simply, not the Refining Company

20 Europa would still if it purchased its own crude be in a position to deal with the refinery direct?

THE CHAIRMAN: New Zealand Refining.

MR DALGETY: Yes, sir...Yes.

So that the position could arise where Europa Refining and Europa were both dealing with the refining company? ...That is true.

So that although this application gives to Europa Refining the right to sell to Europa, Europa aren't restricted to buying its requirements from Europa Refining?...You mean for all time?

30 Well, at present or in the future. I'm not relating it to time. It seems to me that it does follow, but I wanted to be sure because you are very much more familiar with this participants' agreement than I am. That is the position, isn't it?

...The position is precisely the same position as applies to your own company, that at any time your company could exercise a wide range of rights by nominating any affiliate up or down the line - and I can conceive of hundreds of them in the Mobil organisation who could exercise the right to the use of the refinery.

THE CHAIRMAN: Do you mean, Mr Dalgety, that Europa Oil could be ordering from the refinery, and at the same time Europa Refining Company could be ordering from the refinery, and that
10 there is no need for Europa Oil, in order to acquire products, to do so through the Refining Company's intermediary, is that what you mean?

MR DALGETY: That is as I understand the position, but naturally I want to be clear that that is the position. I have had no opportunity of studying the agreement. You heard the Chairman's question?...If I am to answer questions I should like to have it from you, Mr Dalgety.

Fair comment. There was no need for Europa, in getting its requirements, to have another wholesaler, Europa Refining
20 Company? ..Yes. There was a need.

Well, as a matter of law and in the participants' agreement it could have purchased its share or its capacity in terms of the participants' agreement direct, could it not?...It doesn't purchase a capacity; the refinery acts on a processing fee. There is no purchase of capacity.

That is so, but let's simplify the question. It could have dealt direct with the refinery without the need for another company, Europa Refining, being brought into existence? ..

Well, I would answer it this way: it could have dealt direct,
30 but you put two questions in one.

THE CHAIRMAN: Is there anything to prevent at this moment Europa Oil ordering from the refinery?...Yes.

MR DALGETY: Something to prevent it? Yes. It would have

nothing to order. Europa Refining supplies the feedstocks to the refinery, so that it would be - any rights under the agreement to draw from the refinery would be really - I don't know - a negative right because there would be nothing in the refinery to draw from. That is really the reason why the application is made. It will only have access to products which have been manufactured from feedstocks supplied by Europa Refining and on which Europa Refining has paid the fees.

MR WISE: It could supply the feedstock, could it not?...No,
10 it has no contract or facilities to supply.
Could it get a contract?...I don't know.

THE CHAIRMAN: What is the shareholding of Europa Refining Company Limited?... £640,000.
Who owns the shares? ...The shares are owned by Todd participants and other parties.
Would Europa Oil own some of them?...No.

MR DALGETY: The shareholding, if I may assist the Authority, is £640,000. Todd participants have - this was at December 1963 - £612,741. That would be approximately correct? ...That would
20 be approximately correct.
The balance held by whom?...It is a separate corporation in the same form - if I can explain it a little more fully, you see you have the situation - I didn't deal with the California Texas Oil Company, but this would perhaps help the Licensing Authority. The participant in terms of the agreement is the California-Texas Oil Company Limited of New York, but the rights of use of the refinery fall to any affiliate, not of the California-Texas Oil Company Limited, but any affiliate by definition of the Standard Oil Company of California and of San Francisco -
30 California and Texico Incorporated of New York: two entirely different corporate bodies with no affiliate relationships whatever. There is no affiliation whatever between the Standard Oil Company of California and Texico Incorporated. Yet either,

or any subsidiary or any company by definition directly or indirectly controlled by either of those two companies has the right to use this refinery.

THE CHAIRMAN: We will take a short adjournment now.

Mid-morning adjournment

MR DALGETY: Mr Todd, I had put to you a theoretical situation whereby Europa and Europa Refining could both supply crude to the refinery. To the extent that they both supplied crude, under the terms of the participants' agreement as I understand it,
 10 they would both be entitled to have that processed by the refinery?...Yes.

I think you said then, well, Europa as such has no contract to supply with the refining company?...No, I didn't say that. It has a right.

It has a right?...It has a right which derives from the participants' agreement, which I suppose in turn gives Europa Oil the same rights of contract as flow from this participants' agreement to any parties, but the rights of contract - and there are no formal contracts at this point -

20 MR WISE: If I might interrupt, I thought I put this to you and you said that they had no contract. Then I said, well, couldn't they get a contract and I understood you to say you don't know...Well, I'm afraid I misunderstood you, sir. There are two forms of contract and we may be at cross-purposes. There is the contract between the user in New Zealand and the New Zealand refinery company in New Zealand. That is a contract to have the crude processed. Yes...That is one form of contract. There is another form of contract which is quite outside the concept of the refinery
 30 altogether. That is the supply arrangements that each participating interest has, to derive its supplies of crude petroleum from overseas, whether from its own wells or from someone else's wells. I thought you were referring to the

crude supply contract, but perhaps you were referring to...

No, to the other one...Then I misunderstood.

The right, first to supply crude and then to have it processed by the refining company...Europa would have that right, yes.

THE CHAIRMAN: Where has Europa Oil been getting its refining done to date? This company hasn't been operating as a wholesaler without licence?...We are in a curious position. We made an application prior to the first deliveries from the refinery or crude processed on behalf of Europa Refining. We
10 have not breached the law, I shouldn't think, because in point of fact it has been delivered to Europa Oil (N.Z.). but it hasn't been sold. There has been no other way of doing it. Perhaps Mr Taylor will correct me, but I think the application is effective from the date of the refinery coming on the scene

MR TAYLOR: That, I think, is a point I might want to refer to at a later stage.

MR CHAIRMAN: I don't know that we have any power to do that.

MR TAYLOR: There is a section, sir.

MR DALGETY: Yes, sir. Just following up what you have said.

20 Assuming for the moment that you are correct in saying that it is a matter of law, the procedure you have adopted to date, that of lending the product - although commercial-wise I can see very real objections to it - at all events you have been able to find a method of getting your products to Europa without the need for a wholesaler's licence for this particular company? ..No, No, Mr Dalgety, the lending process must very quickly come to an end. We have been fortunate in the fact that the refinery has not been operating correctly and has been short-delivering, so that the output from the refinery has been much less than
30 was expected, so that it has been possible to tolerate for a short period of time, during the period when the refinery was not functioning correctly, this lending process; but it must come to an end.

So that your company and, I suppose, other companies at this stage of the refinery's development are still getting supplies from overseas? Is that the position, since the refinery hasn't met the full capacity yet of all companies?..The deficits from refinery production have been met by direct importation from overseas of finished petroleum products.

Is your company still getting the majority of its supplies at this stage from overseas?....I wouldn't want to put a figure on it, but it would be very substantial.

10 Who owns the crude when it reaches the wharf at Whangarei?...
In the case of Europa Refining?

Who owns the crude?..Europa Refining Company.

And does it obtain that crude by way of purchase from Europa? No.
It has a direct source overseas? ...It has a direct source overseas.

Have you any objection, Mr Todd, to writing down that source for the information of the Authority?...None at all.

You prefer to write it down rather than say it?..Yes, I prefer to
EXBT 1 write it. (produced)

20 That company whose name you wrote down, Mr Todd, is a subsidiary of another parent company?..Yes.

So Europa Refining have their dealings with the company that you put down on paper?...That is correct.

Now Europa's entitlement under the agreement as I understand it - I am speaking now of Europa itself, Europa Oil - is 12½%?
...I'm sorry, what was the question?

MR TAYLOR: Europa Oil's entitlement under the agreement is 12½ per cent? ...No, no.

MR DALGETY: Well, can you give us the percentage?...There is
30 no percentage.

THE CHAIRMAN: I thought there was from what you said earlier, Mr Todd, from what you read out...That was a shareholding percentage.

Ah...What I read out, sir, was that they have the right to use the refinery up to but not exceeding their share of the capacity of the refinery as is equal to - that is participants' capacity entitlement - as hereinafter established. Then I felt this was probably not relevant, to go into the very complex clause which establishes the provisions of a capacity entitlement.

There must be some point at which the refinery can say, "You have had your share; you can't have any more", mustn't there?

10 ...No.

You can order as much as you like?..As long as the refinery has the capacity. The limitation is saturation of capacity of the refinery.

I see.

MR WISE: Is the capacity entitlement related to the shareholding of each participant?...No. The minimum obligation to pay is related to the shareholding. Let me put it this way: Europa's interest is 12½ per cent of the participants' shareholding, aggregate shareholdings.

20 Yes..If Europa's share of the use of the refinery falls below 12½ per cent, it still has to pay 12½ per cent of the costs. This indicates the serious problem which the refinery has created in price on markets.

THE CHAIRMAN: Did you say that Europa - I don't know whether you are referring to Europa Oil or Europa Refining but I think you refer to Europa Oil - can it take as much as the refining company give it, or if Europa Refining - I can't follow these two companies...Perhaps to put it in broader terms, any participant may satisfy his needs in the New Zealand market, 30 whatever they may be, by taking from the refinery up to the capacity of the refinery; and as the refinery is designed to satisfy the whole of the New Zealand market, therefore, it one participant takes more to satisfy his market, automatically

another participant's share of the market must have shrunk, and that participant will be taking less.

I can't follow that. If Europa suddenly decides that they want a great deal and asked the refinery to produce it, the refinery can't go on supplying Europa willy-nilly while Mobil and Shell and the others stand by, wondering when they are going to get some, can it? There must be some adjustment within the refinery as to what each wholesaler can have?...The test is, what does the overall market require? And provided the market
10 is satisfied, then each participant has the flexibility of uplifting his share of the market.

Who decides priority within the refinery of each company?...

There is no need of priority in the refinery. If it were working at full capacity it would satisfy all requirements, and there is only the machinery of obtaining and delivering around the coast of New Zealand to be taken care of.

I suppose three different wholesalers might put in a very heavy order on the same day - well, what is the priority? Does it remain with the refinery? ...No, we have between the companies
20 a shipping co-ordination committee which co-ordinates the programming.

I see.. It is extremely complex, and that is one of the reasons why we have set up this Europa Refining Company, because it has imposed tremendous additional burdens upon us.

MR DALGETY: It might be convenient at that point in your evidence if you would tell me, or list, if there are a number of points, what was the need to establish this separate company. Were there a number of points, or was it just the one point you have just mentioned?...What was the point I just mentioned?

30 I'm sorry.

You said it was the complex structure, that was the reason you have a separate company...Well, that's one of the reasons. Could you tell me the other reasons why?...Well, finance.

Finance? ..Yes.

Well, that can mean a lot of things. When you say "finance" what have you particularly got in mind?...Financing of the refinery venture.

But Europa as a company could have done everything by way of finance, could it not, that Europa Refining have done?...No.

On the face of it - could you tell me why not? If these reasons are reasons that could not be given at a public hearing I am sure the tribunal would meet that situation....Well, in the
10 first place, Mr Chairman, I would express doubt whether Mr Dalgety is entitled to such information, although I will depend upon your ruling, but certainly it is something I could not discuss or give evidence on in an open hearing.

THE CHAIRMAN: I don't know. There is no provision in the Act about secrecy. It is just a question of to what extent these matters are confidential when they come up at a public hearing
What the applicant has got to show in this case is that the service proposed is necessary or desirable in the public
20 interest. At the moment as I see it - and I am open to correction - it has been shown or indicated that it is for the convenience of the applicant and Europa Oil. This may be an easier and more suitable way of achieving the desired end, but I haven't heard anything led - and again I am subject to correction - but I don't recall anything that shows that it is necessary or desirable in the public interest. I think that is the point we have to establish. The Act doesn't seem to envisage much in the way of self-interest - it is always public interest. Perhaps it is rather anomalous in some ways.

MR DALGETY: Yes, sir, my question is there. I can assure Mr
30 Todd this is not being opposed as such. If valid reasons are put forward, they can be covered in submissions. We would like to know. This after all is a second wholesaler's licence and we want to be assured that it is going to be restricted to bona

bona fide reasons between the two companies and not enlarged to someone else.

THE CHAIRMAN: I think that is quite an appropriate point, too, because there is no reason why each of the other wholesalers should not apply for another wholesaler's licence.

MR TAYLOR: Might I say this, sir, and this is getting near an objection from my point of view: that the companies which my learned friend Mr Dalgety represents are parties to this arrangement. The arrangement contemplates any one of the participants
10 doing the very thing that is now being done by Europa Refining; namely, applying for a second wholesale licence. It seems to me, sir, that it does not lie in the mouth of my friend to make objection to the very thing that the agreement contemplates shall be done and which the wholesale company which he represents is itself at liberty to do if it suited its arrangements. I suggest, sir, that is entirely a domestic or interior matter for the wholesalers concerned who are parties to the contract, leaving alone of course the question of public interest which is outside this field, but the contract contemplates the party
20 or its affiliate by definition making such an application, and I do not think it is quite right that my learned friend should be, as it were, blowing hot and cold on that position.

MR DALGETY: With respect to my friend, I think I have indicated bona fide reasons for putting in this objection. I have also indicated quite clearly that nobody wishes to prevent a bona fide application being granted subject to such conditions as the Authority may see fit to impose. My friend says that the participants' agreement contemplates such an application, and it may well be so. I would be obliged to my friend if he would
30 indicate what section of the participants' agreement he relies on when he says that.

MR TAYLOR: Perhaps I could come to that, sir, in my reply.

MR CHAIRMAN: If you give it now, it might shorten the hearing.

MR TAYLOR: I have my copy of the agreement, sir, and I will refer to it when I come to it.

THE CHAIRMAN: Are there a lot of copies of this agreement? We could do with one ourselves.

MR TAYLOR: I don't know whether there are copies, sir.

MR DALGETY: Perhaps, sir, while my friend is looking at that, I could leave the question to which objection has been taken and come back to it at an appropriate time. Mr Todd, it is sought here not only to give the right to sell to Europa Oil
10 but also to the other wholesalers. In the past this sort of arrangement where a wholesaler has perhaps run out at one point, he gets a loan from another wholesaler to tide him over and then it is subsequently replaced in kind. Is that not the position?...That is one of the practices, yes. What is there to prevent that sort of practice that meets an exigency at the moment, from time to time - I don't suppose it happens that often - being carried into the future? Why is there a need to sell to other wholesalers when they themselves are not coming forward saying this is desirable in their
20 particular interests?...The answer to the second part of the question first. All the other wholesalers have that right. This is the nub of the whole thing. None of the other wholesalers need to seek an additional right because they are already possessed of that right. Then I come to the first part of the question. What is the need now for something which you suggest has been done in the past. Yes...The new situation is entirely different from that which preceded it. It is well known that when you have a refinery in a country you run into imbalances in products. When you
30 are importing products you don't run into imbalances of products, you run into imbalances of stock, and borrow and loan are the normal ways of settling imbalances. You borrow today from one fellow and you pay him back tomorrow, and

you can import accordingly to pay back your borrowings; but when you have a refinery the thing becomes set much more in concrete. The production pattern becomes much more rigid and there are always imbalances which occur in a country where refining is undertaken, and those imbalances can become permanent imbalances or subject perhaps later to a redesign of a refinery 5 or 10 years from now, so that was contemplated in the knowledge of the experienced parties in Article 8.06 when in anticipation of this situation it was written into the
10 agreement that each participant will be free to arrange on an ad hoc basis such exchange, purchases or sales of products as it may wish as a result of any imbalances which may occur between the product yield of feedstocks processed in the refinery for it and the market at any period. I don't want to make my answer too long, but this is the root of the whole thing, where it is necessary to have the right to sell to one another. One can't operate a refinery in the country without the right to sell to one another.

MR WISE: Couldn't that be done by Europa? Couldn't all those
20 terms and conditions be carried out by Europa? ...The first question could not be carried out by Europa, that is a delivery by Europa Refining to Europa. That must involve a wholesale licence.

But they can do that under their present wholesale licence, just as you yourself said that all the wholesalers can do under their existing wholesale licences all the things that are contained in the agreement?...No, sir. Europa could not do that because in the refinery Europa has no product.

But they could have the product?...No.

30 THE CHAIRMAN: That is just by choice of a long time ago. If when this was being negotiated with the other companies it had been Europa Oil and not Europa Refining, all this would have been obviated, Mr Todd, wouldn't it?...The right to set up a

refining company is part of the participants' agreement.

Yes...And coming back to the question that Europa could do all these things: Europa could buy from Europa Refining the products and then it could sell to the other wholesalers, that is true, except of course for the physical fact that the product which Europa Refining will sell to Europa Oil will be delivered at the ports throughout New Zealand and Europa Oil will not own the product in the refinery, and many of these imbalances are adjusted in the refinery, so the sales will take place within
10 the refinery; therefore it is Europa Refining which is the company owning the products within the refinery gate that has to have the power to sell to the other wholesalers.

Yes, I follow all that, but I think you said a while ago that one reason for the formation of the Europa Refining Company was that Europa Oil did not have the money or could not handle the financial aspect of importing, was it, this crude oil and paying for it?...That is one of the reasons.

Well, taking that as a factor, could not Europa Refining import this and as it lands at the refinery sell it in its crude form
20 to Europa Oil?...Well, that is not the contract between the parties. You are putting a question to me which I would need to have time to answer. I suppose physically it would be possible, but corporate-wise it is not possible.

The financial ability of Europa Oil to bring in this oil, is that to do with overseas funds in some way or another?...No.

I am out of my depth probably, but if Europa Oil can afford to buy the finished product, which must cost more than the crude product, why can't it afford the crude product for the start?
...The financing of the refinery itself is a major undertaking
30 and at the time the project was entered into the projected cost of the refinery was 20 million pound, and the burden of assuming the liability to accept for New Zealand interests the percentage which we accepted was a very heavy burden and it

will be a growing burden as time goes on, and wise and prudent thing was to exercise the rights which were created under the participants' agreement to do it this way, and that is why it has been done this way and I can't conceive of any situation where where we could have sensibly done it any other way.

MR DALGETY: Mr Todd, to the extent that any company, any wholesaler is able to arrange appropriate licences, even though we have got the refinery arrangement here, Europa or Europa Refining, and I am just taking those two examples, could
10 purchase supplies of fuel from overseas in the future? ...I am sorry - to the extent that we have licences -
To the extent that they can get licences and they wish to purchase a product from overseas and not from the refinery, they can still do so? I mean, that is what is happening at the moment when the refinery is not working to the full capacity.

MR TAYLOR: You mean licences from the Reserve Bank?

MR DALGETY: Yes, to get the product from overseas. If licences can be found, the company would still be able to purchase the product from overseas?...I think the Government is deeply
20 concerned that the refinery is not operating at capacity, and the Government's attitude is one of the greatest reluctance to allow refined products to come in when there is a refinery in the country. I think that is the answer. It is only because of this unforeseen serious defect in refinery production that the Government is acceding and permitting refined products to come into the country.

Yes, I accept that, Mr Todd. What you say is 100 percent correct, but the agreement so far as the Government is concerned of course, is made with the six participants and those companies
30 that are directly or indirectly controlled by them. The arrangement between the Government is with the listed companies in those falling under the head of participants or affiliates. That is so, isn't it?...I don't think so.

You think it is broader in its scope? Mr Todd, as our legislation now stands, there is no restriction in our Act which would prevent Europa Refining transferring their shares to other interests, whether it be inside New Zealand or outside New Zealand?...What is the first part of the question?

I say as our legislation now stands there is nothing to prevent the transfer of Europa Refining shares to interests inside New Zealand or outside New Zealand?...As the legislation stands, I think that is correct.

10 The restriction on the transfer of shares applies to retailers and not to wholesalers? ...Yes.

I think you can accept that that is the position. You probably know it is the position...Yes.

So if this licence was granted, what would there be to prevent Europa Refining transferring their shares to perhaps some overseas company?...Well, I would answer that by saying what good would it do an overseas country?

THE CHAIRMAN: I don't think that quite answers the question, Mr Todd. I think you should answer the question as asked...

20 I am sorry. The question is?

MR DALGETY: That there is nothing, as the situation now stands, to prevent the Europa Refining transferring its shares to an overseas company - or a New Zealand company for that matter?...The simple answer is "no".

And if that eventuated, would we not then have a wholesaler, albeit with a restricted licence, who would have no connection with Europa at all?...Yes. May I take my observation now, sir? My observation would be: what good would that do the purchaser.

30 Do you say, Mr Todd, that by virtue of the participants' agreement the purchaser would not be in a position to obtain the services of the refinery company?...No, I would say that the purchaser would have no outlet for the use of the refinery. All right. Firstly, he can get a supply, can he not, from the refinery? That is the first step. Let us forget what

he does with it in the meantime...Yes.

As the setup is at the moment, the company with its shareholding could get its crude product processed by the refinery?

...Yes.

And then if it reached some arrangement, that company could move through Europa and out to certain outlets which may wish to purchase this petrol under some other brand?...No.

Why do you say that? ...Because Europa Oil (N.Z.) Limited has a wholesale licence to sell to retailers. I can put it this way, Mr Dalgety. What you are suggesting is that the last position would be the same as the first, because Europa Refining is a separate company from Europa Oil.

That is right...And it derives its crude from overseas. Now, it does not make a whit of difference to the situation if Europa Refining changes its source of supply overseas to this - I don't know who you have in mind or what you have in mind -- Nebulous at the moment. Anybody, whether it be inside New Zealand or outside New Zealand...Shall we call it Company A?

...If Europa today is purchasing its feed stocks from Company A and Company B would like the business, Company B could compete for the business with Company A and get the Europa Company feedstock contract, and of course the result would be that whatever is the value of that contract flows through the ultimate wholesaler to retailer licence of Europa (N.Z.) Limited. That is the position. It can't change.

Let me put this situation to you. There is no restriction on any wholesaler as to what trade name he vends his product under. He could use two or three if he wants to? ..Yes, any company; Mobil could do that.

That is right. I said any wholesaler. Taking the suggestion I made to you before, Mr Todd, if there was a change in the substantial shareholding of Europa Refining, what is there to stop some contractual arrangement then being entered into

between Europa Refining and Europa to vend a certain petrol to certain retail outlets under the brand name of Europa?... Nothing that would not apply to Mobil under the same conditions. Mobil has that right today.

The only distinction would be that we now have two wholesale licences, one of which has an interest in Europa but we could have a completely different set of shareholders in Europa Refinery who have not the same common shareholders' background...

No, I am afraid that is where your line of argument falls
10 down. There is only one Europa Oil (N.Z.) Limited and it has retail outlets. Now, whether the supply to Europa Oil (N.Z.) Limited is pumped through three pipes or one pipe, from three sources or one source, makes no difference in the long run to how much Europa (N.Z.) sells.

Very true, but the shareholders in the refinery made a very favourable contract to sell, although that could perhaps affect Europa Oil financially, it would still theoretically be open to the new shareholder of Europa Refining to enter into some contractual relationship that will be to vend a product under
20 a new name to certain outlets, and they may be new ones for all we know. I mean, it would not necessarily have to follow that the outlets are those held by Europa at the present time. Europa might not lose any business at all...The application that is being made by Europa Refining is an application limited to selling to other wholesalers.

THE CHAIRMAN: That is the very point Mr Dalgety is making, I think, Mr Todd; that Europa Refining has the right to sell to other wholesalers.

MR DALGETY: Or even Europa for that matter.

30 THE CHAIRMAN: Yes. But the point is that in Mr Dalgety's concept, there is another company with other outlets, not Europa outlets, that it could use and it acquires a participating interest in Europa Refining, it could use its rights

in Europa Refining to supply those other outlets. That would be true if Europa Refining were seeking a wholesaler's licence to sell to retailers. It is not seeking that. It is seeking a limited licence to sell to other wholesalers, so that nullified completely the fears that Mr Dalgety is expressing. The whole thing, there is nothing to it.

MR DALGETY: With respect, Mr Todd, I appreciate that they can't sell direct to retailers. What I am setting up for you is the possibility of a contractual arrangement being entered into
10 between Europa Refining and perhaps another company to vend another brand of petrol, say XPY petrol and somebody wishes to buy XPY petrol, there is nothing to prevent that happening at the moment...I am afraid the issues are being terribly mixed
Mr Dalgety.

THE CHAIRMAN: I think what Mr Dalgety suggests is in theory quite possible, Mr Todd, isn't it?...In theory it is equally possible for Mobil today to introduce a new brand.
We are dealing with Europa at the moment...All right.
Taken as a hypothesis, it is quite possible, isn't it? Mr
20 Dalgety is not putting it forward as something that is going to occur. He is putting it as a hypothesis. As a hypothesis, it is quite sound?...No, I am afraid I don't agree because Mr Dalgety has confused the issue and lost the main point: that this application is an application to sell only to other wholesalers, and there are only seven wholesalers in New Zealand, so that the end result is always the same. The distribution to the retail outlets can only go through those seven wholesalers.
Yes...So that bringing it down to its simplicity, the end result is the same. It does not matter whether each of the participants
30 exercises rights and sets up three companies in New Zealand to take from the refinery. So long as there are only seven wholesale licenses, the distribution must be through those seven wholesalers and no more. The brand issue is only a

confusing element. Any of us could put up another brand tomorrow, so that is nothing to do with this question. The issue is so simple: that the trade in New Zealand is and will remain restricted to the distribution through the seven or six is it? I have forgotten - six wholesalers in New Zealand who presently have the right to sell to retailers. Europa Refining is not seeking that right, so that in the granting of this licence it will make no change whatever to the distribution pattern. It simply facilitates a piece of mechanics which is
10 necessary between the Europa Refining Company and the Europa Oil Company, the wholesaling cum retailing distributing company, and the other companies who are equally concerned in retailing through the distributing channels.

If another wholesaler successfully applied for a licence, not of this restricted type but of the ordinary wholesale licence type whereby they sell to retailers, well, on Mr Dalgety's hypothesis it is quite possible that the Europa Refining Company Limited's facilities could be used by that wholesaler, particularly if that same wholesaler somehow got the shares in
20 the Europa Refining Company, could it not? ...The final power lies in the hands of the Motor Spirits Licensing Authority. Until the Motor Spirits Licensing Authority grants a new licence to a wholesaler to sell to retailers, then the position must remain what it is.

I know, but let us assume that the Motor Spirits Licensing Authority did do that, couldn't what Mr Dalgety suggests come about?

THE WITNESS: I would say much to the regret of the rest of us.

THE CHAIRMAN: That doesn't answer the question, Mr Todd....

30 But if a wholesale licence is granted - equally, Mobil could supply that company.

But we are dealing with Europa at the moment...I submit it is beside the point, the hypothetical point; it is entirely

beside the problem we are dealing with. It applies equally to any one of us.

I'm sorry, Mr Todd, but Mr Taylor is here to make the addresses, you are here to answer questions as a witness, you see.

MR DALGETY: I wonder if I could just put one or two points to finalise this? If this application is refused, or not granted on its present terms or satisfactory terms, Europa could do the whole thing direct?...No, definitely not.

Wouldn't it be a question that you might not find it satisfactory under the present arrangement, but couldn't they make an arrangement under the participants' arrangement to do what Europa are now contemplating?...That's only part of it.

I think, sir, that we are working in this vacuum - I did put to Mr Todd, what are the motivations, what are the reasons for the application, and I think now it is much in the interests of the application and of the objectors; I would ask that Mr Todd be permitted to write them down if some of them are confidential.

THE CHAIRMAN: The reasons for it being done in this way?

20 MR DALGETY: The reasons for it being done this way, the need to establish a separate company to do something which, in my submission, Europa could have done for itself.

THE CHAIRMAN: Yes, Can you give the reasons, or do you prefer to write them down, Mr Todd?... I am wondering whether - it is a very big subject.

Yes, I know, but when applying for a licence you have to be prepared to deal in short compass with a very big subject... It is a question whether, if the Authority pleases, it might be better to discuss it in chambers with counsel.

30 MR TAYLOR: Could I say this, Mr Chairman? As I indicated earlier, this has taken me completely by surprise. It wasn't for my friends to give notice, I am not putting the thing

to the Authority on that ground, but the range of the questions has to some degree got beyond me, and while I appreciate the difficulty with a witness in the box - perhaps in order to save time not only on the present application he might be stood down with a view perhaps to Mr Dalgety's questions being answered so far as they can be answered in some written form which he could see. I am not clear what the nature of Mr Dalgety's objection is: it hasn't been stated yet, and I can't help feeling, sir, looking at the broad industrial
10 relations, that this application isn't intended to be a dog-fight between the Europa interests and Mobil, much less between my learned friend and myself. We have had those. So that, maintaining what I conceive to be the right atmosphere and bearing in mind the comments of the Authority, I put that suggestion forward.

MR DALGETY: Yes, sir, I am certainly quite happy to agree to that. As I indicated at the start, there is no intention, in the objection made, to forestall any proper desires in this application. We certainly have reservations about something
20 being granted which, although not contemplated at the moment, could be used for wider and different purposes in the future. I am quite happy to accept my friend's suggestion, sir, if the tribunal thinks it is a proper course to follow.

THE CHAIRMAN: I think I can see what you are driving at. The licence is sought with certain conditions, but we know in respect of licences how often conditions imposed earlier have got to be removed later.

MR DALGETY: Yes, sir.

THE CHAIRMAN: Besides, I may be quite wrong, but the legis-
30 tation as it stands is very funny legislation; personal interests of people concerned don't seem to matter a rap. Public interest has got to be proved, and I haven't seen much sign yet of public interest in this application.

MR DALGETY: Sir, I think my friend is forced to suggest that
the matter stand down.

THE CHAIRMAN: Till when?

MR DALGETY: I will leave that to my friend.

THE CHAIRMAN: What about Mr Boone and Mr Freeman?

MR BOONE: No objection, sir.

MR FREEMAN: Yes, sir, no objection.

MR TAYLOR: Could we perhaps do it this way? Without mentioning
a time at the moment, could I refer to your Secretary later
10 in the day, sir?

MR CHAIRMAN: Yes, all right, thank you. We will leave it at
that for the moment.

MR TAYLOR: Thank you, sir.

The hearing was adjourned sine die at 11.50 a.m.

THURSDAY, 8 OCTOBER 1964

The hearing was resumed at 9.30 a.m.

MR TAYLOR: If I may, sir, I mentioned to your Secretary that the application of Europa Refining for a wholesale licence, which was stood over, might be mentioned this morning if it suited the Authority to do so. The position is that the applicant has decided, because of the allegations or inferences that were made in the course of cross-examination of Mr Todd, to make a certain application to you, but before doing that I
10 would appreciate the opportunity of making one or two observations.

It has been a matter of great concern to the company and those associated with it that there should be some suggestion of an ulterior motive in making the application by Europa Refining, and that it is not directed to the better and further operating of the refinery. Now I want on behalf of the company to give that a flat and complete contradiction. It is because of that atmosphere created that I am making this submission to you.

I should also like to say that it is, in my submission, in the
20 public interest that a New Zealand wholesaler, which is a wholly owned New Zealand company, should itself or by its affiliate, be permitted to have a wholesaler's licence. It is a counterpoise to the influence and operation of overseas oil companies and the remote control which we know exists.

Now the point on which I requested an adjournment on Monday, gentlemen, touched upon the reasons why Europa Oil itself was not the applicant. The main reason, sir, why the application did not take that form was because of taxation considerations affecting Europa and its shareholders, relating in particular
30 to retention tax. If Europa Oil had made this application and used its own funds for contributing to the refinery's share of capital, it would have involved 180,000 in retention tax.

So there was the problem, not only of retention tax in relation to the formation of New Zealand refining, but the later problem of retention tax which could arise if further capital or long-term advances had to be provided for New Zealand refining. That is certainly in contemplation of the parties and it may very well occur. So that Europa Oil would have been at a very great disadvantage tax-wise, apart from other considerations, and it was therefore thought reasonable, to distribute funds so that Europa Refining could be established as a separate company.

10 A further factor which enters into the situation, gentlemen, and one can't overlook this, is that retention tax as regards Europa Oil is a discriminatory tax, because its wholesale competitors do not pay retention tax; so that they are able to leave in New Zealand and employ directly if they so desire, in the refining operations, funds which if not distributed in the case of Europa, attract retention tax. There is also the possibility, the situation of double taxation in terms of dividends.

Now all those are matters of disadvantage to Europa as against
20 its competitors, sir.

Another matter to which I must refer - and I did touch upon this when addressing you earlier - is the participants' agreement which is dated 5 March 1962, article 15 (1), "that any or all of the shares in the refinery company to which a participant is entitled hereunder may be held by any of its affiliates". So that there is an absolute right in any participant or its affiliate to acquire shares in the refining company. I submit that by implication it is not proper for any participant to
30 oppose an application by any other participant or its affiliates for a wholesale licence.

I am sorry to have to say this, sir, but one takes a very strong view that Mobil Oil, not the other wholesalers, should have come along with some intent, apparently, to derogate from

its agreement and suggest that there was something improper in Europa Refining making this application, it being a true affiliate by definition under the agreement.

In order to prevent any misunderstanding of the motives of Europa or Europa Refining, it has been decided not to proceed with the present application. I feel it is proper that the remarks which I have made should be made, to vindicate the position of Europa, disadvantaged as it is going to be, tax-wise and perhaps in some other respects. It is of course not
10 impossible for Europa Oil to act as the wholesaler, and it is prepared as of now to accept that as being the position. I therefore ask leave, gentlemen, to withdraw this application but without prejudice to the making of a further application at a later stage if the circumstances seem to call for it.

THE CHAIRMAN: Does any other counsel wish to say anything?

MR DALGETY: Yes, sir, I should like to make one or two observations, in view of my friend's remarks. I would like it clearly on the record that in furthering the objection of Mobil it was made clear from the outset that such proper objectives
20 as Europa desired to achieve by this application were not opposed. I made that abundantly plain, sir, at various stages on Monday. What Mobil wish to be satisfied about - and I thought the Authority was under a very real obligation to be satisfied about - was that if the Authority in its wisdom decided to grant this application, that it would not be used for objectives or for purposes which were not contemplated or put before this Authority. Now sir, that is the position, neither more nor less.

The decision to withdraw this application is Europa's
30 decision and I and my learned friends on this side of the table were only advised a minute or two before this meeting was convened this morning. One final observation: On behalf of my client, I refute in its entirety any suggestion that,

expressly or impliedly, taking up the position we did on Monday, either in spirit or in law, were any of the terms of the participants' agreement brought into issue. I am obliged to you, sir.

MR FREEMAN: To avoid recriminations at a later stage, I should like to make the Shell position quite clear. The Shell objection, as will be seen from the record, was a formal objection which was to be withdrawn on the assurance of Mr Bryan Todd that any licence what was granted in the terms of
10 the application would not be used for sales other than to the existing licensed wholesalers.

THE CHAIRMAN: I remember that you asked one question only.

MR FREEMAN: That is correct, sir.

MR BOONE: I made it clear initially, sir, that my client did not oppose the application. I had only a very short submission to make, which is not now necessary.

THE CHAIRMAN: Yes, thank you. There was no one else concerned was there? The position is then that the application is withdrawn. Is it by consent?

20 MR DALGETY: No, sir.

THE CHAIRMAN: On the application, then, of the applicant, the application is withdrawn without prejudice. One doesn't know what the future will hold. If the applicant should wish to proceed anew, there doesn't appear to be any question of the twelve months that applies to a retailer's licence, pursuant to the 1958 amendment.

MR TAYLOR: That is what I understand, sir.

THE CHAIRMAN: Thank you, gentlemen.

MR TAYLOR: As the Authority pleases.

30 The hearing was concluded at 9.54 a.m.

EUROPA OIL (N.Z.) LTD

MARKETERS OF PETROLEUM PRODUCTS

P.O.C. 23
SUB-114
6/1

HEAD OFFICE
110-116 COURTENAY PLACE
WELLINGTON, C.3. NEW ZEALAND

EXHIBIT 5



20th July, 1965.

12051A

The Director,
Trade Practices and Prices Division,
Department of Industries & Commerce,
Departmental Building,
Bowen Street,
WELLINGTON C.1.

EXHIBIT 5
Europa Oil (N.Z.) Ltd C.I.R.
15/2/1975

Attention Mr. A.G. Beadle.

Dear Sir,

We acknowledge receipt of your letter dated April 26, 1965.

We have prepared the attached schedules which tabulate the information requested in the questionnaire attached to your above letter.

We would comment as follows:

Question 1: Our first shipment of crude oil was landed at Whangarei on May 7, 1964, which is prior to the date mentioned by you. We have, however, included the required information pertaining thereto because this crude oil is still being processed for our account at the Refinery.

Questions 4, 5, 6 and 7:

In view of the complex nature of the Refinery processing operations, we cannot answer these questions.

Question 8: With regard to finished products imported during the period under review, you will notice that the source of supply is Venezuela. The invoices, for product and freight however, are based on Abadan loading and the posted price and the AFRA freight rates are therefore shown at the Abadan rates.

You raise the question of variations in the average cost to the Pool account of shipments imported in December 1964. We are unable to comment as these importations did not concern us.

Yours faithfully,
EUROPA OIL (N.Z.) LTD.

[Handwritten signature]

Information Requested by the Department of Industries & Commerce

Trade Fractions & Prices Division

Letter Dated 25th April, 1965.

12052

CRUDE OIL

KUWAIT CRUDE

(i)	Source of Supply	Kuwait
	Name of Supplier	Gulf Exploration Co.
	Port of Loading	Mina Al Ahmadi
	Date of Loading	15.4.64
(ii)	Quantity Received (bbls)	270,553
(iii)	A.P.I. Gravity	31.4°
(iv)	Name of Vessel	Gulf Finn ✓
	Size of Vessel (dwt)	40,600
	Ownership of Vessel	Britania Tankers Ltd.
	Chartered	No
(v)	Other Products	Nil
(vi)	Other Companies Involved	Nil
(vii)	Wharfedale 1st Port of Discharge	Yes
	Unloaded at Intermediate Ports	Nil

INVOICED COSTS

(i)	Invoice Cost	£	388,475.23
	Exchange Rate	£NZ	140,727 5 8
		£	2.78848
(ii)	Freight Rate (per ton)	Stg	61/9 - 39.1%
	Total Freight	£Stg	78,392 13 5
		£NZ	79,176 11 11
	Exchange Rate	£	101
	Freight Paid to		Propet Co. Ltd.
(iii)	Insurance	£NZ	494 13 4
	Inspection Fee		5 - -
	Gross Loss		.367%
	Wharfedale H.I.R.		4,731 - -
(iv)	Total Landed Cost		225,134 10 11
	Fixed Price at Invoice Date	£	1.59
	ARA rate for tanker size		61/9 - 39.1%
	Basic Allocation of Freight		
	Charges		Tonnage
	Discounts, rebates, etc.		Nil

TOTAL ON INVOICE: \$ 651 313 82

TONS 32 251 9

PRICE: 2 36851 ?

\$ 1.59

Price agreement not finalized

6 1
EUROPA OIL (N.Z.) LTD.

MARKETERS OF PETROLEUM PRODUCTS

6.1

EXHIBIT 6

HEAD OFFICE: 12053
CHALLENGE HOUSE,
105-109 THE TERRACE,
WELLINGTON, C.I. NEW ZEALAND

31st July, 1972

The Commissioner,
Inland Revenue Department,
P.O. Box 2198,
WELLINGTON.

Attention Mr T.H. Silcock

Dear Sir,

You asked me to see if I could locate a copy of cable from Gulf No. 724. You left with me copy of Europa cable No. 789 which referred to Gulf cable 724.

I am returning to you your copy of cable 789 and also the cable No. 724 which you requested.

Yours faithfully,
EUROPA OIL (N.Z.) LTD.


Treasurer

Europa Oil (N.Z.) Ltd.,
P.O.Box 591, Wellington

Gulfcops 6-2
Pittsburgh PA USA

RHC:ES FULL RATE 17.8.67.

12054

Managing Director
General Manager
Operations Manager
Treasurer
Refinery Co-ordinator
Chief Accountant
Gulf file

FULL RATE

GULFCOPS
PITTSBURGH PA
USA

789 FOR HOOPER YOUR 724 DO NOT WISH CARGO 89 CANCELLED BUT
INVESTIGATING IN COOPERATION WITH INDUSTRY POSSIBILITY OF
DEFERRING STOP REFERENCE CARGO 88 AS THIS CARGO WILL BE INCLUDED
RETROSPECTIVELY IN 50/50 REFINING PROJECT YOU ARE PREPARING FOR
OUR CONSIDERATION, COMMA ALONG WITH CARGOES 86 AND 87 WHICH WERE
SUPPLIED AT DISCOUNTS COMMA AND AS CLAUSE 702 OF FEEDSTOCK SUPPLY
CONTRACT PROVIDES FOR BILLING AT LOWEST POSTED PRICE CANNOT
ACCEPT BILLING AT PRICE HIGHER THAN POSTED PRICE STOP WE ARE
RESERVING OUR POSITION FOR FURTHER DISCUSSION ON THE FREIGHT
RATE YOU PROPOSE CHARGING ON THIS VESSEL

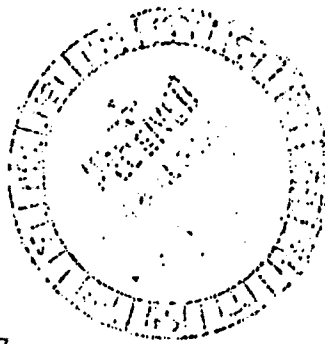
= CARMICHAEL EUROPA +

Europa Oil (N.Z.) Ltd., P.O. Box 591, Wellington

49-690

RH.

EUROPA NZ3463
SCASF 162 1126
GULF OIL PGH



12055

45 PITTSBURGH PENN 8-15-67

EUROPA - WELLINGTON

FOR CARMICHAEL

724 YOUR 784 AND 735. AFTER SERIOUS RECONSIDERATION COMMA WE
REGRET UNABLE CHANGE OUR POSITION RE FREIGHT TO BE CHARGED EUROPA.
WE PRESUME COMMA THEREFORE COMMA THAT CARGO 96R GASOLINE IS TO BE
CANCELLED UNLESS YOU ADVISE OTHERWISE.

RE CARGO 88 COMMA YOUR TELEX 788 NOTED. WILL CONFIRM IN DUE
COURSE THAT MASTER OF VESSEL HAS BEEN SO INSTRUCTED RE CHANGE
DISCHARGE INSTRUCTIONS. SIMILARLY TO PREVIOUS TWO CARGOES COMMA
THIS CARGO GAS OIL WILL BE BILLED AT SEVEN AND ONE-EIGHTH CENTS
PER GALLON COMMA F.O.B. PUERTO LA CRUZ COMMA WHICH WAS THE GOING
PRICE ON DATE OF LIFTINGS. HAVE NOT YET RECEIVED WORD OF FREIGHT
AWARD FROM LONDON TANKER BROKERS PANEL COMMA BUT WILL ADVISE AS
SOON AS POSSIBLE.

REGARDS.

HOOPER GGN GULFCOPS.

Managing Director
General Manager
Operations Manager
Treasurer
Refinery Co-ordinator
Chief Acct.
Gulf File

3rd October, 1967

Parlman W. Clancy Esq.,
Gulf Oil Corporation,
Gulf Building,
PITTSBURGH 30,
Pennsylvania,
U.S.A.

Dear Parlman,

Further to my cable to you of August 14, the date for the meeting of Refinery Participants has now been set down for November 27 in London.

Helen and I will probably arrive in New York 12th November. Bob Carmichael will join me there and we are planning, subject to it being suitable to you and your colleagues, to be in Pittsburgh on Monday 13th November, spending if necessary the whole of that week there.

You have very kindly suggested I give you an outline Agenda. The principal items are:

- (a) Expansion of New Zealand Refinery - notes to follow.
- (b) 50/50 processing deal.
- (c) Matters arising out of meetings with Government Officials concerning which I cabled you on the 7th August.
- (d) New Zealand tax claims - Europa and Industry.
- (e) Project Freights - arbitration.
- (f) Gulf/Europa relations.

Obviously from the above Agenda a number of matters will arise for detailed discussion and there will perhaps be matters which Gulf will wish to raise for discussion also. I will be glad if you will let me know if Monday 13th November will be a suitable date to commence our meeting with you, so that we can make plans accordingly. In any case I will telephone you when we get to New York to arrange the final details.

It will be a pleasure to see you and all our friends at Gulf.

With kindest regards,
Yours sincerely,

B7

Bryan Todd

6.5

12057

EUROPA
WELLINGTON

GULFCOPS
PITTSBURGH PA

FULL RATE VIA R.C.A. WAN:PMF 22.3.67

FULL RATE VIA R.C.A.

GULFCOPS
PITTSBURGH PA

769 RE CARGO 87 WE CONFIRM LOADING QUANTITIES AND DATES COURTEL 764
AND TRUST THAT THIS CARGO WILL BE INCLUDED RETROSPECTIVELY IN 50/50
REFINING PROJECT WHICH YOU ARE CURRENTLY PREPARING STOP PLEASE CONFIRM

EUROPA

[SEE BELOW]

General Manager
Operations Manager
Treasurer
Refinery Co-ordinator
(1) Chief Acct. (2) Cost Acct.
Insurance
File Register
No. Control File
Guif File

769 RE CARGO 87 WE CONFIRM LOADING QUANTITIES AND DATES COURTEL 784
AND TRUST THAT THIS CARGO WILL BE INCLUDED RETROSPECTIVELY IN 50/50
REFINING PROJECT WHICH YOU ARE CURRENTLY PREPARING STOP PLEASE CONFIRM

EUROPA.

T
0821TT G22.26

EUROPA NZ3463
GULF OIL PGH

52 PITTSBURGH PENN 3-23-67

EUROPA WELLINGTON

FOR CARMICHAEL

703 FOR PURPOSE OF IMMEDIATE INVOICING COMMA PRICE FOR GAS OIL CARGO
86 WILL BE U.S. DOLLARS 2.31 PER BARREL. THIS CARGO WILL BE
INCLUDED RETROACTIVELY IN PROCESSING ARRANGEMENT WHICH BEING
WORKED ON AND WHICH HOPE TO HAVE PRINCIPAL TERMS IN DRAFT
FORM WITHIN NEXT FEW WEEKS.

RE CARGO 87 COMMA WE ACKNOWLEDGE YOUR 769 AND WILL ADVISE LATER
REGARDING VESSEL NOMINATION.

HOOER /GGN/ GULFCOPS.

General Manager
Operations Manager
Refinery Co-ordinator
Treasurer
Chief Acct. (1) Cost Acct. (2)
Gulf File

EUROPA NZ3463.....5

7:1

Ex. 7.

7-11-73

San Francisco, Calif.
No. 2-73

San Francisco, Calif.

No.	VESSEL	Date	Time	Lat	Long	Wind	Sea	Temp	Pressure	Barometer	Direction	Force	Speed	Course	Remarks	Observer	Remarks
1	Gulf Fish	4-4-64	20:00	38° 00'	122° 00'	SE	3	58	30.00	30.00	SE	10	10	100	Under way	W. J. ...	
2	Gulf Fish	4-4-64	20:00	38° 00'	122° 00'	SE	3	58	30.00	30.00	SE	10	10	100	Under way	W. J. ...	
3	Gulf Fish	4-4-64	20:00	38° 00'	122° 00'	SE	3	58	30.00	30.00	SE	10	10	100	Under way	W. J. ...	
4	Gulf Fish	4-4-64	20:00	38° 00'	122° 00'	SE	3	58	30.00	30.00	SE	10	10	100	Under way	W. J. ...	
5	Gulf Fish	4-4-64	20:00	38° 00'	122° 00'	SE	3	58	30.00	30.00	SE	10	10	100	Under way	W. J. ...	
6	Gulf Fish	4-4-64	20:00	38° 00'	122° 00'	SE	3	58	30.00	30.00	SE	10	10	100	Under way	W. J. ...	
7	BARBARA	4-4-64	20:00	38° 00'	122° 00'	SE	3	58	30.00	30.00	SE	10	10	100	Under way	W. J. ...	
8	Gulf Fish	4-4-64	20:00	38° 00'	122° 00'	SE	3	58	30.00	30.00	SE	10	10	100	Under way	W. J. ...	
9	DEWANA BETTY	4-4-64	20:00	38° 00'	122° 00'	SE	3	58	30.00	30.00	SE	10	10	100	Under way	W. J. ...	
10	CELESTINE	4-4-64	20:00	38° 00'	122° 00'	SE	3	58	30.00	30.00	SE	10	10	100	Under way	W. J. ...	
11	Gulf Fish	4-4-64	20:00	38° 00'	122° 00'	SE	3	58	30.00	30.00	SE	10	10	100	Under way	W. J. ...	
12	M. L. MELLON	4-4-64	20:00	38° 00'	122° 00'	SE	3	58	30.00	30.00	SE	10	10	100	Under way	W. J. ...	
13	ANEROS	4-4-64	20:00	38° 00'	122° 00'	SE	3	58	30.00	30.00	SE	10	10	100	Under way	W. J. ...	
14	Gulf Fish	4-4-64	20:00	38° 00'	122° 00'	SE	3	58	30.00	30.00	SE	10	10	100	Under way	W. J. ...	
15	CELESTINE	4-4-64	20:00	38° 00'	122° 00'	SE	3	58	30.00	30.00	SE	10	10	100	Under way	W. J. ...	
16	CELESTINE	4-4-64	20:00	38° 00'	122° 00'	SE	3	58	30.00	30.00	SE	10	10	100	Under way	W. J. ...	

Summary of Freight Earnings

No.	VESSEL	DATE	TIME	DATE	VOLUME	RATE	REVENUE	COST	NET	GROSS	GROSS		NET		AVG	MILES	SPEED	RANK	YEAR
											PER TON	PER HOUR	PER TON	PER HOUR					
26	BRITISH QUEEN	10-10-69	12:00	10-10-69	1500	1.00	1500	400	1100	1000	1500	1000	1500	1000	12	1500	12	1500	10-10-69
27	GULF SWED	10-10-69	12:00	10-10-69	1500	1.00	1500	400	1100	1000	1500	1000	1500	1000	12	1500	12	1500	10-10-69
28	GULF SWED	10-10-69	12:00	10-10-69	1500	1.00	1500	400	1100	1000	1500	1000	1500	1000	12	1500	12	1500	10-10-69
29	GULF SWED	10-10-69	12:00	10-10-69	1500	1.00	1500	400	1100	1000	1500	1000	1500	1000	12	1500	12	1500	10-10-69
30	GULF SWED	10-10-69	12:00	10-10-69	1500	1.00	1500	400	1100	1000	1500	1000	1500	1000	12	1500	12	1500	10-10-69
31	GULF SWED	10-10-69	12:00	10-10-69	1500	1.00	1500	400	1100	1000	1500	1000	1500	1000	12	1500	12	1500	10-10-69
32	GULF SWED	10-10-69	12:00	10-10-69	1500	1.00	1500	400	1100	1000	1500	1000	1500	1000	12	1500	12	1500	10-10-69
33	GULF SWED	10-10-69	12:00	10-10-69	1500	1.00	1500	400	1100	1000	1500	1000	1500	1000	12	1500	12	1500	10-10-69
34	GULF SWED	10-10-69	12:00	10-10-69	1500	1.00	1500	400	1100	1000	1500	1000	1500	1000	12	1500	12	1500	10-10-69
35	GULF SWED	10-10-69	12:00	10-10-69	1500	1.00	1500	400	1100	1000	1500	1000	1500	1000	12	1500	12	1500	10-10-69
36	GULF SWED	10-10-69	12:00	10-10-69	1500	1.00	1500	400	1100	1000	1500	1000	1500	1000	12	1500	12	1500	10-10-69
37	GULF SWED	10-10-69	12:00	10-10-69	1500	1.00	1500	400	1100	1000	1500	1000	1500	1000	12	1500	12	1500	10-10-69
38	GULF SWED	10-10-69	12:00	10-10-69	1500	1.00	1500	400	1100	1000	1500	1000	1500	1000	12	1500	12	1500	10-10-69
39	GULF SWED	10-10-69	12:00	10-10-69	1500	1.00	1500	400	1100	1000	1500	1000	1500	1000	12	1500	12	1500	10-10-69
40	GULF SWED	10-10-69	12:00	10-10-69	1500	1.00	1500	400	1100	1000	1500	1000	1500	1000	12	1500	12	1500	10-10-69
41	GULF SWED	10-10-69	12:00	10-10-69	1500	1.00	1500	400	1100	1000	1500	1000	1500	1000	12	1500	12	1500	10-10-69
42	GULF SWED	10-10-69	12:00	10-10-69	1500	1.00	1500	400	1100	1000	1500	1000	1500	1000	12	1500	12	1500	10-10-69

Summary of Freight Earnings

EXHIBIT 8

1 June 1972

The Secretary,
 Europa Refining Co. Ltd.,
 P.O. Box 591,
WELLINGTON.

Dear Sir,

Please advise the following:

- ✓ (1) Whether there was any contract, agreement or correspondence between Europa Refining Co. Ltd and Europa Oil (N.Z.) Ltd in respect of the supply of feedstocks, crude oil or petroleum products during the period 1/4/1965 to 31/3/1971. If so please forward a copy of such contract, agreement or correspondence.
- ✓ (2) Whether Europa Refining Co. Ltd renders invoices and statements of account to Europa Oil (N.Z.) Ltd and if so how often. Please forward copies of the invoices, for each of the years ended 31/3/1966 and 31/3/1970 and statements of account for the period from 1/4/1965 to 31/3/1971. If no invoices and statements are rendered to Europa Oil (N.Z.) Ltd on what basis does Europa Oil (N.Z.) Ltd effect payment to Europa Refining Co. Ltd.
- (3) Forward a copy of the following accounts for the period from 1/4/1965 to 31/3/1971 between
 - ✓ (a) Gulf Oil Corporation, Gulf Oil Trading Company, Gulf Exploration Company, Propet and Co. Ltd or any other Gulf Oil Corporation related company and Europa Refining Co. Ltd.
 - (b) Gulf Tankers Incorporated or Propet Company Ltd and Europa Refining Co. Ltd.
 - (c) Pan Eastern Refining Co. Ltd and Europa Refining Co. Ltd.
- (4) Forward details of the credits in respect of the following comment on the 31/3/1971 accounts.

Note: Arising from contracts relating to Marine Freight, supplementary credits amounting to \$2,800,000 have been built up. These credits have not been included in the accounts

2.

as they are not realisable until after 31st December 1973 and could be significantly reduced if freight rates continue their current downward trend.

Please supply copies of all correspondence and statements of account relating to this credit.

- ✓ (5) Forward a statement setting out details of shipments of crude oil, feedstocks and petroleum products, (other than lubes, additives or petrochemicals) in bulk, received by Europa Refining Co. Ltd during the period 1/4/1965 to 31/3/1971 showing:-

- (a) The name of the company from which acquired.
- (b) The date of the shipment.
- (c) The invoice number or other identification which enables the shipment to be associated with the invoice or the accounts.
- (d) The type of crude, feedstock or product shipped together with the A.P.I. gravity of the crude or feedstock.
- (e) The name of the ship.
- (f) The port at which the ship was loaded.
- (g) The port at which the shipment was discharged.
- (h) The f.o.b. price paid in \$U.S.
- (i) The number of U.S. gallons or barrels.
- (j) The total f.o.b. price paid in N.Z. currency showing the exchange rate used for calculating the N.Z. price.
- (k) The number of long tons of each crude or feedstock in each shipment.
- (l) The freight rate per ton.
- (m) The total freight cost per shipment.
- (n) The amount of discount, credit or adjustment, if any in respect of the shipment.

- (6) Make available for inspection all correspondence between your company or its representatives with Pan Eastern Refining Co. Ltd or its authorized agents and with any company in the Gulf Oil Corporation Group of Companies or the agents or representatives of such companies. I propose telephoning Mr Smith next week for an appointment to peruse these records.

The above information is required to be forwarded or made available in terms of sections 13 and 14 of the Inland Revenue

EUROPA REFINING CO. LTD.

12065

HEAD OFFICE:
CHALLENGE HOUSE.
105-109 THE TERRACE.
WELLINGTON, 1. NEW ZEALAND

7th July, 1972

The Commissioner of Inland Revenue,
Inland Revenue Department,
P.O. Box 2198,
WELLINGTON.

Attention Mr T.H. Silcock

Dear Sir,

In reply to your letter dated 1 June 1972:-

1. Concerning any contract agreement or correspondence between Europa Refining Company Ltd. and Europa Oil (N.Z.) Ltd.:-
- (a) On 30 September 1964 a Supply Agreement was entered into between the two companies. On 20 November 1964 this Agreement was cancelled because Europa Refining Company Ltd. did not obtain a Wholesaler's Licence under the Motor Spirits Distribution Act. The Agreement of 30 September 1964 was not acted upon. Copies of the agreement and cancellation thereof are attached.
- (b) Subsequently, arrangements between the two companies were evidenced by a Memorandum of Arrangements to be effective from 1.4.65. Copy of this Memorandum is attached.
- (c) Thereafter three successive separate internal memoranda were issued by Mr B.J. Todd amending the arrangements between the two companies. Copies of these memoranda are also attached.

There is no correspondence between the two companies.

2. Europa Refining Company Limited does not render invoices or statements to Europa Oil (N.Z.) Limited.

c.c. 15.

- 3.
- (a) Copies already sent to you informally, on 23rd June, 1972
 - (b) Copies already sent to you informally, on 23rd June, 1972
 - (c) There are no such accounts
4. These credits arise from the Contract of Affreightment and Ancillary Agreement dated 10th March 1964. You have copies of these contracts. A perusal of correspondence files which you mention in paragraph 6 will give you all the details you require. At that time copies or summaries of what you may require can be made available to you.
- ✓ 5. Statement has been delivered to you informally, on 23rd June, 1972.
- ✓ 6. These are available for your inspection at a mutually convenient time.

Yours faithfully,
EUROPA REFINING CO. LTD.


Secretary

8.5

EUROPA OIL (N.Z.) LTD.

MARKETERS OF PETROLEUM PRODUCTS

HEAD OFFICE
CHALLENGE HOUSE
105-109 THE TERRACE
WELLINGTON, I. NEW ZEALAND

12067

7th July, 1972

The Commissioner of Inland Revenue,
Inland Revenue Department,
P.O. Box 2198,
WELLINGTON.

Attention Mr T.H. Silcock

Dear Sir,

In reply to your letter dated 1 June 1972:

1. Concerning supply arrangements between Europa Oil (N.Z.) Ltd. and Europa Refining Company Ltd.:-
 - (a) On 30 September 1964 a Supply Agreement was entered into between the two companies. On 20 November 1964 this Agreement was cancelled because Europa Refining Company Ltd. did not obtain a Wholesaler's Licence under the Motor Spirits Distribution Act. The Agreement of 30 September 1964 was not acted upon. Copies of the agreement and cancellation thereof are attached.
 - (b) Subsequently, arrangements between the two companies were evidenced by a Memorandum of Arrangements to be effective from 1.4.65. Copy of this Memorandum is attached.
 - (c) Thereafter three successive separate internal memoranda were issued by Mr B.J. Todd amending the arrangements between the two companies. Copies of these memoranda are also attached.
2. Copies of letters evidencing exchange arrangements operative during the period are attached.
3.
 - (a) The Ledger Accounts are in the form of computer tabulation which presents some difficulty in copying. There are only a few entries involved for the period you require, so perhaps you will be satisfied simply to peruse these tabulations. We have identified the appropriate entries.

- (b) There are no such accounts
- (c) There are no such accounts
- ✓ 4. Statement setting out the information you request has been delivered to you informally, on 23rd June, 1972.
- 5. These are available for your inspection at a mutually convenient time.

Yours faithfully,
EUROPA OIL (N.Z.) LTD.


Treasurer

EXHIBIT 9INLAND REVENUE DEPARTMENT

10 January, 1969.

The Secretary,
Europa Refining Company Limited,
P.O. Box 591
WELLINGTON.

Dear Sir,

The Profit and Loss Accounts attached to the returns of income for the years ended 31 March 1965 to 1968 inclusive make no reference to the purchase and sale of refinery feedstocks or refined products.

The letter from Dr. G.A. Lau dated 11 July 1966 concerning Europa Oil (N.Z.) Ltd explains this by mentioning that feedstocks are sold to Europa Oil (N.Z.) Ltd at landed cost.

Would you please advise:

- (a) At what stage the property passes to Europa Oil (N.Z.) Limited.
- (b) What are the circumstances of payment by Europa Oil (N.Z.) Limited to Europa Refining Company Limited and by Europa Refining Company Limited to Gulfex.
- (c) Are there any other transactions not recorded in the Profit and Loss Accounts for the above years.

Could you please supply this information and also make arrangements for your records to be available for examination by the Special Inspectors.

Yours faithfully

'R.T. Phillips'

Special Inspector

Mr P.T. Mahon,
Barrister-at-Law,
P.O. Box 2184
CHRISTCHURCH.

Copy for your information

(R.T. Phillips)
Special Inspector

2X 10

BANK OF AMERICA

NAME

John Lawrence

ADDRESS

See 1005-OK (55) "Classified" "Classified"

TERMS: -

ACCOUNT NO	SHEET NO
------------	----------

ACCOUNT NO	SHEET NO
------------	----------

	FOLIO	DEBITS	CREDITS	DR. OR CR.	BALANCE
971	189	2169			2269
	190	11488			13057
	191	45			13102
	-	573 355			
	-	530 274	77		1276
	192		927 632	76	
Dec.	197		15649	12	15049
	198		503305	54	608404
	199	607579	36		608525
	200	1252	45		1456
Jan	201		1056	67	

12070

12071

Ex. 11. (NEW)

EXHIBIT 11

Todd Building,
110-116 Courtenay Place,
Wellington,
New Zealand.

22 December 1972

The Commissioner
Inland Revenue Department
P. O. Box 2198
WELLINGTON.

Attention: Mr T. H. SILCOCK

Dear Mr Silcock

I refer to our telephone conversation of 20th December.

The Journal entry no. 163 debiting Europa Oil Current A/c in Europa Refining Books of account at 31.3.70 in the amount of \$10,286,290.50 covered the costs of shipments numbered 36 through 46. After the entry had been made it was found shipment No. 46 was in fact in transit at 31.3.70 and a correcting entry (on the same Jnl. 163) was made to correct. Then it was found Tanker No. 45 was also in transit at 31.3.70 and so a further correcting entry was made in respect of Tanker 45 (Jnl. No. 165). The effect of the correcting entries was that Europa Refining showed these two tankers as stock in transit in its Balance sheet 31.3.70.

I attach hereto copy of Europa Oil current account in Europa Refining books from April 1964 through to March 1970 as requested by you.

You also asked for the current account balances for each of those years and these are shown in the Ledger accounts enclosed, as the closing balance at 31st March.

I trust the foregoing fully satisfies your requests but if you have any further queries I will be available at Phone 555-859 from and including 3 January 1973.

Yours faithfully



N. K. SMYTH

Month	Day	Description	Debit	Credit	Balance	Check No.	Check Amount	Check Date
April	17	By Advances - Laundry		4,600	50			17
May	17	- Cash	110,000		0			17
June	12	- Laundry	524		13			12
June	11	- Cash	78,280		12			11
June	25	- "	202,600		0			25
June	30	- Laundry	71,847		15			30
June	30	- "	5,426		15			30
July	19	By Advances	27,500		0			19
July	25	By Advances	2,657		44			25
July	26	- "	1145		6			26
July	28	- Cash	26		4			28
July	28	By Advances	2,218					28
July	31	- "	1,562		3			31
July	31	- "	654		6			31
Aug	1	- "			1			1
Aug	1	- "	306,498		6			1
Aug	1	- "	89068		16			1
Aug	1	- "	6866					1
Aug	1	- "	6839					1
Aug	1	- "	1,525		3			1
Aug	1	- "	474		11			1
Aug	1	- "	1,998		6			1
Aug	1	- "	730					1

SAL

DR. OR CR.

CREDITS

DEBITS

FOLIO

1285542 17 3
 12057 12 5
 12101 12 5
 12171 3 1
 2913 12 7
 14453 12 7
 17718 12 7

627507 12 8
 425174 17 8
 427024 7 8
 425405 6 5
 427022 7 8
 126555 7 8
 144097 8 1

1285542
 12057
 12101
 12171
 2913
 14453
 17718

1285542
 12057
 12101
 12171
 2913
 14453
 17718

Date	Description	Folio	Debits	Credits	Dr. or Cr.	SAL
12/1	1285542					17 3
12/2	12057					12 5
12/3	12101					12 5
12/4	12171					3 1
12/5	2913					12 7
12/6	14453					12 7
12/7	17718					12 7
12/8	627507					12 8
12/9	425174					17 8
12/10	427024					7 8
12/11	425405					6 5
12/12	427022					7 8
12/13	126555					7 8
12/14	144097					8 1

Year	Month	Description	Account No.	Debit	Credit	Balance	Rate	Days	Interest	Total
1959	10	Advances	81	1559	10	5				
1959	11	See from next section	35	21608	17					
1959	12	Advances	37							
1960	1		11							
1960	2		24							
1960	3		1149							
1960	4		2450							
1960	5		37							
1960	6		2417							
1960	7		2417							
1960	8		2413							
1960	9		236							
1960	10	Adv to L. Ltd. 66 A. ft	33	718106	19	5				
1960	11	Advances	39							
1960	12	RAC Loan 4	39							
1961	1	Advances	39							
1961	2	Advances	39							
1961	3	Advances	39							
1961	4	Advances	39							
1961	5	Advances	39							
1961	6	Advances	39							
1961	7	Advances	39							
1961	8	Advances	39							
1961	9	Advances	39							
1961	10	Advances	39							
1961	11	Advances	39							
1961	12	Advances	39							
1962	1	Advances	39							
1962	2	Advances	39							
1962	3	Advances	39							
1962	4	Advances	39							
1962	5	Advances	39							
1962	6	Advances	39							
1962	7	Advances	39							
1962	8	Advances	39							
1962	9	Advances	39							
1962	10	Advances	39							
1962	11	Advances	39							
1962	12	Advances	39							

115,155	2	4
137,727	1	-
133,164	16	4
133,522	1	15
132,271	14	10
167,508	15	11
205,261	17	8
205,222	17	8
253,577	8	7
282,348	12	2
507,746	2	-
584,706	-	7
133,850	15	10
132,930	10	10
127,462	9	4
217,926	12	3
595,959	-	7
269,057	2	-
874,351	18	10
880,621	11	4
951,432	16	2
115,270	5	-

Month	Day	Description	Debit	Credit	Balance	Check No.	Check Amount
Aug	31	By Advance					
Sept	1	By 497	15,346		15,346		
Sept	12	By 1144	764		16,110		
Sept	5	By Adv. Refining	1,229		17,339		
Sept	18	By 507	857		18,196		
Sept	20	By Adv. Tax	3,244		21,440		
Oct	30	By Bank Statement		709,664	22,149		
Oct	13	By Adv. Taxes for Engrs. Ed.	6,067		28,216		
Nov	30	By Advance	6,869		35,085		
Dec	31	By 50	23,245		58,330		
Dec	31	By 50	67,602		125,932		
Dec	19	By 1000	791		126,723		
Dec	20	By 1470		41,000	167,723		
Jan	16	By Adv. from Engr Refining			167,723		
Jan	17	By Adv. Advances	23,422		191,145		
Jan	17	By 637	73,458		264,603		
Feb	1	By 1000		2,428	267,031		
Feb	1	By 637		69,421	336,452		
Feb	14	By 15073	768		337,220		
Feb	16	By 5974	358,020		695,240		
Feb	23	By 12007	344,735		1,039,975		
Mar	1	By 63	13,667		1,053,642		
Mar	1	By 264		323,283	1,376,925		
Mar	1	By 6765		676,516	2,053,441		
Mar	1	By 1000	26,425		2,079,866		

1,229,275 10
 1,021,229 15 2
 1,252,569 3 4
 1,453,720 3 10
 1,455,964 3 10
 573,899 7 2
 578,222 1 6
 584,259 9 -
 584,259 9 -
 591,109 5 2
 591,109 5 2
 825,208 2 7
 905,110 18 2
 909,115 18 2
 927,922 12 15
 868,922 12 10
 1,100,324 15 5
 1,173,783 2 5
 1,171,354 17 10
 426,923 12 2
 477,702 9 11
 835,703 1 -
 1,180,483 6 7
 1,193,106 5 2
 869,722 12 7
 387,382 6 1

1774,764 60

Account	Debit	Credit	Balance
			177,764.60
1957-42	17,165.55		
1957-45	4,538.48		
1957-50	55,227.00		
1957-54	55,332.54		
1957-57	13,149.07		
1957-60	75,928.10		
1957-63	479,505.83		
1957-69	72,844.29		
1957-80	26,278.50		
1957-97	264,616.97		
1957-99	1,032.93		
1958-00	1,038.00		
1958-14	526,744.40		
1958-15	301,465.03		
1958-17	537,200.17		
1958-55	645,005.55		
1958-73	292,225.13		
1958-75		1,113,604.75	
1958-76		78,052.16	
1958-74		689.74	
1958-48		92,571.48	
1959-12		839,471.12	
1959-29		136,671.29	
1959-97		230,821.97	
1959-99		120,446.57	
1960-12		180,042.12	
1960-12		839,471.12	
1960-29		136,671.29	
1960-97		230,821.97	

W. J. Lando

W. J. Lando

DATE	DESCRIPTION	AMOUNT	BALANCE	REMARKS
12-27	by balance	1589.45	1589.45	
1-15	by balance	220.97	1868.48	
1-16	by balance	149.97	1718.51	
1-17	by payment to debts	130.25	1588.26	
1-27	by balance	639.75	948.51	
2-10	by balance	181.7	766.81	
2-11	by balance	647.82	1414.63	
2-12	by balance	200.46	1214.17	
2-17	by balance	160.56	1053.61	
2-18	by balance	185.64	867.97	
2-20	by bank with above	207.75	660.22	
2-21	by balance	176.22	484.00	
2-22	by balance	2291.89	2775.89	
2-23	by balance	2775.89	5551.78	
2-24	by balance	85.00	5636.78	
2-25	by balance	1950.00	7586.78	
2-26	by balance	50.00	7636.78	
2-27	by balance	50.00	7686.78	
2-28	by balance	50.00	7736.78	
2-29	by balance	131.07	7867.85	
2-30	by balance	134.99	8002.84	
2-31	by balance	307.93	8310.77	
3-1	by balance	100.19	8410.96	
3-2	by balance	379.43	8790.39	
3-3	by balance	14,405.06	102,305.45	

Ex. 12

EXHIBIT 12

Todd Building. 12084
110-116 Courtenay Place,
Wellington,
New Zealand.

13 December 1972

The Commissioner
Inland Revenue Department
Private Bag
WELLINGTON.

Attention: Mr T. H. Silcock

Dear Sir

With reference to our telephone conversation this morning I
enclose -

- 1) Copy of Purchase accounts in Europa Refining Company
Limited Ledger covering shipments 54 Lajpat Rai
55 Olympic Laurel
56 W.L. Mellon
- 2) Copy of Europa Oil (N.Z.) Limited current account in
Europa Refining Company Limited Ledger for period June
1969 to August 1972.
- 3) Copy of Europa Oil (N.Z.) Limited computer tabulation
account recording advances to Europa Refining Company
Limited in respect of -
 - (a) Gulf Swede
 - (b) Cephalonia

Yours faithfully


N. K. SMITH

Account No
Sheet No

TERMS:-

NAME W. S. ...
 ADDRESS See note on 157 "Blanche's ..."

Account No
Sheet No

1971	FOLIO	DEBITS	CREDITS	DR. OR CR.	BALANCE
12/24	157	2469			2469 15
	158	1488			13957 15
	159	45			14002 15
		593 355			
		502 276			127,632 76
			217,632	76	
			15049	12	15049 12
			593 355	54	608,404 96
					625 55
					1456 87
			1456	87	

Account No.
Sheet No.

TERMS:-

NAME *Leontine*
 ADDRESS *Leontineck 106* - *W. L. Keller*

Account No.
Sheet No.

	FOLIO	DEBITS	CREDITS	DP. CR. CR.	BALANCE
<i>1971</i>	<i>0101</i>	<i>13545</i>	<i>75</i>		<i>13690</i>
<i>1971</i>	<i>0102</i>	<i>45</i>	<i>-</i>		
<i>1971</i>	<i>0103</i>	<i>721327</i>	<i>10</i>		
<i>1971</i>	<i>0104</i>	<i>314314</i>	<i>15</i>		<i>1049532</i>
<i>1971</i>	<i>0105</i>	<i>2667</i>	<i>38</i>		<i>1052199</i>
<i>1971</i>	<i>0106</i>		<i>1052199</i>	<i>45</i>	
<i>1971</i>	<i>0107</i>	<i>2667</i>	<i>38</i>		<i>2667</i>
<i>1971</i>	<i>0108</i>		<i>2667</i>	<i>38</i>	
<i>1971</i>	<i>0109</i>		<i>721327</i>	<i>10</i>	<i>721327</i>
<i>1971</i>	<i>0110</i>	<i>786222</i>	<i>25</i>		<i>19271</i>
<i>1971</i>	<i>0111</i>		<i>19271</i>	<i>15</i>	



ACCOUNT NO.
SHEET NO.

ACCOUNT NO.
SHEET NO.

TERMS:-

W. R. ...

Keenock (su) ...

NAME
ADDRESS

1071	FOLIO	DEBITS	CREDITS	DR. OR CR.	BALANCE
1766	188	287 25			15173 20
		13912 25			
	8189	553 883 65			
					887 689 65
		314 612 47			887 734 65
	81913	45 -			
	81912		887 734 65		
	81917		573 751 09		573 751 09
					6 132 24
		573 883 33			
	81917		632 26		

FOLIO	DEBITOS	CREDITOS	OR CR.	BALANCE
1466				
Dic		13,577 25		1318,563 94
1		849,490 00		2197,431 19
2		4,024 64		
3		234,095 74		
4		9,183 17		3,139,152 74
5		2,269 60		3,141,424 34
6	912,879 91			
7		928 24		2,229,472 67
8		13,494 00		2,242,966 67
9		966,338 39		
10		97,521 45		3,306,626 57
11		1037,815 35		
12		7,333 55		4,346,835 41
13		95 00		4,346,930 41
14		864,876 57		
15		2,499 30		
16		14,903 15		5,229,209 47
17	420 00			
18		361,871 32		
19		872,016 33		6,482,697 12
20		13,570 25		6,496,267 37
21		2,550 20		
22		980,613 23		
23		7,157 06		7,481,027 66
24		13,978 25		7,495,006 11
25		804,466 91		
26	140,15 59			8,285,437 43
27		13,591 75		8,299,029 18
28		977,553 44		9,246,897 62
29				
30				
31				

do adiciones

do. de la caja - libro 35 (Rev. 132) - 912,879 91

do. de la caja - libro 35 (Rev. 132)

do. de la caja - libro 35 (Rev. 132)

do. de la caja - libro 35 (Rev. 132)

do. de la caja - libro 35 (Rev. 132)

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do. de la caja - libro 35 (Rev. 132)

do. de la caja - libro 35 (Rev. 132)

do. de la caja - libro 35 (Rev. 132)

do. de la caja - libro 35 (Rev. 132)

DATE	DESCRIPTION	DEBITS	CREDITS	DR. OR CR.	BALANCE
June	Balance	15,881.10			5,453,251.96
July	By CDA. Adm. -		266.73		5,453,441.70
Aug	By Adm. -	75.00	324,819.71		5,778,625.95
Sept	By Adm. -		92.25		5,778,720.95
Oct	By Adm. -		13,606.71		5,792,327.66
Nov	By Adm. -		3074.312		5,795,401.97
Dec	By Adm. -		5,196.17		5,800,598.14
Jan	By Adm. -		13,577.25		5,814,175.39
Feb	By Adm. -	100.00			5,814,075.39
Mar	By Adm. -		240.15		5,813,835.24
Apr	By Adm. -		865.5		5,814,700.74
May	By Adm. -		1085.00		5,815,785.74
June	By Adm. -	457,000.00	13,688.50		5,368,785.74
July	By Adm. -		82,500.00		5,286,285.74
Aug	By Adm. -		7423.41		5,278,862.33
Sept	By Adm. -	50.00			5,278,812.33
Oct	By Adm. -		173,350.00		5,105,462.33
Nov	By Adm. -		87,445.00		5,018,017.33
Dec	By Adm. -		87,561.07		4,930,456.26
Jan	By Adm. -		13,477.00		4,916,979.26
Feb	By Adm. -		935,210.04		4,021,769.22
Mar	By Adm. -		13,163.00		3,998,606.22
Apr	By Adm. -		1,016,393.00		2,982,213.22
May	By Adm. -		12,329.85		2,969,883.37
June	By Adm. -	13,329.85			2,956,553.52

DATE	DEBITS	CREDIT	B.L. OR CR.	BALANCE
1971				
Dec				3121.634 57
1971				3123.394 57
Jan		760	-	
		671.583	47	
Feb	1620.67			2793.357 39
		605.085	90	4597.446 35
		13374	25	4609.520 60
		3816	23	
		8306	96	
		5240	24	4631.224 03
		212002	-	4843.224 03
		14078	25	4857.302 28
		160500	-	4455.302 28
		180	-	6455.482 28
	13087.749 37			5592.257 09
1971				
Apr				5573.307 09
1971				4743.307 09
May		83000	-	
June		23385	62	4718.921 47
				4718.971 47
		17800	-	4529.971 47
				4521.021 47
July		108900	-	3441.021 47
		85	-	3449.936 47
Aug				3449.936 47
1971				3449.936 47
1971				1717.080 41

7 17 02 ADVANCES TO SUBSIDIARY COMPANIES HANGSI SERVICES LTD.-CO-OP MOTORS LTD. 2 0 0 ✓
 3 12DEC 6279 COOT LICENCEFEE
 6 17DEC 6015 COPMT SEC 45 0 0

7 27 03 ADVANCES TO SUBSIDIARY COMPANIES PANFI SERVICES LTD.-PAEKAKARIKI GARAGE 2 0 0
 3 12DEC 2279 PAEKAK LICENCEFEE

12.10

7 00 00 ADVANCES TO OTHER COMPANIES EUROPA REFINING CO. LTD. CURRENT A/C.-
 3 05DEC 7779 82582 15 7
 3 06DEC 8040 52 13 0

CC	DATE	REF	VEH	BR	DESCRIPTION	EA	QUANTITY	DEBIT	CREDIT
3	12DEC	6279		H	REFIN: LICENCEFEE			300 0 0	
3	19DEC	6542		H	ADVANCE			1000 0 0	
3	21DEC	9154		H	ADVINS:EUROPAALON			791 14 8	
6	24DEC	6770		H	TRFEY:EUROPA FOR			936 6 2	
3	30DEC	9229		H	HIRCEP:HALONIA			5631 0 0	
7	19DEC	1616		H	TRFFUNES				41000 0 0
6	22DEC	6770		H	TRFCB:ALRHC				50 0 0

12091

CO DATE REF VEP SI DESCRIPTION EA QUANTITY CEL IN CREDIT

ADVANCES TO SUBSIDIARY COMPANIES PANGLI SERVICES LTD.-CO-OP MOTORS LTD. ✓

1 1-57 4907 COOPATRS NOV 11.00

ADVANCES TO SUBSIDIARY COMPANIES PANGLI SERVICES LTD.-PRAEKAKAKIKI GRRAGE

9 9-57 7087 COSTS ADMIN PAEK52 11.00

ADVANCES TO OTHER COMPANIES EUROPA REFINING CO. LTD. CURRENT A/C.-

5784	ADV FURG/SHEJER2	526544.35 *
5776	P5 PEX YULURG-	(1587.00) X
6696	FRT GOLF SWERE	301430.00 X
8715	RIN 5 ELE	12395.25 X
3552	LOMACHOKSMITH	300.00
3565	REVERSE 03547	(707147.73)
3567	ADUFEXORP3	11.00
3572	6/GLCRY FRT (London Bank)	271.99
6050	DIVIDEND	92571.45 X
3555	ORBALRIC	100.00
3563	TRFTANKERS3	299281.18
3567	ADUFEXORTANKERP3	11352.00

5784 5776 5772 5782

ADVANCE TO OTHER COMPANIES EUROPA REFINING CO LTD. ADVANCE A/C NOVEMBER 130000.00

12092

31st MARCH, 1967.

CASH ON HAND AND AT BANK

C.B.A. Wellington				177	4	10
C.B.A. London				579	19	3

Fixed Deposit

Deferred Freight				166,650	0	0
Free Funds				57,570	0	0

Shipments -

Philippine Sea	304,880	9	10
Las Piedras	357,648	11	1
Gulf Hansa	344,053	19	10

1,006,583	0	9	1,230,803	0	9
-----------	---	---	-----------	---	---

£1,231,560 4 10

SUNDRY DEBTORS.

C.B.A. - LONDON - Interest Accrued				£7,524	5	1
------------------------------------	--	--	--	--------	---	---

SUNDRY CREDITORS

Europa Oil (N.Z.) Ltd.

Current Account Balance				887,382	6	0
-------------------------	--	--	--	---------	---	---

Less Liability for :-

Philippine Sea	313,246	1	5
Las Piedras	366,037	0	3

679,283	1	8	208,099	4	4
---------	---	---	---------	---	---

Propet Company Limited

Deferred Freight				166,650	0	0
------------------	--	--	--	---------	---	---

Freight -

Philippine Sea	73,458	6	3
Las Piedras	79,255	2	1
Gulf Hansa	76,786	7	3

229,499	15	7
---------	----	---

Demurrage Gulf Italian

2,428	4	10
-------	---	----

398,578 0 5

Gulf Exploration Company

F.O.B. -

Philippine Sea	233,480	7	5
Las Piedras	278,393	9	0
GULF Hansa	267,267	12	7

779,141	9	0
---------	---	---

Adjustments -

W.L. Mellon	1,060	6	10
Gulf Italian	997	17	0
Payt. J.B. Westray	118	7	1

2,176	10	11
-------	----	----

776,964 18 1

Patrick Neil & Co. - Provision for Audit Fee

60 0 0

J.B. Westray Ltd. - Insurance Premiums

1,758 2 0

£1,365,400 0 0

1967

F.O.B., Freight, Insurance-Gulf Hansa in transit

234,681 0 0



YEAR ENDED 31st MARCH 1967

<u>CODE</u>		<u>1966</u>		<u>1967</u>	
7.03.01	Trade Debtors		2,618,472		2,666,457.12. 1
7.03.02	Less: Bad Debts	134,990		130,413. 1. 8	
	Provision for Bad Debts	50,000		50,000. 0. 0	
7.03.01	Secured Advances	614,333		686,706.11. 4	
	Subsidiary Co. Liability				
7.03.01	Puckakarihi Garage (1952) Ltd.	6,031	805,354	6,432.15. 1	873,352. 8. 1
			<u>1,813,418.</u>		<u>1,792,905. 4. 0</u>
	Steel Drum Loan a/c		10,766		
7.03.04	Iron Drum Deposit A/c		15,956		15,955.10. 0
7.03.05	Steel Drum Deposit A/c		4,000		4,000. 0. 0
7.04.01	Harbour Bridge Tolls Deposit A/c		160		159.15. 0
7.04.02	Franking Machine Deposit A/c		315		564. 0. 0
7.04.04	Lyttelton Tunnel Tolls Deposit A/c		54		54. 4. 0
7.04.05	World Air Travel Deposit Account		150		150. 0. 0
7.09.00	Sundry Debtors o/s		56,208		40,916. 2. 4
7.10.00	Employees Expense Account Advances		2,465		2,451. 0. 0
.11.00	Loans to Employees		23,425		27,722.11. 2
.07.00	N.Z. Ref. Co. Ltd. Loan A/c		250,000		125,000. 0. 0
.08.01	N.Z. Flag Tankers Advance A/c		4,375		6,250. 0. 0
.09.00	Europa Refining Co. Ltd. Advance A/c			887,392. 6. 0	
.01.00	Loss Liability for Feedstock Tankers			679,283. 1. 0	208,099. 4. 4
.21.00	Europa Staff Provident Fund Current A/c		1,020		
			<u>23,121,188</u>		<u>22,124,319.10.10</u>



Re Exhibit 14

The Objector does not accept this exhibit in the manner in which it is drawn up, and presented.

The Objector considers item "C" on the schedule should appear at the foot of the exhibit and the figures appearing at the foot should be shown where item "C" figures appear.

In such case i.e. if the figure were changed as suggested, the line of figures labelled "net after approved deferred freight" would read in respect of the last three years:

31 March 1969	\$3,577,323.20
" " 1970	43,949,123.23
" " 1971	43,921,299.96

with the label being changed to "net after deferred freight"

The particular point made by the Objector is based on the fact that by the time the approved deferred freight is actually deferred by Europa Refining all of the figures, with exception of deferred freight amounts, will have substantially changed and thus if the position is taken at any point in time it should be accurate at that point of time i.e. 31st March in this case.

STATEMENT SHOWING THE AMOUNTS OWING BY EUROPA REFINING CO. LTD TO THE GULF COMPANIES UNDER THE 1964 CONTRACTS BEFORE AND AFTER THE DEFERRED FREIGHT CREDIT) AND THE AMOUNT OF EUROPA OIL'S ACCOUNT WITH EUROPA REFINING

	31 March 1965	31 March 1966	31 March 1967	31 March 1968	31 March 1969	31 March 1970	31 March 1971
	£	£	£	£	\$	\$	\$
Europa Refining							
Swing to Propet Company Limited	165,291.17.2	194,485.10.11	398,578. 0.5	1,055,889.16	1,860,638.94	2,441,885.04	3,180,213.00
Swing to Gulf Exploration Company	514,505.15.6	223,347. 9.11	776,964.18.1	652,102.65	2,767,522.26	2,828,996.24	2,647,278.00
Owing	679,797.12. 8	417,833. 0.10	1,175,542.18.6	1,707,991.81	4,628,161.20	5,270,881.28	5,827,491.00
Deferred freight amounts approved by Propet Co. Ltd	Nil	116,150. 0. 0	166,650. 0.0	827,442.00	1,321,758.00	1,601,154.00	2,632,770.00
Net after approved deferred freight	£679,797.12. 8	£301,683. 0.10	£1,008,892.18.6	\$ 880,549.81	\$3,306,403.20	\$3,669,727.28	\$3,194,721.00
Europa Oil owed Europa Refining	£17,718.12. 7			\$37,170.00			\$1,966,346.55
Owing by Europa Refining to Europa Oil		£217,926.14. 3	£887,382. 6.0		\$588,906.48		
Interest credited by Europa Refining to Europa Oil	Nil	£6,468. 9. 6	£26,425.12.3	\$67,094.72	Nil	Nil	Nil

The amounts for the years 31 March 1969, 1970 and 1971 were not drawn and shown in the books of Europa Refining Co. Ltd until after 31 March in each of these years.

Deferred freight by Propet & Co. Ltd per the books of Europa Refining

Nil £116,150. 0. 0 £166,650. 0. 0 \$827,442.00 \$1,050,838.00 \$1,321,758.00 \$1,906,192.00

2. 14

STATE BANK OF INDIA
 40 THE GULF COMPANY LIMITED
 AFTER THE DEFERRED FREIGHT CREDIT) AND THE BALANCE OF
 EUROPE OIL'S ACCOUNT WITH EUROPEA REFINING

	31 March 1965	31 March 1966	31 March 1967	31 March 1968	31 March 1969	31 March 1970	31 March 1971
Europe Refining							
(a) Owing to Propet Company Limited	£165,291.17.2	£194,485.10.11	£398,578.05	\$1,055,889.16	\$1,860,638.94	\$2,441,885.04	\$3,180
(b) Owing to Gulf Exploration Company	£514,505.15.6	£223,347.9.11	£776,964.18.1	\$653,102.65	\$2,767,522.26	\$2,828,996.24	\$2,64
Owing	£679,797.12.8	£417,833.0.10	£1,175,542.18.6	\$1,708,991.81	\$4,628,161.20	\$5,270,891.28	\$5,82
(c) Deferred freight Propet Co Ltd	£116,150.0.0	£ 165,000.0.0	\$ 827,442.00	\$1,321,758.00	\$1,601,154.00	\$2,65	
Net after deferred freight	£679,797.12.8	£252,683.0.10	£1,010,542.18.6	\$81,549.81	\$3,306,403.20	\$3,669,727.28	\$5,19
Europe Oil owed Europa Refining	£ 17,718.12.7		\$ 37,170.00		\$1,966,346.55	\$5,59	
Owing by Europa Refining to Europa Oil		£217,926.14.3	£ 887,382.6.0		\$ 588,906.48		
Interest credited by Europa Refining to Europa Oil	NIL	£6,468.9.6	£26,425.12.5	\$67,094.72	NIL	NIL	NIL

78/2/73

12097

25/3/73

2

PAN-EASTERN REFINING COMPANY, LIMITED

STATEMENT OF INCOME

(In U. S. Dollars)

YEAR ENDED DECEMBER 31, 1965

Sales of refined products	\$ 18,144,975
Purchases of crude	13,382,128
Less - Volume Discounts:	
.Relating to 1965 purchase	(399,010)
Processing fee	2,221,554
	<hr/>
	15,204,672
	<hr/>
	2,940,303
Interest income received on bank deposits less miscellaneous expenses of \$400	19,877
	<hr/>
Net income	\$ 2,960,180
	<hr/> <hr/>

PAN-EASTERN REFINING COMPANY, LIMITEDBALANCE SHEET

(In U.S. Dollars)

DECEMBER 31, 1965

ASSETS:

Cash in bank, of which \$373,764 represents time deposits		\$ 391,936
Accounts receivable:		
Propet Company, Limited	\$ 2,934,773	
Gulf Iran Company	(2,405)	
	<u>2,932,368</u>	
		<u>\$ 3,324,304</u>

SHAREHOLDERS' EQUITY:

Capital stock, \$1 par value:		
100,000 shares authorized and issued		\$ 280,000
Retained earnings:		
At December 31, 1964	\$ 2,318,164	
Net income for year	<u>2,960,180</u>	
	5,278,344	
Dividends paid (\$4 per share)	<u>(2,234,040)</u>	
At December 31, 1965		<u>3,044,304</u>
		<u>\$ 3,324,304</u>

PAN-EASTERN REFINING COMPANY, LIMITEDSTATEMENT OF INCOME

(In U.S. Dollars)

YEAR ENDED DECEMBER 31, 1966Operating Income

Sales of Crude	\$ 419,158
Sales of Refined Products	19,594,616
	<hr/>
Total Operating Income	20,013,774
	<hr/>

Operating Expenses

Purchases of Crude	15,201,487
Less: Discount relating to purchases under 1956 processing contract	359,579
	<hr/>
Total Purchases of Crude	14,841,908
Processing Fees	2,415,643
	<hr/>
Total Operating Expenses	17,257,551
	<hr/>
Income from Operations	2,756,223
Add: Interest Income on Bank Deposits	19,258
	<hr/>
Net Income	\$ 2,775,481
	<hr/>

PAN-EASTERN REFINING COMPANY, LIMITEDBALANCE SHEET

(In U.S. Dollars)

DECEMBER 31, 1966**ASSETS:**

Cash in bank, of which \$392,293 represents time deposits		\$ 411,194
Accounts receivable:		
Propet Company Limited	\$1,033,536	
Gulf Iran Company	185,275	1,218,811
		<u>\$1,630,005</u>

SHAREHOLDERS' EQUITY:

Capital Stock, \$1 par value:		
100,000 shares authorized and issued		\$ 280,000
Retained Earnings:		
At December 31, 1965	\$3,044,304	
Net Income for Year	2,775,481	
	5,819,785	
Dividends paid	(4,469,780)	
At December 31, 1966		<u>1,350,005</u>
		<u>\$1,630,005</u>

PAN EASTERN REFINING COMPANY LIMITEDSTATEMENT OF INCOME

12102

YEAR ENDED DECEMBER 31, 1967REVENUES

Sales of Crude Oil	\$ - 763,459
Sales of Naphtha	4,288,789
Sales of Gas Oil	567,683
Sales of Additional Refined Products - Gas Oil and Heavy Fuels	18,711,478
Total Revenues	<u>24,331,409</u>

DEDUCTIONS

Purchases of Crude for Resale	731,523
Purchases of Crude for Processing	18,257,302
Processing Fees	2,701,784
Total Deductions	<u>21,690,609</u>
Net Income from Operations	2,640,800
Net Interest Income on Bank Deposits	31,782
Net Income	<u>\$2,672,582</u>
Sterling Equivalent	<u>£1,001,513 *</u>

* Converted to sterling at the average rate of exchange of the London Branch of the Chase Manhattan Bank's 11.00 a.m. daily buying and selling rates for telegraphic transfer of U.S. dollars on the quarterly settlement dates.

*Ray Smith 21/8/69 figure shown in
\$ 2,672,582 the sterling equivalent
figure is correct. R*

PAN EASTERN REFINING COMPANY, LIMITEDBALANCE SHEETDECEMBER 31, 1967

	<u>Dollars</u>	<u>Sterling</u>
<u>ASSETS:</u>		
Cash in bank, of which £151,968 (\$423,657) represent time deposits	442,976	158,835
Accounts Receivable:		
Propet Company Limited	2,584,605	969,693
Total Assets	<u>3,027,581</u>	<u>1,128,528</u>
 <u>SHAREHOLDERS EQUITY.</u>		
Capital stock, 100,000 shares £1 par value authorised and issued	280,000	100,000
Retained earnings	<u>2,747,581</u>	<u>1,028,528</u>
Total Shareholders Equity	<u>3,027,581</u>	<u>1,128,528</u>

PAN EASTERN REFINING COMPANY LIMITEDSTATEMENT OF INCOME

12104

YEAR ENDED DECEMBER 31, 1968REVENUES

Sales of Crude Oil	\$ 576,236
Sales of Naphtha	4,760,967
Sales of Gasoil	1,552,570
Sales of Additional Refined Products - Gas Oil and Heavy Fuels	<u>20,119,942</u>
Total Revenues	<u>27,009,715</u>

DEDUCTIONS

Purchases of Crude for Resale	552,329
Purchases of Crude for Processing	20,014,271
Processing Fees	<u>2,961,786</u>
Total Deductions	<u>23,528,386</u>
Net Income from Operations	3,481,329
Administrative Expense	1,791
Net Interest Income on Bank Deposits	<u>19,549</u>
Net Income	\$ <u>3,499,087</u>
Sterling Equivalent	£ <u>1,464,322</u> *

* Converted to sterling at the average rate of exchange of the London Branch of the Chase Manhattan Bank's 11:00 a.m. daily buying and selling rates for telegraphic transfer of U.S. dollars on the quarterly settlement dates.

PAN EASTERN REFINING COMPANY LIMITED

12105

BALANCE SHEETDECEMBER 31, 1968

	<u>Dollars</u>	<u>Sterling</u>
<u>ASSETS:</u>		
Cash in bank, of which £129,155 (\$356,716) represent time deposits	376,144	136,100
Accounts Receivable Propet Company Limited	<u>1,806,483</u>	<u>756,750</u>
Total Assets	<u>2,182,627</u>	<u>892,850</u>
 <u>SHAREHOLDERS EQUITY:</u>		
Capital stock, 100,000 shares £1 par value authorized and issued	280,000	100,000
Retained earnings	<u>1,902,627</u>	<u>792,850</u>
Total Shareholders Equity	<u>2,182,627</u>	<u>892,850</u>

PAN EASTERN REFINING COMPANY LIMITED

STATEMENT OF INCOME

12106

YEAR ENDED DECEMBER 31, 1969

REVENUES

Sales of Crude Oil	\$ 600,912
Sales of Naphtha	5,389,591
Sales of Gasoil	1,953,343
Sales of Additional Refined Products - Gas Oil and Heavy Fuels	<u>22,696,348</u>
Total Revenues	<u>30,640,194</u>

DEDUCTIONS

Purchases of Crude for Resale	575,982
Purchases of Crude for Processing	22,743,533
Processing Fees	<u>3,365,672</u>
Total Deductions	<u>26,685,187</u>
Net Income from Operations	3,955,007
Administrative Expense	1,606
Net Interest Income on Bank Deposits	<u>26,389</u>
Net Income	\$ <u>3,979,790</u>
Sterling Equivalent	£ <u>1,662,385</u> *

* Converted to sterling at the average rate of exchange of the London Branch of the Chase Manhattan Bank's 11:00 a.m. daily buying and selling rates for telegraphic transfer of U.S. dollars on the quarterly settlement dates.

PAN EASTERN REFINING COMPANY LIMITED

12107

BALANCE SHEETDECEMBER 31, 1969

	<u>Dollars</u>	<u>Sterling</u>
<u>ASSETS:</u>		
Cash in bank, of which £139,768 (\$382,154 represents time deposits	400,927	146,440
Accounts Receivable:		
Propet Company Limited	<u>2,055,807</u>	<u>858,796</u>
Total Assets	<u>2,456,734</u>	<u>1,005,236</u>
 <u>SHAREHOLDERS EQUITY:</u>		
Capital stock, 100,000shares £1 par value authorized and issued	280,000	100,000
Retained earnings	<u>2,176,734</u>	<u>905,236</u>
Total Shareholders Equity	<u>2,456,734</u>	<u>1,005,236</u>

STATEMENT OF INCOMEYEAR ENDED DECEMBER 31, 1970

12108

REVENUES

Sales of Crude Oil	\$901,818
Sales of Naphtha	6,618,210
Sales of Gasoil	1,780,218
Sales of Additional Refined Products - Gas Oil and Heavy Fuels	28,301,292
Total Revenues	<u>\$37,601,538</u>

DEDUCTIONS

Purchases of Crude for Resale	872,083
Purchases of Crude for Processing	28,150,351
Processing Fees	4,148,792
Total Deductions	<u>\$33,171,226</u>

Net Income from Operations	4,430,312
Administrative Expense	1,812
Net Interest Income on Bank Deposits	29,189
Net Income	<u>\$4,457,689</u>
Sterling Equivalent	<u>£1,858,485 *</u>

* Converted to sterling at the average rate of exchange of the London Branch of the Chase Manhattan Bank's 11.00 a.m. daily buying and selling rates for telegraphic transfer of U.S. dollars on the quarterly settlement dates.

Note: The earnings for 1970 are over-stated by \$US 45,608. This occurs because the Letter Amendments dated September 20, 1971 are not given effect to in these accounts but a retroactive adjustment will be made in the Pan Eastern accounts in September 1971.

PAN EASTERN REFINING COMPANY LIMITED

12109

BALANCE SHEETDECEMBER 31, 1970

	<u>Dollars</u>	<u>Sterling</u>
<u>ASSETS</u>		
Cash in bank, of which £104,956 (\$289,159) represents time deposits	319,921	116,651
Accounts Receivable:		
Propet Company Limited	1,550,805	647,069
	<hr/>	<hr/>
Total Assets	1,870,726	763,720
	<hr/>	<hr/>
<u>SHAREHOLDERS EQUITY</u>		
Capital stock, 100,000 shares £1 par value authorised and issued	280,000	100,000
Retained earnings	1,590,726	663,720
	<hr/>	<hr/>
Total Shareholders Equity	1,870,726	763,720
	<hr/>	<hr/>

26 April 1965

Mr R. H. Carmichael,
General Manager,
Europa Oil N.Z. Ltd,
110-116 Courtenay Place,
WELLINGTON C.3.

Dear Mr Carmichael,

I refer to our telephone conversation on Friday 23 April and confirm that, as agreed at the meeting with the oil industry representatives on 26 February, we have now completed a list of the points on which we would like information from individual companies. A copy of this list is enclosed.

We could arrange a mutually convenient time for a discussion on any matters arising out of the list which would assist you in providing the information requested.

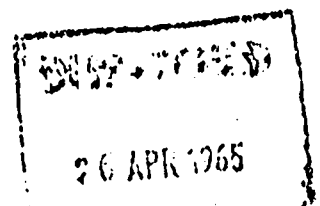
Yours sincerely,

(A. G. Beadle)
Director

Trade Practices and Prices Division

Encl.

590
49



NEW ZEALAND OIL INDUSTRY -
 INFORMATION REQUESTED FROM INDIVIDUAL COMPANIES
 AS AGREED AT MEETING WITH DEPARTMENTAL REPRESENT-
 ATIVES ON 26 FEBRUARY 1965

1. Please furnish details of each shipment of crude oil received since the New Zealand Refinery commenced operations in June 1964 showing:
 - (i) Source of supply, name of supplier, port and date of loading. (N.B. where a tanker has taken on supplies of crude oil and other petroleum products from more than one overseas port please give details.)
 - (ii) Quantities of crude oil received.
 - (iii) Grade or grades or A.P.I. (American Petrol Institute) gravity of crude oil received.
 - (iv) Name, size (d.w.t.) and ownership of tanker. (Please indicate if used on a charter basis)
 - (v) Particulars of other products received from the same tanker in each instance.
 - (vi) Were products also consigned to other oil companies as part of these same shipments? If so please state the names of the other companies involved.
 - (vii) Please also state whether Whangarei was the first port of discharge or whether supplies were unloaded at other ports en route.

2. (a) Itemised costs are desired for each shipment of crude oil showing, with supporting invoices (and where necessary the rate of exchange used to convert to New Zealand currency).
 - (i) Invoiced cost of the crude oil.
 - (ii) Freight rate per ton and total freight charges for each shipment. Please indicate to whom these freight charges were paid.
 - (iii) Other charges (please specify) also ocean leakage or any other loss in transit.
 - (iv) Total landed cost at refinery.

- (b) Indicate posted price for crude oil of the same source and grade at the time each shipment was invoiced.

- (c) In each instance please furnish invoices in support of freight charges actually levied.
 Also state the A.F.R.A. rate at the time of each shipment applicable to tankers of the same size as used to bring the crude oil to New Zealand.
 Where other products were carried in the same tanker what procedure has been followed to allocate freight charges between them.

12112

(d) Where any discounts received, including any rebates allowed on a periodic basis, are not apparent from the invoices for crude oil, freights, or other cost items please supply details.

3. Please supply similar particulars as set out under 1 and 2 for each consignment of feed-stocks, other than crude oil, imported for incorporation with crude oil in the refining process, indicating nature of feed stock and specification.
4. Kindly indicate quantities of motor spirits by grades, (83 and 96 octane) and other products (specify in detail) made available to the company from each shipment of crude oil passed through the refinery, including loss in refining.
5. What processing fees did the Refinery charge for the refining of motor spirits and other products in respect of each shipment of crude oil. Are these fees subject to any variation according to the volume of business made available, or any other special factors.
6. What price recoveries have been achieved from products other than motor spirits yielded from each shipment of crude oil. What price has been received for residual quantities of fuel oil which it has been necessary to export, (Please show gross price less freight).
7. Please supply details of the cost structure relative to each shipment of crude oil, revealing how the prices, at which the company's domestically refined motor spirits as incorporated in the industry pool account, have been built up from item 2. Indicate the way in which items 3 and 5 have been incorporated in this cost structure, and show how any price recoveries from products other than motor spirits have been taken into account.
8. Please supply similar particulars to those set out under question 2 (a) to (d) and also question 1 (where appropriate), for motor spirits, diesel and other petroleum products imported by the company from August 1964 to date to supplement domestic supplies of these products ex the Whangarei refinery.

In December 1964, three companies brought in shipments and the average cost to the pool account in relation to the average cost of the domestically refined motor spirits varied from

.253d below to .118d. above Standard grade, and from
.512d below to .275d above Premium Grade.

What factors would have contributed to these variations?

9. Kindly furnish copies of agreements or arrangements with your suppliers of crude oil and other petroleum products operating at June 1964 and amendments to these agreements, and also agreements which have been entered into since that date.

(N.B. Where the terms American barrels or American gallons, or Imperial gallons or Metric or Short or Long tons are used in your answers to these questions please state the conversion factors.)

LX. 17.

EXHIBIT 17

12113

11 August 1965

Mr R. H. Carmichael,
General Manager,
Europa Oil N.Z. Ltd,
P.O. Box 591,
WELLINGTON.

Dear Mr Carmichael,

Thank you for your letter of 20 July enclosing information in reply to the questionnaire sent with my letter of 6 April.

From a preliminary study of this information it appears that you have not included a copy of the agreement with your supplier of crude oil and other petroleum products as requested under section 9 of the questionnaire. I should appreciate it if you would let me have a copy.

Also am I correct in assuming that since the commencement of operations by the refinery the refining company has received on your behalf only one shipment of crude oil and four shipments of feedstocks?

As far as shipments of refined products are concerned it appears that shipments by "Belgulf Union" and "British Mallard" in June 1964 have not been included in your return. Would you let me know the position please.

Yours sincerely,

(A. G. Leadle)
for Secretary

DESPATCHED
11 AUG 1965
PAGES.....

EUROPA OIL (N.Z.) LTD.

12114

MARKETERS OF PETROLEUM PRODUCTS

HEAD OFFICE
110-116 COURTENAY PLACE
WELLINGTON, C.3. NEW ZEALAND

RHG/NKS/CB

27 August 1965

The Department of Industries & Commerce,
Private Bag,
WELLINGTON, C.1Attention Mr A.G. Beadle

Dear Sirs,

In his absence I have been asked to reply to your letter dated 11 August 1965 addressed to Mr R.H. Carmichael.

We enclose copies of the relevant agreements as requested, and apologise for our earlier omission in this respect. The agreements are detailed as follows:-

1. Petroleum Products Sales Contract dated 3rd April, 1956, between Gulf Iran Company and Europa Oil (N.Z.) Ltd.
2. Contract of Affreightment dated 3rd April, 1956, between Gulf Oil Corporation and Europa Oil (N.Z.) Ltd.
3. Feedstock Supply Contract dated 10th March, 1964, between Gulf Exploration Company and Europa Refining Co. Ltd.
4. Contract of Affreightment dated 10th March, 1964, between Propet Company Ltd. and Europa Refining Co. Ltd.
5. Agreement dated 18th December, 1961, between B.P. (New Zealand) Ltd. and Europa Oil (N.Z.) Ltd.
6. Supply of Lubricating Oils and Greases - our suppliers are Castrol Ltd. and Mobil Oil New Zealand Ltd. for Lubricating Oils and Chemicals Manufacturing Co. Ltd. for Greases.

The attached schedule sets out the current prices payable under our arrangements with these suppliers and which prices have been

12115

negotiated by the exchange of a series of letters and agreements. In practice we notify the suppliers in advance of our estimated requirements and then issue official purchase orders for the exact quantities required.

Concerning Crude Oil and Feedstock shipments received on our behalf by the Refining Company since the commencement of operations, we confirm that your assumption is correct. The period covered is from commencement of operations by the Refinery to the date of your request for information, i.e. 26th April, 1965. We have, of course, received further shipments since that date.

Section 8 of the Questionnaire requests details of refined product imports from August 1964. Since the shipments mentioned in your letter were received in June and July 1964 they were not included in our information.

Yours faithfully,
EUROPA OIL (N.Z.) LTD.



TREASURER.

3rd October, 1963.

Mr. W.H. Blackledge,
Gulf Oil Corporation,
1290 Avenue of the Americas,
NEW YORK 19,
N.Y.,
U.S.A.

Dear Mr. Blackledge,

Feedstock Supply Contract

Under Clause 6 of the Feedstock Supply Contract, we are to submit to you on the 1st day of November of this year an estimate of our feedstock and finished product requirements for the six months from 1st January 1964 to 30th June 1964.

We do not as yet know when the Refinery will come on stream so our feedstock requirements for the first six months will have to be considered in conjunction with stocks we are currently procuring under our existing petroleum products contract and it is at this stage difficult to forecast an exhaustion date for refined products and an arrival date for our first feedstock cargo. Therefore we feel sure that Gulf will appreciate this problem and will understand that any figures we will be able to give by November will most probably be contingent on many different factors.

It would be of great assistance to us if Gulf could give us some alternative feedstock patterns using

- (i) Kuwait Crude Oil
- (ii) Iranian Light Crude Oil
- (iii) Iranian Heavy Crude Oil

with Kuwait naphtha, Kuwait gas oil and for wide cut distillate if now available in whatever quantities necessary to produce an annual estimated market requirement of:

		<u>Tons</u>
Motor Gasoline:	83 Octane (leaded)	105,000
" "	95 " "	65,000
Automotive Gas Oil:		29,000
Industrial Diesel Fuel:		21,000
Fuel Oil - Light:		20,000

Bitumen: The minimum quantity left after obtaining the vacuum flash distillate for blending with fuel oil.

The proposed specifications of the above products are attached.

Allowance will also have to be made in the feedstock quantities for refinery fuel which we will provide proportionately to the amount of feedstock we tender to the refinery.

When we have some indication from you of possible feedstock patterns, we will be able to give you some idea of our feedstock requirements to the end of June 1964.

Yours faithfully,
EUROPA OIL (N.Z.) LIMITED

General Manager

EX-100
LX. 100
Gulf Oil Corporation

CRUDE OIL DEPARTMENT

12118

W. H. Blackledge
MANAGER, CRUDE OIL DEPARTMENT

1290 Avenue of the Americas
New York 19, New York

October 30, 1963

Mr. H. H. Carmichael
Europa Oil (N. Z.) Ltd.,
110-116 Courtenay Place
Wellington, C. 3, New Zealand

Dear Bob:

Feedstock Supply Contract

Please refer to your letter on this subject dated October 3, 1963, in which you pointed out the problems involved in providing an accurate forecast of your product and feedstock requirements for the first six months of 1964. You may be assured that we fully understand and appreciate the difficulties involved in predicting your requirements when such factors as refinery startup date, exhaustion rate of product stocks, etc., are unavailable. During the next few months we assume you will revise your forecasts as the various factors are determined and we trust that you will continue to keep us informed.

In accordance with your request, we have examined the question of suitable feedstocks for the forthcoming refinery charge and have developed the following comments which we hope will be of some assistance in your forward planning:

1. Taking into consideration your stated need for a minimum of bitumen, your relatively small requirement of fuel oil, and your relatively large requirement of middle distillate, we believe that Agha Jari (Iranian Light) crude oil would be more suitable than either Kuwait or Gach Saran (Iranian Heavy) crude oils. In a relative sense, Agha Jari provides a higher yield of middle distillates and lower yield of heavy products, along with a slightly higher yield of motor gasoline.
2. Since none of the crude oils under consideration would provide the large yield of gasoline which is required, we would propose to supply sufficient Kuwait Light Distillate (naphtha) to augment the gasoline produced from the crude oil component.
3. Based on a limited knowledge of your refinery fuel oil requirements and probable refining loss, we estimate that your stated product requirements on an annual basis could be manufactured from a feedstock consisting of 105,000 tons of Agha Jari crude oil and 155,000 tons of Kuwait naphtha.

FEEDSTOCKTONS/YEAR

12119

Agha Jari crude Oil	105,000
Kuwait Naphtha	<u>155,000</u>
Total	<u>260,000</u>

PRODUCTS

Gasoline, Gas Oil, Diesel and Fuel Oil - Light	240,000
Bitumen	3,000
Refinery Fuel and Loss	<u>17,000</u>

I am sure you will understand that the above analysis of your feedstock requirements is necessarily preliminary and therefore subject to modifications which may become desirable in the light of additional information. After the refinery has come on stream and you have developed a clearer picture of actual refinery operations, I expect you will be in a better position to estimate your feedstock requirements. Based on the information you can give us on your requirements we would be prepared on a cargo by cargo basis to vary a make-up of feedstock deliveries in order to accommodate your requirements.

Best regards to you and your associates.

Sincerely,

W. H. Blackledge
W. H. Blackledge

WHB:EK

Copies to: Mr. Carmichael
Mr. Brow
Mr. Moore

K.K. [initials]

EXHIBIT 21

12120

TRAMER

Mr. Carmichael
Follow up?

28th July, 1969

Gulf Oil Refining Company,
P.O. Box 1166,
Pittsburgh,
Pennsylvania,
U.S.A.

Attention Mr. K.M. Edwards

Dear Sirs,

We have to acknowledge receipt of your letter of July 21st with reference to a new grade of naphtha which you discussed with Mr. Todd last month.

Mr. Todd has not yet returned to New Zealand and I would wish to discuss this matter with him before going into the question with New Zealand Refining Company of the refining acceptability of Kuwait natural gasoline.

However, your letter does raise a difficulty we are experiencing at the Refinery in regards to the quality of the naphtha we are at present tendering. Originally in advising New Zealand Refining Company of the specifications of the feedstocks that we would be supplied with from Kuwait, we gave a typical specification of Kuwait Naphtha from the specifications supplied by Gulf in Schedule 1 of the Feedstock Contract. This was as follows:

A.P.F. Gravity	65.3°
T.D.P. at 0°	139
10% at 0°	163
50% at 0°	238 (= 112.2° C.)
90% at 0°	297
T.D.P. at 0°	320

The New Zealand Refining Company are having difficulty in maintaining gasoline output at the required quantity/regular trade balance of the over-supply of "tops" from the lighter naphtha coming to hand and shipment 25 received from you was cited as an instance where naphtha with A.P.I. gravity of 67.5 and a 50% recovery point of 105° C. caused difficulties. The 50% recovery test is used by the New Zealand Refining Company as an indication of the platforming qualities of naphtha and 105° C. is considered to be too low. 12121

We find that with the exception of shipments in 1957 and a few intermittent receipts before and since, most of our naphtha receipts have had an A.P.I. gravity in excess of 65 and a 50% recovery point below 110° C. and as we have to discuss the question of naphtha specifications with New Zealand Refining Company, we would appreciate your advice as to whether the naphtha in future shipments can conform with the typical specifications set forth in the Feedstock Contract.

We notice from the specifications of natural gasoline and Hawaii Light Distillate attached to your letter of July 21st that the Hawaii Light Distillate specification has an A.P.I. gravity in excess of the 65.5 originally given and the 50% recovery point is down to 105° C. The acceptability of a still lighter product as demonstrated in the specification of commingled cargo of 115,000 barrels of natural gasoline and 170,000 barrels of Hawaii Light Distillate, where the 50% recovery point is down to 85° C., is a matter that we will have to discuss with New Zealand Refining Company. To assist our discussions, it would help us if you could let us have representative yield figures from both natural gasoline and Hawaii Light Distillate, showing the estimated distillation and platforming losses that could be incurred and any advantages that there could be in a mixture of these two feedstocks.

Yours faithfully,
HERBERT GEL (U.S.) INC.

R.H. Carmichael
GENERAL MANAGER

c.c. Mr. W.S. Carvey

EXHIBIT 22"25 Questions and Answers on
the Whangarei Refinery"

This booklet sets out to answer the questions which are most frequently asked about the Whangarei Refinery, and in particular, about the way in which it will affect the average New Zealander.

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SECTION I Basic Considerations

Question 1

What is an oil refinery?

An oil refinery consists of plant and equipment specially designed to apply physical and chemical processes, largely involving heat, to crude mineral oils or specially derived

20 feedstocks to produce a variety of petroleum products ranging principally from motor gasoline to bitumen in a form and of a quality meeting the consumers' requirements in a particular market.

Question 2

Is it usual to have a refinery in a predominantly marketing area like New Zealand?

Yes. It is common practice to locate oil refineries in marketing areas rather than in the areas in which crude oil is produced.

30 Until the end of World War II, however, refineries were usually located in the production areas, and the products they manufactured were distributed by tanker to the world's markets. These

refineries were often very large and were not numerous, but since the war there has been a strong trend towards the building of smaller refineries in marketing areas. Feedstock is brought to them in very large tankers from the producing areas and refined for consumption on the spot.

Question 3

What are the advantages of an oil refinery in New Zealand?

The most important advantages are these:-

- 10 (1) There are substantial savings to be made in overseas exchange.
- (2) Products can be manufactured that are best suited to local conditions.
- (3) Indigenous feedstocks, such as condensate from Kapuni, can be processed locally.
- (4) New skills and opportunities are opened up for the people of New Zealand in an international industry.
- (5) A local refinery offers a certain strategic advantage in the event of war.
- 20 (6) New Zealand can isolate herself to a large degree from the political troubles which sometimes interfere with refinery operations in some of the less stable producing areas. The severe effects of the shut-down of the Abadan refinery in 1952 will be remembered.

Question 4

How much overseas exchange will the refinery save?

It is estimated that in its first year of operation the refinery will probably bring savings in overseas payments of up to four million pound and this figure is expected to rise to six-seven million pound once the plant is in full operation.

30 Additional savings of foreign exchange may also be made through the use of indigenous feedstock such as Kapuni condensate.

Question 5

Why have we not had a refinery before?

Until comparatively recently a refinery would have been an uneconomic venture in New Zealand, but today it has ceased to be so. The change has been brought about by improved and simplified refinery techniques, the use of very large tankers for carrying crude oil and, of course, the natural growth of the New Zealand market.

Question 6

10 What is the New Zealand Refining Company Limited?

The New Zealand Refining Company Limited is a limited liability company formed in 1961 to own and operate the refinery. Its head office is at Whangarei and it has a paid-up capital of six million pounds. Of the capital, one million, eight hundred and eighty-five thousand, and seven hundred and fourteen pounds was subscribed by the New Zealand public and the shares, owned by some 4,400 share-holders, are traded regularly on the Stock Exchange. The balance of four million, one hundred and fourteen thousand, two hundred and eighty-six pounds was subscribed by
20 or on behalf of the major petroleum marketing companies in New Zealand - Atlantic Union Oil Company (N.Z.) Limited, BP (New Zealand) Limited, Caltex Oil (N.Z.) Limited, Europa Oil (N.Z.) Limited, Mobil Oil New Zealand Limited and Shell Oil New Zealand Limited.

The present board is as follows:-

Messrs J. Carnev, J.C. Fair, H.A. Hansen, L.G. Hucks, W.S. McLean, P.B. Marshall, E.J. Melrose, K.B. Myers, J.B. Price (Chairman), B.J. Todd, Sir Leonard Wright.

SECTION II Construction

30 Question 7

Why was Marsden Point chosen as the site for the refinery?

Marsden Point was selected from a large number of possible sites in many parts of New Zealand. A site was required which -

1. had water deep enough to allow the safe berthing of very large tankers - up to about 100,000 tons;
2. had about 300 acres of flat land available, with good soil bearing properties;
3. was reasonably close to the main market;
4. had an adequate labour force;
5. was not subject to frequent earthquakes;
6. had a reliable power supply.

Marsden Point was satisfactory in all these respects.

10 Question 8:

How much did the refinery cost to build?

About 10 million pound. This was a good deal less than was first expected. New techniques and engineering designs, together with very keen competitive bidding from experienced refinery construction contractors, resulted in a substantial lowering of the estimated costs.

The venture was financed in the following manner:-

Ordinary shares:

	Subscribed by the oil companies	£4,114,236
20	Subscribed by the New Zealand public	£1,885,714

		£6,000,000
	Loans from or arranged by the oil companies, repayable over 5 years	£2,500,000
	Short term bank loans	£1,270,000

		£9,770,000
		=====

Question 9:

Who were the main contractors?

30 The main contractor was the Bechtel Corporation, which operates internationally and not only specialises in the building of oil refineries, but also has great experience in the laying of pipelines and the building of nuclear power plants, chemical plants and steam and hydro-electric plants.

Bechtel carried out the construction work in association with the Fletcher Construction Company Limited and George Wimpey and Company Limited which supplies oil companies throughout the world with installations of all kinds.

Contracts for the construction of the oil jetty and the office block were awarded to Downer and Company Limited, Wellington, and the major sub-contractor to Bechtel-Fletcher-Wimpey was the Chicago Bridge and Iron Company, which specialises in steel plate structures and was responsible for the erection of the refinery's 51 storage tanks.

SECTION III Supply

Question 10:

Where will the feedstock for the refinery come from?

In the main, supplies will come from the Middle East and South East Asia.

Indigenous crude oil, such as condensate from Kapuni, could also be processed in the refinery. This condensate would be taken by pipeline from the well-head to Port Taranaki and thence transported by tanker round the coast to Marsden Point.

20 Question 11:

Will each company import its own feedstock?

Yes. Each company will import feedstock from its own sources, the amount varying in accordance with the volume of finished products each required to satisfy the demand of its customers.

Question 12:

What type of feedstock is required?

The type of feedstock processed by a refinery in any marketing area is governed largely by the local pattern of demand for the finished products. Different feedstocks yield petroleum products in different proportions, depending mainly upon their source and composition.

30 In New Zealand, motor spirit accounts for more than half of the total demand for all petroleum products, and crude oils

yielding motor spirit in this proportion are not readily available. The feedstock processed at the Whangarei refinery, therefore, has to be specially blended so that the production of the refinery is as closely in balance with the market requirements as possible.

Question 13:

How would a locally produced feedstock fit into the picture?

The refinery is flexible enough to process any feedstock produced locally. Kapuni condensate, for example, is a suitable
 10 feedstock and could, on present estimates, produce up to about 10% of today's New Zealand market requirements.

Question 14:

What size tankers will bring feedstock to Marsden Point?

Most of them will be of 33,000 and 45,000 tons, but tankers of 65,000 and 80,000 tons will occasionally call. The facilities however, are designed to handle tankers up to 100,000 tons. About 180 tankers will berth at Marsden Point each year.

SECTION IV Processing

Question 15:

20 What products is the refinery designed to produce?

The refinery will produce motor spirit (both premium and regular grades), gas oil, diesel fuel, fuel oil and bitumen, and has been designed to meet the estimated demand for these products on the New Zealand market in 1967. Any increase in demand after this time will call for extra facilities.

These products account for about 90% of the total New Zealand market in petroleum. The remainder - aviation fuels, kerosine, lubricants, chemicals and a number of minor products - will
 30 continue to be imported. Demand for them is comparatively small and they cannot at present be produced economically.

Question 16:

Will the refinery ever produce these other products?

To manufacture these products will call for additional refinery

processes and it will not be economic to make provision for them until the extra cost is justified by the expansion of local demand.

Question 17:

What refinery processes are being used?

In the process area, which is the heart of the refinery, the main installations will include:-

(a) Primary Distillation Unit:

10 The first step in the manufacture of petroleum products is the distillation of the feedstock. As heat is applied to it and the temperature rises, the feedstock vaporises in the distillation column, which is so designed as to separate the lighter fractions from the heavier.

(b) Catalytic Reformer:

With the aid of a catalytic reformer, it is possible to change the chemical structure of gasoline, so that components of low octane number are converted into compounds having high octane numbers.

(c) Hydrodesulphurizer:

20 This process involves the extraction of sulphur compounds found in some degree in all crude oil and feedstocks.

(d) Gasoline Treater:

This stage modifies the sulphur distribution in gasoline to improve the odour of the finished product and also removes minor constituents which might give rise to gum-forming tendencies in the finished product. Various corrective and improvement additives are also frequently injected at this stage to ensure anti-knock properties and good starting and running characteristics.

30 (e) Bitumen manufacturing facilities:

The main bitumen grades required for the New Zealand market will be manufactured at Marsden Point.

Question 18:

Will the refinery produce finished products to the individual specifications of each marketing company?

The basic products manufactured at the plant will be equal in quality to the equivalent grades produced at any refinery overseas. Each marketing company, will, however, be free to treat or blend these products in any way it wishes, in order to meet its own specification requirements and its own particular standards of quality.

10 Question 19:

Is it possible for the refinery to manufacture petroleum products exactly in the proportion required by the market?

No. It will be difficult to avoid a surplus of the heavier products, but the use of special feedstocks, which have been blended to yield a greater proportion of motor spirit, allows the surplus to be kept to reasonable proportions.

Question 20:

What will happen to these residual products if they cannot be absorbed on the local market?

20 They will have to be exported.

Question 21:

What is the source of the New Zealand Refining Company's income?

The oil Companies will execute processing Agreements with the New Zealand Refining Company. Under these agreements, the Refining Company will charge the Oil Companies a refining fee based on the "Refiner's Margin", which represents broadly the difference between the value of the products manufactured and the value of the feedstock required to manufacture them. These values are related to world posted prices for crude oil and
30 finished products, together with appropriate freights and insurance. The posted prices are the publicly announced prices prevailing from time to time and reported regularly for petroleum products all over the world.

Question 22:

Does the New Zealand Refining Company own the feedstock it handles or the products it manufactures?

No. These are the property of the individual oil companies, each of which imports sufficient feedstock to allow the production of finished products for its market needs. The New Zealand Refining Company simply carries out the processing of the companies' importations and coastal distribution of the finished products for a fee.

10 SECTION V Distribution and Marketing

Question 23:

How will the refinery's main products be distributed?

General purpose 18,000 ton tankers will be used to transport supplies from the refinery to those ports - including Whangarei which are at present receiving deliveries of refined products from overseas in vessels of this size.

The coastal distribution of bitumen, which requires special heating arrangements, will be made by a suitable tanker of about 3,000 tons, which will transport bitumen plants at
20 Auckland, Wellington, Lyttleton and Bluff.

Question 24:

Will the existence of the refinery have any effect on the transportation differential pattern?

There will be no need to alter the differential pattern since the existence of the refinery will have virtually no effect on current transportation arrangements. All ports now receiving supplies by 18,000 ton tanker enjoy the same price, and since the inland areas supplied from these ports will continue to be serviced in very much the same way as hitherto, there is no
30 need for an alteration in the differential pattern.

Question 25:

What will be the effect of the refinery on the price of petroleum products in New Zealand?

Very little. The cost of refining in New Zealand will not be any lower than the cost of refining overseas and the existence of the refinery will make very little difference to the pattern and the cost of distribution. The price of locally-refined products is therefore not expected to be higher or lower once the refinery comes on stream. The main economic justification for the construction of a local refinery is the saving in overseas exchange, because a large proportion of the cost of the refining process will be incurred locally and there will
10 therefore be no need to remit this overseas.

SECTION VI

AREA

The total area available to the New Zealand Refining Company Limited at Marsden Point is 310 acres. However, only 120 acres are being used initially, and the remaining land is being held for future expansion.

STORAGE TANKS

51 tanks of varying sizes have been constructed to hold feedstocks, finished products and water. They have a total capacity
20 of 110 million gallons.

PIPELINES

55 miles of pipeline have been laid throughout the refinery, ranging in size from the 26 inch diameter line from the jetty to the crude oil tank farm, down to 10 inch pipes throughout the process area and product tank farm.

JETTY

The jetty is 1,000 feet long. It is supported by 300 concrete piles and is capable of mooring two modern tankers up to 100,000 tons. It has also been designed to cater for future
30 expansion, if this is found to be necessary. It allows tanker discharge rates of up to 6,700 tons per hour.

PROCESS AREA

The centre-piece of the process area, and indeed the landmark

of the refinery itself, is the 329 feet tall chimney. The base of the concrete chimney is 31 feet in diameter, tapering to 14 feet 6 inches at the top, and it is lined with fire bricks. A total of 800 cubic yards of concrete was used in its construction.

The flare stack, of 16 inch pipe, is 200 feet tall.

Other equipment installed in the process area includes:

- 8 fractionating columns, including platformer, distillation unit and hydro-desulphurizer;
- 10 70 miscellaneous vessels;
- 5 reactors;
- 47 heat exchanges;
- 20 coolers;
- 8 heaters;
- 120 pumps and compressors;
- 185 electric motors and turbines;
- 950 instruments and gauges, including 180 in the control room.

OFFICE BLOCK

A two-storey building, which is centrally heated and air-conditioned, accommodates management, engineering, operational and clerical staff.

SAFETY PRECAUTIONS

Whilst the possibility of fire is remote, every precaution is taken to ensure that it can be dealt with quickly in an emergency. A pumping station with a capacity of 2,200 gallons per minute is situated near the jetty and fire hydrants are located at intervals of 50 feet throughout the refinery. Near the workshop, a modern fire-station, is equipped with three fire-trucks and all the latest fire-fighting gear, including foam extinguishers.

The safety building, by the office block, contains all first-aid requirements.

FRESH WATER SUPPLY

Fresh water from the Pohenui River, nine miles from the refinery, is pumped through a six inch pipeline at the rate of 11,000 gallons per hour. Fresh water is required at the refinery for steam raising and domestic consumption.

COMMUNICATIONS

18 miles of telephone cable have been laid by the New Zealand Post Office to link an automatic telephone exchange and an international teleprinter. A closed-circuit T.V. camera at
10 the refinery gates allows the watchman in the control room of the process area to "screen" visitors before opening the gates by remote control.

MARINE FACILITIES

Facilities provided by the Whangarei Harbour Board include two tugs (also equipped for fire fighting), a pilot boat and two mooring ships.

ELECTRICITY SUPPLY

The North Auckland Electric Power Board have constructed a 10,000 k.w. sub-station and laid 25 miles of power cable to
20 service the refinery from Maungatapere.

ROADING

To cater for the increased traffic to Marsden Point, the Ministry of Works constructed 5½ miles of roading, named the Peter Snell Highway, and a 180 feet concrete bridge. 2½ miles of roads have been constructed within the refinery.

MAN-POWER

During the course of construction the labour force totalled 700. The operating staff at the refinery itself numbers approximately 200.

30 It is estimated that 4,000 people overseas have been associated in some ways with the refinery construction in such countries as England, Belgium, Holland, West Germany, Italy, United States of America, Canada, Sweden, Switzerland and Japan.

INITIAL THROUGHPUT

The refinery will process about 550 million gallons of feedstock in its first year of operation

Ex. 23.

EXHIBIT 23

MURCPA REFINING CO. LTD.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 1966.

	<u>1966</u>	<u>1965</u>		<u>1966</u>
300	300. 0. 0 ✓	19,782	Sundry Income	15,920. 1. 0
-	112.10. 0 ✓		Less Interest Paid	6,468. 9. 6
685	12.10. 0 ✓			<u>8,560.11. 6</u>
163	-			
41	76. 0. 8 ✓		Sundry Expenses	
1,194	<u>501. 0. 8</u> ✓			
18,588	8,059.10.10 ✓		Net Profit before Taxation	<u>8,550.11. 6</u>
19,782	<u>8,560.11. 6</u> ✓	19,782		
8,837	3,489. 1. 5 ✓	18,588	Provision for Taxation	
9,751	4,570. 9. 5 ✓		Balance Transferred to P & L app. a/c	8,059.10.10
16,588	<u>8,059.10.10</u> ✓	<u>18,588</u>		

PROFIT AND LOSS APPROPRIATION ACCOUNT YEAR ENDED 31st MARCH 1966

670	Adjustment for Taxation for previous years	1,964	Balance brought forward	11,044.11.10
1,045	Balance Carried forward as per Balance Sheet	15,615. 2. 4 ✓	Transferred from P. & L Account	4,570. 9. -
1,715		<u>11,715</u>	Provision for Taxation 1965	1. 1
		<u>15,615. 2. 4</u>		<u>15,615. 2. 4</u>

POPA REFINING CO. LTD.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1967

	<u>1967</u>	<u>1966</u>		<u>1967</u>
300	Annual Licence Fee	300. 0. 0	Interest Received	51,441.15.11
113	Audit Fee	52.10. 0	Dividends Received	41,140. 7. 7
13	Insurance	13.10. 0		
6,453	Interest Paid	26,425.12. 3 X		
-	Donations	950. 0. 0		
75	Sundry Expenses	114. 0.10		
<u>5,970</u>		<u>27,854.13. 1</u>		
8,059	Net Profit before Taxation C/D	54,727.10, 5		
<u>£13,029</u>		<u>£92,532. 3. 6</u>		<u>£92,532. 3. 6</u>
2,459	Provision for Taxation	12,102.18. 5	Net Profit before Taxation B/D	£64,727.10. 5
4,570	Balance Transferred to P & L app. A/c	52,624.12. 0		
<u>£ 8,059</u>		<u>£64,727.10. 5</u>		<u>£64,727.10. 5</u>

PROFIT AND LOSS APPROPRIATION ACCOUNT YEAR ENDED 31 MARCH 1967

15,615	Balance Carried forward as per	63,239.14. 4	11,045	Balance brought forward	15,615. 2. 4
	Balance Sheet.		4,570	Transferred from P & L Account	52,624.12. 0
<u>£15,615</u>		<u>£68,239.14. 4</u>			<u>£68,239.14. 4</u>

EUROPA SHIPPING CO. LTD.

BALANCE SHEET CONDENSED

31st MARCH, 1967.

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CASH ON HAND AND AT BANK

C.B.A. Wellington							177	4	10
C.B.A. London							579	19	3
Fixed Deposit									
Deferred Freight				166,650	0	0			
Free Funds				57,570	0	0			
Shipments -									
Philippine Sea	304,886	9	10						
Las Piedras	357,648	11	1						
Gulf Hansa	344,053	19	10						
				<u>1,006,583</u>	<u>0</u>	<u>9</u>			
							<u>1,230,803</u>	<u>0</u>	<u>9</u>
							<u>£1,231,560</u>	<u>4</u>	<u>10</u>

Sundry Debtors.

C.B.A. - LONDON - Interest Accrued							£7,524	5	1
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Sundry Creditors

Europa Oil (N.Z.) Ltd.									
Current Account Balance				887,382	6	0			
Less Liability for :-									
Philippine Sea	313,246	1	5						
Las Piedras	366,037	0	3						
				<u>679,283</u>	<u>1</u>	<u>8</u>			
							208,099	4	4
Propet Company Limited									
Deferred Freight				166,650	0	0			
Freight -									
Philippine Sea	73,458	6	3						
Las Piedras	79,255	2	1						
Gulf Hansa	76,736	7	3						
				<u>229,499</u>	<u>15</u>	<u>7</u>			
Demurrage Gulf Italian				2,428	4	10			
							<u>398,578</u>	<u>0</u>	<u>5</u>
Gulf Exploration Company									
F.O.B. -									
Philippine Sea				233,480	7	5			
Las Piedras				278,393	9	0			
Gulf Hansa				267,267	12	7			
				<u>779,141</u>	<u>9</u>	<u>0</u>			
Adjustments -									
W.L. Mellon	1,060	6	10						
Gulf Italian	997	17	0						
Payt. J.B. Westray	118	7	1						
				<u>2,176</u>	<u>10</u>	<u>11</u>			
							776,964	13	1
Patrick Foil & Co. - Provision for Audit Fee							60	0	0
J.B. Westray Ltd. - Insurance Premiums							1,758	2	8
							<u>21,385,460</u>	<u>5</u>	<u>6</u>

STOCK

F.O.B., Freight, Insurance-Gulf Hansa in transit							£345,621	8	4
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SUDORA ROYALTY CO. LTD.

BALANCE SHEET AS AT 31st MARCH, 1967

		<u>1967</u>	<u>1966</u>	<u>1967</u>
	<u>AUTHORISED SHARE CAPITAL</u>			
640,000	640,000 Ordinary Shares of £1 each	<u>640,000</u>		640,000
<u>640,000</u>				<u>640,000</u>
	<u>ISSUED SHARE CAPITAL</u>			
640,000	640,000 Ordinary Shares of £1 each fully paid	<u>640,000</u>		640,000
15,615	Profit & Loss Appropriation A/c	<u>68,240</u>	1,200	600
<u>655,615</u>	<u>TOTAL SHAREHOLDERS FUNDS</u>	<u>708,240</u>	128,732	7,524
	<u>CURRENT LIABILITIES</u>			
417,903	Sundry Creditors	<u>1,331,352</u>		543,032
1,619	Provision for Taxation	<u>22,093,502</u>	420,919	1,321,530
<u>419,522</u>		<u>21,075,137</u>		<u>1,585,569</u>
	<u>INVESTMENTS AT COST</u>			
	Shares in Other Companies			
	614,000 shares in the New Zealand Refining Co. Ltd. paid in full		514,286	514,286
	<u>CURRENT ASSETS</u>			
	Loans to Directors			1,000
	Less Repayments during year			<u>600</u>
	Sundry Debtors			7,524
	Stock			543,032
	Cash on Hand and at Bank		420,919	1,321,530
				<u>1,585,569</u>
				<u>22,093,502</u>



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EUROPA REFINING CO., LTD.PROVISION FOR TAXATION

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YEAR ENDED 31st MARCH, 1968.

	<u>INCOME</u>	<u>TAXATION</u>
<u>INCOME YEAR ENDED 31st MARCH, 1968:</u>		
Net Profit (as shown in P. & L. Account)	160,009.83	
Less Non assessable Dividend Received	92,571.48	
	<u>\$67,438.35</u>	
<u>PROVISION Y.E. 31-3-68:</u>		
Assessable Income (as above)	67,438.35	
Income 31-3-67 Assessable with 1968	14,598.51	
	<u>\$82,036.86</u>	
<u>LESS INCOME ASSESSABLE Y.E. 31-3-69:</u>		
Interest accrued not received 31-3-68	\$21,777.69	
Assessable exchange gain included with Interest received not realized 31-3-68	2,800.14	<i>Profit</i>
Less Prepaid Licence Fee 31-3-68	<u>525.00</u>	<u>24,053.13</u>
		<u>\$57,983.73</u>
Assessable (at rate for	57,983	
	<u>92,571</u>	
	<u>\$150,554)</u>	
Estimated Income Tax Payable for Y.E. 31-3-68 @ 41.78265%		24,226.83
Social Security Income Tax Y.E. 31-3-68		<u>4,348.79</u>
		28,575.62
Provisional Tax Paid Y.E. 31-3-68		<u>17,949.00</u>
Balance Payable to I.R.D. 31-3-68		<u>10,626.62</u>
<u>PROFIT AND LOSS YEAR ENDED 31-3-68:</u>		
Estimated Taxation Payable Y.E. 31-3-68 as above		28,575.62
Less Provision 31-3-67		<u>7,300.00</u>
		21,275.62
Add 50% of \$24,053 payable Y.E. 31-3-69		<u>12,026.00</u>
<u>PROVISION PER PROFIT AND LOSS A/c Y.E. 31st MARCH, 1968:</u>		<u>33,301.62</u>
<u>BALANCE SHEET 31-3-68:</u>		
Provided from profits 31-3-67		7,300.00
Provided from profits 31-3-68		<u>33,301.62</u>
		40,601.62
Less Provisional Payments		<u>17,949.00</u>
		<u>\$22,652.62</u>
RECEIVED FROM THE STATE AT 31st MARCH, 1968		<u>\$22,652.62</u>



EUROPA REFINING CO. LTD.

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31ST MARCH, 1968

23.7

	<u>1967</u>	<u>1968</u>	<u>1967</u>	<u>1968</u>
600 Annual Licence Fee		700.00	102,883	Interest Received 135,360.86
105 Audit Fee		95.00	82,281	Dividends Received 92,571.48
25 Insurance		25.00		
52,851 Interest Paid		67,094.72		
1,900 Donations		-		
228 Sundry Expenses		<u>7.79</u>		
55,709		<u>67,922.51</u>		
129,455 Net Profit before Taxation C/d		160,009.83		
<u>\$185,164</u>		<u>\$227,932.34</u>	<u>\$185,164</u>	<u>\$227,932.34</u>
24,205 Provision for Taxation		33,301.62	129,454	Net Profit before Taxation B/D 160,009.83
105,249 Balances Transferred to P & L Appropriation A/c		126,708.21		
<u>\$129,454</u>		<u>\$160,009.83</u>	<u>\$129,454</u>	<u>\$160,009.83</u>
<u>PROFIT AND LOSS APPROPRIATION ACCOUNT YEAR ENDED 31st MARCH, 1968</u>				
102,400 Provision for Dividend		108,800.00	31,230	Balance Brought Forward 34,079.43
34,079 Balance Carried Forward as per Balance Sheet		51,987.66	105,249	Adj. to Tax Provision 1967 Transferred From P & L Account 126,708.21
<u>\$136,479</u>		<u>\$160,787.66</u>	<u>\$136,479</u>	<u>\$160,787.66</u>

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EUROPA REFINING CO. LTD.

BALANCE SHEET AS AT 31ST MARCH. 1968

<u>1967</u>		<u>1968</u>	<u>1967</u>		<u>1968</u>
280,000	<u>AUTHORISED CAPITAL</u>	1,280,000	1,028,572	<u>INVESTMENT AT COST</u>	1,028,572
	640,000 Ordinary Shares of \$2 each			Shares in other Companies	514,286
	<u>ISSUED SHARE CAPITAL</u>			2 shares in the New Zealand Refining Co. Ltd. paid in full	
230,000	640,000 Ordinary Shares of \$2 each fully paid	1,280,000		<u>CURRENT ASSETS</u>	
102,400	Provision for Dividend	108,800	1,200	Loans to Directors	716
34,080	Profit & Loss Appropriation A/c	51,988	15,048	Sundry Debtors	49,741
-	Capital Reserve	28,321	691,244	Stock	-
416,480	<u>TOTAL SHAREHOLDERS' FUNDS</u>	1,469,109	2,463,120	Cash at Bank	2,120,834
770,920	<u>CURRENT LIABILITIES</u>				
11,784	Sundry Creditors	1,708,102			
	Provision for Taxation	22,652	1,730,754		
199,184		\$3,199,863	\$4,199,184		\$3,199,863
	<u>MOVEMENT OF RESERVES</u>				

The Capital Reserve of \$28,321 represents the Exchange Difference on funds held overseas at date of devaluation and still held at Balance date.

.....DIRECTOR

.....DIRECTOR

AUDITORS' REPORT TO MEMBERS OF EUROPA REFINING CO. LTD. We have obtained all the information and explanations that we have required. In our opinion, proper books of account have been kept by the Company so far as appears from our examination of those books. In our opinion, according to the best of our information and the explanations given to us and as shown by said books, the Balance Sheet and the Profit and Loss account are properly drawn up so as to give respectively a true and fair view of the state of the Company's affairs as at 31st March, 1968 and of the results of its business for the year ended on that date. According to such information and explanations the Accounts, the Balance Sheet and the Profit and Loss account show the information required by the Companies Act 1955 in the manner so required.

WELLINGTON N.Z. AUDITORS PATRICK, FEIL & CO. PUBLIC ACCOUNTANTS

EUROPA REFINING CO. LTD.
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1969.

	<u>1969</u>	<u>1968</u>	<u>1967</u>
95 Audit Fee	110	135,361	283,095
67,095 Interest Paid	-	92,571	102,857
732 Sundry Expenses	1,123.	-	6,557
33,301 Provision for Taxation	143,674		
126,709 Balance Carried Down	247,591		
	<u>\$392,498</u>	<u>\$227,932</u>	<u>\$392,498</u>
			<u>\$392,498</u>

PROFIT AND LOSS APPROPRIATION ACCOUNT YEAR ENDED 31st MARCH, 1969.

108,800 Provision for Dividend	108,800	34,079	51,968
Balance Carried Forward as per Balance Sheet	205,044	126,709	247,571
	<u>\$313,844</u>	<u>\$150,788</u>	<u>\$313,844</u>
			<u>\$313,844</u>
			14,000
			<u>\$313,844</u>

EUROPA REFINING CO. LTD.
BALANCE SHEET AS AT 31st MARCH, 1969.

	<u>1969</u>	<u>1968</u>	
<u>AUTHORISED CAPITAL</u>			
640,000 Ordinary Shares of \$2 each	1,260,000	1,028,572	<u>INVESTMENT AT COST</u>
<u>ISSUED SHARE CAPITAL</u>			Shares in other Companies 514,286
640,000 Ordinary Shares of \$2 each	1,260,000		\$2 shares in the New Zealand
fully paid	1,200,000		Refining Co. Ltd. paid in full
Provision for Dividend	106,800		<u>CURRENT ASSETS</u>
Profit & Loss Appropriation A/c	205,044		Loans to Directors
Capital Reserve	—		Opening Balance
			Loans Y.E. 31.3.69
			716
<u>TOTAL SHAREHOLDERS' FUNDS</u>	<u>1,533,844</u>		<u>24,937</u>
<u>CURRENT LIABILITIES</u>			25,653
Sundry Creditors	5,237,018	716	<u>20,684</u>
Provision for Taxation	151,607	49,741	Less repayments
		—	Sundry Debtors
		2,120,834	Stock
			Cash at Bank
		<u>\$3,199,863</u>	
			4,969
			48,215
			912,880
			<u>4,988,033</u>
			5,954,0
			<u>\$6,982,6</u>

EUROPA REFINING CO. LTD.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1970.

	<u>1970</u>	<u>1969</u>		<u>1969</u>
110	120	283,090	Audit Fee	430,
-	-	102,857	Interest Paid	102,
1,123	4,654	6,551	Sundry Expenses	4,
143,674	216,490		Provision for Taxation	
247,591	317,029		Balance Carried Down	
	<u>\$538,293</u>	<u>\$392,498</u>		<u>\$538,2</u>

PROFIT AND LOSS APPROPRIATION ACCOUNT YEAR ENDED 31st MARCH, 1970.

108,800	236,800	51,988	Provision for Dividend	205,04
-	25	247,591	Additional Tax Y.E. 31.3.69	317,02
205,044	285,248	14,265	Balance Sheet	-
	<u>\$522,073</u>	<u>\$313,844</u>		<u>\$522,073</u>
			Balance Brought Forward	
			Net Profit for Year	
			Adj. for Net Devaluation Exchange Gains.	

EUROPA REFINING CO. LTD.
BALANCE SHEET AS AT 31st MARCH, 1970.

<u>1969</u>	<u>1970</u>	<u>1969</u>	<u>1970</u>
		<u>INVESTMENT AT COST</u>	
		Shares in other Companies	514,286
		\$2 shares in The New Zealand Refining Co. Ltd. paid in full.	1,028,572
			<u>1,028,572</u>
		<u>CURRENT ASSETS</u>	
1,280,000	1,280,000	Loans to Directors:	
108,800	236,800	Opening Balance	4,968
205,044	285,248	Loans Y.E. 31.3.70	Nil
	1,802,048		<u>4,968</u>
		Less repayments	4,346
		Sundry Debtors	66,048
		Stock	1,975,654
		Cash at Bank	<u>6,073,057</u>
			8,119,107
			<u>\$9,147,677</u>
5,980,492	\$9,147,677		
		<u>AUTHORISED CAPITAL</u>	
		640,000 Ordinary Shares of \$2 each	1,280,000
		<u>ISSUED SHARE CAPITAL</u>	
		640,000 Ordinary Shares of \$2 each fully paid	1,280,000
		Provision for Dividend	236,800
		Profit & Loss Appropriation A/c	285,248
			<u>1,802,048</u>
		<u>TOTAL SHAREHOLDERS' FUNDS</u>	
		<u>CURRENT LIABILITIES</u>	
5,231,841	7,239,839	Sundry Creditors	7,239,839
151,807	105,790	Provision for Taxation	105,790
			<u>7,345,629</u>
			<u>\$9,147,677</u>
			<u>\$9,147,677</u>

AUDITORS' REPORT TO MEMBERS OF EUROPA REFINING CO. LTD.

We have obtained all the information and explanations that we have required. In our opinion, proper books of account have been kept by the Company so far as appears from our examination of those books. In our opinion, according to the best of our information and the explanations given to us and as shown by the said books, the Balance Sheet and Profit and Loss Account are properly drawn up so as to give respectively a true and fair view of the state of the Company's affairs as at 31st March, 1970, and of the results of its business for the year ended on that date. According to such information and the explanations the accounts, the Balance Sheet and the Profit and Loss Account give the information required by the Companies Act, 1955, in the manner so required.

B. J. TODD DIRECTOR
N. K. SMITH DIRECTOR

WELLINGTON, N.Z. AUDITORS
PATRICK, FEIL & CO.
CHARTERED ACCOUNTANTS.

EUROPA REFINING CO. LTD.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 1971.

	<u>1971</u>	<u>1970</u>		<u>1971</u>
	\$	\$		\$
120 Audit Fee		150.00	Interest Received	430,938
4,654 Sundry Expenses		694.87	Dividends Received	102,857
216,490 Taxation Paid and provided		184,155.61	Sundry Income	4,498
317,029 Balance carried down		<u>339,971.46</u>		
		<u>\$538,293</u>		<u>\$524,971.94</u>
				<u>370,686.14</u>
				<u>154,285.80</u>

PROFIT AND LOSS APPROPRIATION ACCOUNT YEAR ENDED 31st MARCH 1971.

Dividends Paid	230,400.00	205,044	Balance Brought Forward	285,248.38
Provision for Dividends	-	317,029	Net Profit for Year	339,971.46
25 Additional Tax Year Ended 31.3.69	-		Adj. for Taxation over provided as	
Balance Carried Forward	<u>394,820.01</u>		at 31.3.70	.17
		<u>\$625,220.01</u>		<u>\$625,220.01</u>

NOTE: Arising from contracts relating to Marine Freights, suspensory credits amounting to \$2,800,000 have been built up. These credits have not been included in the accounts as they are not realisable until after 31st December 1973 and could be significantly reduced if freight rates continue their current downward trends.

EUROPA REFINING CO. LTD.

BALANCE SHEET AS AT 31st MARCH 1971

1970	1971	1970	1971
\$	\$	\$	\$
1,280,000	1,280,000.00	1,028,572	1,028,572.00

AUTHORISED CAPITAL

640,000 Ordinary Shares of \$2 each

ISSUED SHARE CAPITAL

640,000 Ordinary Shares of \$2 each
fully paid
Profit & Loss Appropriation A/c

TOTAL SHAREHOLDERS' FUNDS

CURRENT LIABILITIES

7,239,839 Sundry Creditors 5,832,768.42
105,790 Provision for Taxation 10,126.11
236,800 Provision for Dividend -

\$9,147,677

AUDITORS' REPORT TO MEMBERS OF EUROPA REFINING CO. LTD.

We have obtained all the information and explanations that we have required. In our opinion, proper books of account have been kept by the Company so far as appears from our examination of these books. In our opinion, according to the best of our information and the explanations given to us and as shown by the said books, the Balance Sheet, the Profit and Loss Account and the note thereto, are properly drawn up so as to give respectively a true and fair view of the state of the Company's affairs as at 31st March 1971, and of the results of its business for the year ended on that date. According to such information and explanations the accounts, the Balance Sheet and the Profit and Loss Account give the information required by the Companies Act 1955 in the manner so required.

WELLINGTON, N.Z.

28 FEB 1971

PATRICK, FEILD & CO.
CHARTERED ACCOUNTANTS

AUDITORS

12148

EXHIBIT 24

12149

EUROPA REFINING CO. LTD

<u>Year</u>	<u>Assessable Income</u>		<u>Non Assessable Income</u>	<u>Total Income</u>
1966	(£14,546.18.2)	29,093.28	-	29,093.28
1967	(£10,282.18.2)	26,565.82	(£41,140.7.7) 82,280.76	108,046.58
1968		86,304.73*	92,571.48	178,876.21
1969		268,036.32	102,807.20	370,843.52
1970		414,738.72	102,857.20	517,595.92
1971		420,377.75	154,285.80	574,663.55
		<u>\$1,245,116.62</u>	<u>\$534,802.44</u>	<u>\$1,779,919.06</u>

*Includes \$28,321.00 Exchange Profit on Devaluation)

	<u>Todd Participants Ltd</u>		<u>Todd Investments Ltd</u>			
Family of A. Todd	24,851	(24.85%)	55,305	(24.58%)		
Family of S.M. Whyte	12,106	(12.11%)	26,933	(11.97%)		
Family of D.J. Todd	24,031	(24.03%)	53,433	(23.75%)		
* Family Sir Desmond Todd	}		53,437	}		
* K.M. Todd Trust			4,806			
* M.P. Todd Trust			<u>4,896</u>		63,049	(28.02%)
* C.P. Todd Trust			<u>5,000</u>		<u>26,280</u>	(11.68%)
	<u>100,000</u>		<u>225,000</u>			

* These have been bracketed because the total shareholding of these shareholders equals 39.03% of the shares in Todd Participants Limited and 39.7% of the shares in Todd Investments Ltd and can be related to the following position reflected in Dr Leu's letter dated 19 February 1970 (Schedule 2:3) as follows:

	<u>Todd Participants Ltd</u>		<u>Todd Investments Ltd</u>	
Family of Sir D. Todd	48,064	(24.03%)	225,626	(23.75%)
K.M. Todd Trust	10,000	(5.00%)	20,292	(2.14%)
M.P. Todd Trust	10,000	(5.00%)	20,292	(2.14%)
C.P. Todd Trust	10,000	(5.00%)	-	
C.P. Todd Estate			110,960	(11.68%)
		<u>39.03%</u>		<u>39.71%</u>

Chief Inspector,
WELLINGTON.

27 January 1969

EUROPA REFINING COMPANY LIMITED

12151

As a follow-up to my letter of 10 January 1969 I carried out an inspection of sample shipments recorded in the books of the above company. Mr N. Smith, the Treasurer of Europa supplied the information I required at Europa's offices on 23 January 1969.

The first entries in the accounts recorded feedstock purchases from Gulf Exploration in April 1964. The accounts comprise a ledger which records separately in respect of each shipment from Gulf, the l.o.b. and freight costs. When these costs are finalised Europa Oil's account in Europa Refining's books is debited with the total cost of the shipment.

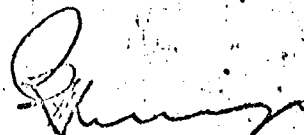
There is no supply contract for the feedstocks Europa Refining sells to Europa Oil and no invoice is issued. The debit in Europa Oil's account is cleared by a payment which equals the cost of feedstocks purchased by Europa Refining. Europa Refining therefore breaks even on each shipment.

In the absence of any written contract there is no precise time at which the property passes from Europa Refining to Europa Oil and to avoid any difficulty over ownership in the event of loss by fire the feedstocks are insured under a policy which treats either company as owner.

I traced through the manner in which several shipments were paid for and the pattern is that Europa Oil pays Europa Refining on the day the ship loads in the Middle East. Europa Refining sends the funds overseas immediately for a deposit at a trading bank in London. In terms of the supply contract Europa Refining pays Gulf Exploration 120 days after the loading date. In this way Europa Refining has approximately NZ\$2 million permanently on deposit in London.

A notice from the invoices that Gulf Exploration is paid in US dollars while the Gulf Maritime Agency at Antwerp (as Agent for Propet) is paid in sterling.

The question of profits on devaluation arising from deposits held by Europa Refining in the London bank account is dealt with by Mr Heatonley in his report of 6 January 1969.



(R. T. Phillips)
Special Inspector

Calculated as per agreement dated 10 March 1964 and Amendments thereto

NAPHTHA (L.D.)

Purchases (4.02 agreement page 3138)		Sales as per Europa Purchases (as per letter agreement 16.3.1965)	
1524633 bbls @ 1.46	\$2,225,964	214924 @ 1.98	\$425,550
		512228 @ 2.02	1,034,701
Profit	829,249	797481 @ 2.02	1,594,962
	<u>\$3,055,213</u>		<u>\$3,055,213</u>

GAS OIL (M.D.)

Purchases (4.02 Agreement page 3139)		Sales as per Europa purchases (as per letter agreement 16.3.1965)	
282038 bbls @ \$2	\$564,076	188860 @ 2.856	\$539,384
Profit	249,251	93178 @ 2.94	273,943
	<u>\$813,327</u>		<u>\$813,327</u>

KUWAIT

Purchases (4.01 Agreement page 3138)		Sales as per Europa Purchases	
297275 @ (1.59-15%)		297275 @ \$1.41	\$419,158
297275 @ 1.3515	\$401,767		
Profit	17,391		
	<u>\$419,158</u>		<u>\$419,158</u>

PROFIT SUMMARY

Naphtha (L.D.)	829,249
Gas Oil (M.D.)	249,251
Kuwait	17,391
TOTAL	US \$1,095,891

Doubling up adjustment
- paragraphs 5.02 and 5.03
of the agreement (Pages
3141/3142) US \$1,095,891

Profit expected US \$2,191,782

Profit as shown on Pan
Eastern's statement of
Processing profit US \$2,191,784

PAN EASTERN EXPECTED PROFIT FOR YEAR 31ST DECEMBER 1967

27.2

NAPHTHA (L.D.)

Purchases (4.02 Agreement Page 3138)		Sales as per purchases Europa (Clause 5.01 of Agreement Page 3141)	12153
2161427 bbls @ 1.46	3,155,683	229095 bbls @ 2.02	462,772
Profit	<u>1,133,106</u>	1932332 bbls @ 1.98	<u>3,826,017</u>
	<u>\$4,288,789</u>		<u>\$4,288,789</u>

GAS OIL (M.D.)

Purchases (4.02 Agreement Page 3139)		Sales as per purchases Europa (Clause 5.01 of Agreement Page 3141)	
206163 bbls @ \$2	412,326	38556 bbls @ 2.856	110,116
Profit	<u>155,357</u>	167607 bbls @ 2.73	<u>457,567</u>
	<u>\$567,683</u>		<u>\$567,683</u>

KUWAIT

Purchases at posted price 1.59 less 15% (4.01 Agreement Page 3138)		Sales as per purchases Europa (Clause 5.01 of Agreement Page 3141)	
419087 @ \$1.3515	566,396	419087 bbls @ 1.41	590,912
Profit	<u>24,516</u>		
	<u>\$590,912</u>		<u>\$590,912</u>

KUWAIT CRUDE 32 A.P.I.

Purchases at posted price less 15% (\$1.59 plus 2 cents escalation for API = \$1.61 - 15% = 1.3685)		Sales as per purchases of Europa Clause 5.01 of Agreement Page 3141)	
120662 bbls @ 1.3685	165,125	120662 @ \$1.43	172,547
Profit	<u>7,422</u>		
	<u>\$172,547</u>		<u>\$172,547</u>

SUMMARY OF PROFIT

Naphtha .	1,133,106
Gas Oil	155,357
Kuwait	24,516
Other Kuwait	<u>7,422</u>
Total	<u>\$1,320,401</u>
Doubling up adjustment - paras 5.02 and 5.03 of the Agreement (Pages 3141/3142)	<u>\$1,320,401</u>
Profit Expected	US \$2,640,802
Profit as shown in Pan Eastern Statement of Income	<u>\$2,640,800</u>

PAN EASTERN EXPECTED PROFIT FOR THE YEAR ENDED
31ST DECEMBER 1968

12154

NAPHTHA (L.D.)

Purchases (4.01 Agreement Page 3138)		Sales as per Europa Purchases	
2369429 bbls @ \$1.46	3,459,366	518016 @ \$1.98	1,025,671
		227918 @ \$2.00	455,836
Profit	<u>1,301,600</u>	1623495 @ \$2.02	<u>3,279,459</u>
	<u>\$4,760,966</u>		<u>\$4,760,966</u>

GAS OIL (M.D.)

Purchases (4.01 Agreement Page 3139)		Sales as per Europa Purchases..	
568707 @ \$2	1,137,414	568707 bbls @ 2.73	1,552,571
Profit	<u>415,157</u>		
	<u>\$1,552,571</u>		<u>\$1,552,571</u>

KUWAIT

Purchases at posted price less 15% (4.01 Agreement Page 3138)		Sales as per Europa Purchases	
408678 @ \$1.3515	552,328	408678 @ 1.41.	576,236
Profit	<u>23,908</u>		
	<u>\$576,236</u>		<u>\$576,236</u>

PROFIT SUMMARY

Naphtha	1,301,600	
Gas Oil	415,157	
Kuwait	<u>23,908</u>	
TOTAL		US \$1,740,665
Doubling up adjustment - paras 5.02 and 5.03 of the Agreement (Pages 3141/3142)		
		US <u>\$1,740,665</u>
Profit Expected		US \$3,481,330
Profit as shown on Pan Eastern's Statement of Income		
		US \$3,481,329

PAN EASTERN EXPECTED PROFIT FOR THE YEAR ENDED
31ST DECEMBER 1969

12155

NAPHTHA (L.D.)

Purchases (4.01 Agreement Page 3138)		Sales as per Europa Purchases	
2692538 @ 1.46	3,931,105	829744 @ 1.98	1,642,893
		807282 @ 2.00	1,614,564
Profit	<u>1,458,486</u>	1055512 @ 2.02	<u>2,132,134</u>
	<u>\$5,389,591</u>		<u>\$5,389,591</u>

GAS OIL (M.D.)

Purchases (4.01 Agreement Page 3139)		Sales as per Europa Purchases	
729628 @ \$2	1,459,256	270799 @ 2.73	739,281
Profit	<u>494,086</u>	458829 @ 2.646	<u>1,214,061</u>
	<u>\$1,953,342</u>		<u>\$1,953,342</u>

KUWAIT

Purchases at posted price less 15% (Page 3138)		Sales as per Europa Purchases	
426179 @ 1.3515	575,980	426179 @ 1.41	600,912
Profit	<u>24,932</u>		
	<u>\$600,912</u>		<u>\$600,912</u>

PROFIT SUMMARY

Naphtha	1,458,486
Gas Oil	494,086
Kuwait	<u>24,932</u>
	US \$1,977,504
Doubling up adjustment - paras 5.02 and 5.03 of the Agreement (Pages 3141/3142)	US \$ <u>1,977,504</u>
Expected Profit	US \$3,955,008
Profit as per Pan Eastern's Statement of Income	US \$3,955,007

PAN EASTERN EXPECTED PROFIT FOR THE YEAR
31st DECEMBER 1965

12156

Calculations as per agreement dated 10th March 1964 and Amend-
ments thereto

NAPHTHA (L.D.)

Purchases (Para. 4.02 agreement page 3138)		Sales as per Europa purchases (Clause 5.01 of agreement page 3141) Also letter agreement 16.3.1965	
1,344,033 bbls @ \$1.46	1,962,288	283,539 bbls @ \$1.98	561,407
Profit	<u>720,107</u>	1,060,494 bbls @ \$2.00	<u>2,120,988</u>
	<u>US\$2,682,395</u>		<u>US\$2,682,395</u>

GAS OIL (M.D.)

Purchases (4.02 agreement Page 3139)		Sales as per Europa purchases (Clause 5.01 of agreement page 3141)	
493,047 bbls @ \$2	986,094	196,541 bbls @ \$2.982	586,085
Profit	<u>446,812</u>	296,506 bbls @ \$2.856	<u>846,821</u>
	<u>US\$1,432,906</u>		<u>US\$1,432,906</u>

PROFIT SUMMARY

Naphtha (L.D.)	720,107
Gas Oil (M.D.)	<u>446,812</u>
Total	US\$1,166,919
Doubling up adjustment - paragraphs 5.02 and 5.03 of the agreement (pages 3141/3142)	US\$1,166,919
Profit expected	US\$2,333,838
Statement of processing profit	US\$2,333,839

PAN EASTERN EXPECTED PROFIT FOR THE YEAR ENDED
31ST DECEMBER 1970

27.6

NAPHTHA (L.D.)

12157

Purchase (para 4.01 Agreement Page 3138)		Sales as per Europa Purchases	
3,078,745 @ \$1.46	4,494,967	240289 @ 1.99	478,176
As per letter 14.1.72		1595728 @ 1.98	3,159,540
240289 @ \$1.55	372,448	760045 @ 2.00	1,520,090
Profit	1,750,795	722972 @ 2.02	1,460,404
	<u>\$6,618,210</u>		<u>\$6,618,210</u>

GAS OIL (M.D.)

Purchases (4.01 Agreement Page 3139)		Sales as per Europa Purchases	
672796 @ \$2	1,345,592	672796 @ 2.646	1,780,218
Profit	434,626		
	<u>\$1,780,218</u>		<u>\$1,780,218</u>

KUWAIT

Purchases at posted price less 15% (Agreement para. 4.01 Page 3138)		Sales as per Europa purchases	
489892 @ 1.3515	662,089	489899 @ 1.41	690,748
130275 @ (1.68-15%) 1.428	186,033	130275 @ 1.428 (Voucher 12.002)	186,032
Profit	28,658		
	<u>\$876,780</u>		<u>\$876,780</u>

KUWAIT 32-32.9 A.P.I.

Purchases at posted price less 15%		Sales as per Europa purchases	
17509 @ (1.61-15%) 1.3685	23,961	17509 @ 1.43	25,038
Profit	1,077		
	<u>\$25,038</u>		<u>\$25,038</u>

PROFIT SUMMARY

Naphtha	1,750,795
Gas Oil	434,626
Kuwait 31-31.9 A.P.I.	28,658
Kuwait 32-32.9 A.P.I.	<u>1,077</u>

TOTAL US \$2,215,156

Doubling up adjustment - paras
5.02 and 5.03 of the Agreement
(Pages 3141/3142) US \$2,215,156

Expected Profit US \$4,430,312

Profit as shown on Pan Eastern's
Statement of Income US \$4,430,312

WELLINGTON

6 January 1969.

EUROPA REFINING CO. LTD

12153

1. The above company's balance sheet as at 31 March 1968 shows a capital reserve of \$28,321. A note to the balance sheet explains that this reserve represents the exchange difference on funds held overseas at date of devaluation and still held at balance date.
2. A letter was written to the company asking for details of the exchange profit. The reply detailed the funds held overseas and explained that they originated from interest earnings on deposits held overseas.
3. The matter was discussed by Mr Nota with Mr Phillips and myself and it was decided that as on the face of it the company had no overseas transactions, further enquiries were necessary. Mr Nota and myself accordingly interviewed Mr N.K. Smith, the company's secretary, on 20 November 1968.
4. Europa Refining Co. Ltd was incorporated on 17 July 1962 primarily to purchase and hold Europa Oil (N.Z) Ltd's shares in the N.Z. Refining Co. Ltd. When the refinery came on stream it was intended that Europa Refining would carry on the refining business and sell refined products to Europa Oil. However, Mobil opposed the application for a wholesale licence which meant that Europa Oil itself was forced to process the crude through the N.Z. Refinery. As Europa Refining was named as the purchaser in the contracts with the Group's suppliers Gulf, Europa Refining had to purchase the feedstocks and then sell them to Europa Oil at cost.
5. Clause 8.01 of the 1964 Feed Stock Supply Contract between Gulf Exploration and Europa Refining stipulates that Europa Refining shall pay Gulf 120 days after the date a cargo was loaded. There is however no agreement about payment between Europa Oil and Europa Refining. So to enable the Todd's to generate overseas funds, Europa Oil pays Europa Refining for a shipment in New Zealand currency as soon as the risk passes, i.e. when the finished products pass the intake end of the tankers hose at the port of delivery. This money is then converted to sterling by Europa Refining and sent overseas as purchases. This money is lodged on fixed deposit in England until payment is required by Gulf some 120 days later. As Europa Oil is bringing two or three shipments into New Zealand every 120 days this means there is over \$2 million permanently lodged in London banks on fixed deposit.
The interest that accrues on these deposits is then used to bring into New Zealand, motor vehicles for Todd Motors Ltd, under the no remittance scheme.
6. As at devaluation date Europa Refining had \$157,158 interest earnings on these deposits lodged with Chrysler Australia Ltd and the C.B.A. London on which the company gained a devaluation profit of \$28,320.64. This has been deemed by the company to be of a capital nature as being a profit on investments. However for the reasons set out below it is considered that the profit is of a revenue nature. Mr Smith maintains that there was no devaluation profit on the \$2 million odd deposits but I think we should get this confirmed in writing and also ask the reason why there was no exchange fluctuation.
7. The assessability of exchange profits was considered in an opinion dated 27 October 1966 regarding the Ford Motor Company of New Zealand Ltd (L.O. 1966/85). The company increased its capital which was subscribed for in cash by the Canadian Parent

- £1.6 million was transferred back overseas. An exchange profit was earned on this money. It was decided that the money was deposited overseas for the purpose of providing overseas credit for the importation of cars and on the view adopted by the Court of Appeal in the Imperial Tobacco case, the funds would be impressed with a revenue character from the outset and the exchange profit would be assessable.
8. Therefore when we consider the tax effect of exchange profits arising from devaluation, the purpose for which the overseas funds were acquired must be examined. In this case, I think there is little doubt that they were acquired for the purpose of purchasing oil feedstocks. In fact this would probably be the only reason that the company would be allowed to remit such large amounts of overseas funds. So at the outset they are impressed with a revenue nature.
 9. However can it be said that revenue from investing such sums, which is deposited in separate bank accounts, was acquired for purchasing feedstocks? This interest will eventually be lent to Todd Motors Ltd who will remit it to New Zealand in the form of cars and the sums lent will then be repaid to Europa Refining in New Zealand currency. This income could then be used again to purchase petroleum products.
 10. Although the issue is not free from doubt, I think we should assess the exchange profit to see what the company's reaction is. This would be on the grounds that the overseas funds were acquired for the purpose of purchasing petroleum products. The interest derived was incidental to this purpose notwithstanding that the funds were used to import motor vehicles. Alternatively it is considered that Europa Refining is in business lending overseas funds and any profit relating thereto would accordingly be assessable.
 11. The other difficulty arising from these transactions is, when will the exchange profit be assessable. Although there is a little doubt regarding the balance lodged in the C.B.A. I think we should regard both amounts as debts owing to Europa Refining by Todd Motors Ltd. As such the Exchange profit is brought into account when payment is received, the profit will not be assessable until Todd Motors repays Europa Refining.
 12. Recommendation
It is recommended that we advise the company that it is proposed to assess the exchange profit of \$28,321 and invite their comments. At that stage it may be advisable to obtain a legal opinion because of the unusual nature of the transactions.
Also at that stage we should ask Mr Smith the details set out at the end of paragraph 6 and also the names of other subsidiaries of the Todd Group which have made similar profits and the amounts involved. (He mentioned at the interview that there were others).
I think this is an example showing the importance of being on the look out for exchange profits or losses. A New Zealand company which on the face of it had no overseas transactions accrued a large exchange profit which was treated as capital.



B.D. Kennerley
(B.D. Kennerley)
INSPECTOR

EXHIBIT 29

AMOUNTS PAID TO SOURCE AND DATE BY

AMERICAN AIRWAYS

AMOUNTS PAID TO SOURCE BY AIRWAY COMPANY LIMITED

24.3.66	500,000	50%
21.5.66	300,000	30%
23.3.67	225,000	22.5%
25.3.68	500,000	50%
9.12.68	350,000	35%
28.3.69	325,000	32.5%
25.3.70	450,000	45%
12.11.70	450,000	45%
9.10.70	600,000	60%

AMOUNTS PAID TO SOURCE AND DATE BY

AMOUNTS PAID TO SOURCE BY AIRWAY COMPANY LIMITED

AMOUNTS PAID TO SOURCE BY AIRWAY COMPANY LIMITED

(being that part of AAP dividends identified to source from AAP and AA dividends)

21.11.69	3,875,000	38.75%
9.3.71	3,932,747.95	39.3274795%