

Company No. 998387



MARKIM FUEL OILS LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR TO JUNE 30, 1998



MARKIM FUEL OILS LIMITED

DIRECTORS

Mr S Dron
Mr Y S Kadan
Mr S A Westmoreland
Mr J Kitto

SECRETARY

Mr C P Martin

AUDITORS

Arthur Andersen
1 Surrey Street
London
WC2R 2PS

REGISTERED OFFICE

Burgan House
The Causeway
Staines
Middlesex TW18 3PA

MARKIM FUEL OILS LIMITED

DIRECTORS' REPORT

The directors submit their report on the affairs of the company, together with the accounts and auditors' report for the year ended June 30, 1998.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REVIEW OF THE BUSINESS

The company's principal activity during the year continued to be the selling and distribution of petroleum products.

RESULTS AND DIVIDENDS

The profit for the year amounted to £358,625 (1997 - £314,376). The directors do not recommend the payment of a dividend (1997 - nil).

MARKIM FUEL OILS LIMITED

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

Mr S Dron
Mr Y S Kadan
Mr J Kitto
Mr S A Westmoreland (appointed 1 August 1997)

No director has, or has had during the year, or since the year end, any interests in the company or any other group company which require disclosure under Schedule 7 of the Companies Act 1985.

AUDITORS

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board

Burgan House
The Causeway
Staines
Middlesex
TW18 3PA



C P Martin
~~Secretary~~

30th September 1998

MARKIM FUEL OILS LIMITED

AUDITORS' REPORT

To the Shareholders of Markim Fuel Oils Limited

We have audited the accounts on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

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

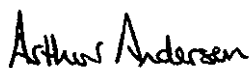
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at June 30, 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors
1 Surrey Street
London
WC2R 2PS

30th September 1998

MARKIM FUEL OILS LIMITED**PROFIT AND LOSS ACCOUNT for the year ended June 30, 1998**

	<u>Notes</u>	1998 £	1997 £
TURNOVER	2	6,184,986	8,160,281
Cost of sales		(4,784,976)	(6,705,093)
GROSS PROFIT		1,400,010	1,455,188
Distribution costs		(519,990)	(589,443)
Administrative expenses		(521,395)	(569,281)
OPERATING PROFIT		358,625	296,464
Interest receivable	3	-	17,912
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	358,625	314,376
Taxation on profit on ordinary activities	5	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		358,625	314,376
Retained profit brought forward		461,188	146,812
RETAINED PROFIT CARRIED FORWARD		819,813	461,188

There are no recognised gains or losses in either year other than the profit for each year.

The accompanying notes are an integral part of this profit and loss account.

MARKIM FUEL OILS LIMITED**BALANCE SHEET at June 30, 1998**

	<u>Notes</u>	1998 £	1997 £
FIXED ASSETS	7		
Tangible Assets		-	-
CURRENT ASSETS			
Stocks	9	-	39,830
Debtors - due within one year	8	1,171,088	1,588,338
Cash at bank and in hand		-	379,035
		<u>1,171,088</u>	<u>2,007,203</u>
CREDITORS			
Amounts falling due within one year	10	(339,275)	(1,534,015)
NET CURRENT ASSETS		<u>831,813</u>	<u>473,188</u>
NET ASSETS		<u>831,813</u>	<u>473,188</u>
CAPITAL AND RESERVES			
Called-up equity share capital	11, 12	100	100
Share Premium Account	12	11,900	11,900
Profit and Loss Account	12	<u>819,813</u>	<u>461,188</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>831,813</u>	<u>473,188</u>

The accounts on pages 5 to 11 were approved by the board of directors and signed on its behalf by:



J Kitto
Director

30th September 1998.

The accompanying notes are an integral part of this balance sheet.

MARKIM FUEL OILS LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Basis of accounting

These accounts are prepared under the historical cost convention, and in accordance with applicable accounting and financial reporting standards, all of which have been applied consistently throughout the year and with the preceding year.

(b) Turnover

Turnover represents amounts receivable in respect of goods and services supplied exclusive of excise duty and value added tax.

(c) Depreciation

Tangible fixed assets in use are depreciated on the straight line method at rates designed to write off costs, less residual value, over their estimated useful lives, as follows:

Plant & machinery, fixtures & fittings up to 10 years

(d) Stocks

Stocks, which comprise refined petroleum products and materials and supplies, are valued at the lower of average cost and net realisable value.

(e) Taxation

Corporation tax payable is provided on taxable profits at the current rate. The liability to corporation tax is reduced by the availability of group loss relief for which no payment is made.

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that taxation will be payable.

(f) Cash flow statement

The company is exempt from the obligation to present a cash flow statement in accordance with Financial Reporting Standard No1 (Revised) "Cash Flow Statements", since it is a wholly owned subsidiary undertaking of another UK incorporated company which presents the required cash flow statement.

MARKIM FUEL OILS LIMITED

NOTES TO THE ACCOUNTS

(g) Pensions

The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of the scheme members. Any difference between the charge to the profit and loss account and the contribution paid to the scheme is shown as an asset or liability in the balance sheet.

(h) Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

2. SEGMENTAL INFORMATION

All turnover arises out of trading in the United Kingdom from a single class of business.

3. INTEREST RECEIVABLE

	1998 £	1997 £
From immediate parent company	-	17,912

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998 £	1997 £
This is stated after charging:		
Depreciation of tangible fixed assets	-	1,114
Operating lease rentals	25,357	94,984

Auditors' remuneration was borne by the company's parent undertaking for the year ended 30 June 1998 and for the year ended 30 June 1997.

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

No current taxation charge has been made for the year (1997-£nil) due to the availability of group loss relief, for which no payment is made.

No provision is considered necessary for deferred taxation.

MARKIM FUEL OILS LIMITED

NOTES TO THE ACCOUNTS

6. DIRECTORS AND EMPLOYEES

- (a) No directors' emoluments or fees were paid during the year (1997 - nil).
- (b) The average monthly number of employees during the year was 21 (1997 - 17).

	1998	1997
	£	£
Wages and salaries	365,470	295,597
Social security costs	30,275	24,890
Other pension costs	25,007	19,271
	<u>420,752</u>	<u>339,758</u>

7. TANGIBLE FIXED ASSETS

	Plant machinery, fixtures & fittings £
Cost:	
At July 1, 1997	68,106
Disposal	-
At June 30, 1998	<u>68,106</u>
Depreciation:	
At July 1, 1997	68,106
Charge for the year	-
Disposal	-
At June 30, 1998	<u>68,106</u>
Net Book Value:	
At July 1, 1997	-
At June 30, 1998	<u>-</u>

8. DEBTORS - amounts due within one year

	1998	1997
	£	£
Trade debtors	1,171,088	1,588,338
	<u>1,171,088</u>	<u>1,588,338</u>

MARKIM FUEL OILS LIMITED

NOTES TO THE ACCOUNTS

9. STOCK

	1998	1997
	£	£
Stocks consist of:		
Refined products	<u>-</u>	<u>39,830</u>

Stocks held in prior year is disclosed as held by immediate parent company for the year ended 30 June 1998.

10. CREDITORS - amounts due within one year

	1998	1997
	£	£
Trade creditors	-	4,864
Amount owed to immediate parent company	334,089	1,520,957
Other creditors	<u>5,185</u>	<u>8,194</u>
	<u><u>339,275</u></u>	<u><u>1,534,015</u></u>

The amounts payable by the company have been assumed by the immediate parent company and accordingly are incorporated within the inter-company account and not shown as due to third parties.

11. CALLED-UP EQUITY SHARE CAPITAL

The authorised, issued and fully paid share capital at June 30, 1998 and June 30, 1997 was 100 ordinary shares of £1 each.

12. SHAREHOLDERS' FUNDS

	Equity Share Capital	Share Premium Account	Profit & Loss Account	Total
	£	£	£	£
As at July 1, 1997	100	11,900	461,188	473,188
Profit for the year	-	-	358,625	358,625
As at June 30, 1998	<u><u>100</u></u>	<u><u>11,900</u></u>	<u><u>819,813</u></u>	<u><u>831,813</u></u>

MARKIM FUEL OILS LIMITED

NOTES TO THE ACCOUNTS

13. FINANCIAL COMMITMENTS

	Land & Buildings	Other Operating Leases	Land & Buildings	Other Operating Leases
	1998	1998	1997	1997
	£	£	£	£
Amounts payable under operating leases expiring:				
- within 1 year	-	8,368	-	11,000
- within 2-5 years	-	16,989	-	40,000
- after 5 years	45,649	-	44,000	-
	<u>45,649</u>	<u>25,357</u>	<u>44,000</u>	<u>51,000</u>

14. PENSION COMMITMENTS

The parent undertaking operates a funded defined benefit pension scheme in the UK, the assets of which are held in a separate trustee administered fund.

The total pension cost for the company was £25,007 (1997 - £19,271). The pension cost has been assessed in accordance with the advice of qualified actuaries using the projected unit method and assumptions as set out in the accounts of a parent undertaking of the company, Kuwait Petroleum (UK Holdings) Limited. At year end there was no prepayment or accrual (1997 - nil).

The most recent formal actuarial valuation of the scheme took place as at July 1, 1997.

15. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available under Financial Reporting Standard 8 and has not disclosed details of transactions with other group undertakings as it is a wholly owned subsidiary of Kuwait Petroleum (UK Holdings) Limited, which prepares consolidated accounts which are publicly available.

16. ULTIMATE PARENT COMPANY

The ultimate parent company of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Kuwait Petroleum Corporation, which is incorporated in Kuwait, and the parent company of the smallest such group is Kuwait Petroleum (UK Holdings) Limited, registered in England and Wales. Copies of Kuwait Petroleum (UK Holdings) Limited's accounts are available to the public and may be obtained from 80, New Bond Street, London W1Y 9DA.