

Company No. 998387



MARKIM FUEL OILS LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR TO JUNE 30, 1996



MARKIM FUEL OILS LIMITED

DIRECTORS

Mr S Dron
Mr G Smith
Mr Y S Kadan

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, 1996.

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.

MARKIM FUEL OILS LIMITED

DIRECTORS' REPORT (CONTINUED)

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 £84,518 (1995 - £62,294). The directors do not recommend the payment of a dividend (1995 - NIL).

FIXED ASSETS

Movements on tangible fixed assets are shown in note 7.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

Mr S Dron
Mr G Smith
Mr Y S Kadan
Mr C M C Colvin Smith (resigned October 11, 1995)

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

27 September 1996

MARKIM FUEL OILS LIMITED

AUDITORS' REPORT

To the Shareholders of Markim Fuel Oils Limited:

We have audited the accounts on pages 5 to 12 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, 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

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

27 September 1996

MARKIM FUEL OILS LIMITED**PROFIT AND LOSS ACCOUNT**

for the year ended June 30, 1996

| | <u>Notes</u> | <u>1996</u> <u>£</u> | <u>1995</u> <u>£</u> |
|---|--------------|-------------------------|-------------------------|
| TURNOVER | 2 | 8,513,575 | 7,160,646 |
| Cost of sales | | <u>(7,313,441)</u> | <u>(5,974,359)</u> |
| Gross profit | | <u>1,200,134</u> | <u>1,186,287</u> |
| Distribution costs | | (588,593) | (557,597) |
| Administrative expenses | | <u>(573,454)</u> | <u>(586,860)</u> |
| | | <u>(1,162,047)</u> | <u>(1,144,457)</u> |
| Operating profit | | 38,087 | 41,830 |
| Interest receivable | 3 | <u>46,431</u> | <u>20,464</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 4 | 84,518 | 62,294 |
| TAXATION ON PROFIT ON ORDINARY ORDINARY ACTIVITIES | 5 | <u>-</u> | <u>-</u> |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 84,518 | 62,294 |
| Retained profit brought forward | | <u>62,294</u> | <u>-</u> |
| RETAINED PROFIT CARRIED FORWARD | | <u>146,812</u> ===== | <u>62,294</u> ===== |

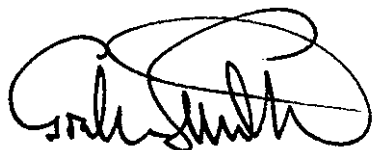
There are no recognised gains or losses in either year other than the profit for each year.

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

MARKIM FUEL OILS LIMITED

BALANCE SHEET

| | <u>Notes</u> | <u>1996</u> <u>£</u> | <u>1995</u> <u>£</u> |
|---|--------------|-------------------------|-------------------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | <u>9,579</u> | <u>11,065</u> |
| CURRENT ASSETS | | | |
| Stocks | | 104,779 | 120,520 |
| Debtors | 8 | 1,346,510 | 1,390,603 |
| Cash at bank and in hand | | <u>261,089</u> | <u>373,823</u> |
| | | 1,712,378 | 1,884,946 |
| CREDITORS | | | |
| Amounts falling due within one year | 9 | <u>(1,563,145)</u> | <u>1,821,717)</u> |
| NET CURRENT ASSETS | | <u>149,233</u> | <u>63,299</u> |
| NET ASSETS | | <u>158,812</u> ===== | <u>74,294</u> ===== |
| CAPITAL AND RESERVES | | | |
| Called-up equity share capital | 10,11 | 100 | 100 |
| Share premium account | 11 | 11,900 | 11,900 |
| Profit and loss account | 11 | <u>146,812</u> | <u>62,294</u> |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | 11 | <u>158,812</u> ===== | <u>74,294</u> ===== |



G Smith Director

27 September 1996

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 |
| Leasehold improvements | over the term of the lease |

(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 will be 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.

MARKIM FUEL OILS LIMITED

NOTES TO THE ACCOUNTS

(f) Cash Flow Statement

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

(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**

| | 1996 <u>£</u> | 1995 <u>£</u> |
|-------------------------------|------------------|------------------|
| From immediate parent company | <u>46,431</u> | <u>20,464</u> |

MARKIM FUEL OILS LIMITED

NOTES TO THE ACCOUNTS

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 1996 <u>£</u> | 1995 <u>£</u> |
|--|------------------|------------------|
| This is stated after charging (crediting): | | |
| Depreciation of tangible fixed assets | 1,818 | 1,483 |
| Auditors' remuneration - Audit | 7,400 | 7,200 |
| Operating lease rentals | 91,533 | 92,833 |
| Profit on disposal of fixed assets | - | (11,208) |
| Staff costs (see note 6) | <u>500,069</u> | <u>463,666</u> |

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

No current taxation charge has been made for the year (1995-£nil) due to the availability of group loss relief, for which no payment will be made.

No provision is considered necessary for deferred taxation.

6. DIRECTORS AND EMPLOYEES

(a) No directors' emoluments or fees were paid during the year (1995 - nil).

(b) The average monthly number of employees during the year was 25 (1995 - 23).

Staff costs of the company during the year amounted to:

| | 1996 <u>£</u> | 1995 <u>£</u> |
|-----------------------|------------------|------------------|
| Wages and salaries | 430,845 | 399,736 |
| Social security costs | 38,301 | 35,978 |
| Other pension costs | <u>30,923</u> | <u>27,952</u> |
| | <u>500,069</u> | <u>463,666</u> |

MARKIM FUEL OILS LIMITED

NOTES TO THE ACCOUNTS

7. TANGIBLE FIXED ASSETS

| | <u>Leasehold improvements</u> <u>£</u> | <u>Plant, machinery, fixtures & fittings</u> <u>£</u> | <u>Total</u> <u>£</u> |
|---------------------|---|--|--------------------------|
| Cost: | | | |
| At July 1, 1995 | 21,346 | 68,106 | 89,452 |
| Additions | 332 | - | 332 |
| | <hr/> | <hr/> | <hr/> |
| At June 30, 1996 | 21,678 | 68,106 | 89,784 |
| Depreciation | | | |
| At July 1, 1995 | 10,281 | 68,106 | 78,387 |
| Charge for the year | 1,818 | - | 1,818 |
| | <hr/> | <hr/> | <hr/> |
| At June 30, 1996 | 12,099 | 68,106 | 80,205 |
| Net Book Value at | | | |
| At July 1, 1995 | 11,065 | - | 11,065 |
| | ===== | ===== | ===== |
| At June 30, 1996 | 9,579 | - | 9,579 |
| | ===== | ===== | ===== |

8. DEBTORS

| | <u>1996</u> <u>£</u> | <u>1995</u> <u>£</u> |
|---------------|-------------------------|-------------------------|
| Trade debtors | 1,323,858 | 1,379,277 |
| Other debtors | 7,103 | 5,382 |
| Prepayments | 15,549 | 5,944 |
| | <hr/> | <hr/> |
| | 1,346,510 | 1,390,603 |
| | ===== | ===== |

All the above amounts fall due within one year.

9. CREDITORS - amounts due within one year.

| | <u>1996</u> <u>£</u> | <u>1995</u> <u>£</u> |
|---|-------------------------|-------------------------|
| Trade creditors | 137,948 | 379,692 |
| Amount owed to fellow subsidiary undertakings | - | 11,287 |
| Amount owed to immediate parent company | 1,408,092 | 1,418,520 |
| Other creditors | 17,105 | 12,218 |
| | <hr/> | <hr/> |
| | 1,563,145 | 1,821,717 |
| | ===== | ===== |

MARKIM FUEL OILS LIMITED

NOTES TO THE ACCOUNTS

10. CALLED-UP EQUITY SHARE CAPITAL

The authorised, issued and fully paid share capital at June 30, 1996 and June 30, 1995 was 100 ordinary shares of £1 each.

11. SHAREHOLDERS' FUNDS

| | Equity Share Capital £ | Share Premium Account £ | Profit & Loss Account £ | Total £ |
|---------------------|---------------------------------|-------------------------------|-------------------------------|-------------------------|
| As at July 1, 1995 | 100 | 11,900 | 62,294 | 74,294 |
| Profit for the year | - | - | 84,518 | 84,518 |
| As at June 30, 1996 | <u>100</u> ===== | <u>11,900</u> ===== | <u>146,812</u> ===== | <u>158,812</u> ===== |

12. FINANCIAL COMMITMENTS

At June 30, 1996 the company had commitments under non-cancellable leases for land, buildings and equipment as set out below.

| | Land & Buildings 1996 £ | Other Operating Leases 1996 £ | Land & Buildings 1995 £ | Other Operating Leases 1995 £ |
|-----------------------------------|----------------------------------|---|----------------------------------|---|
| Operating Leases which expire: | | | | |
| - within 1 year | - | 15,000 | - | 18,000 |
| - within 2-5 years | - | 42,000 | - | 42,000 |
| - after 5 years | <u>44,000</u> | <u>-</u> | <u>32,000</u> | <u>-</u> |
| | <u>44,000</u> ===== | <u>57,000</u> ===== | <u>32,000</u> ===== | <u>60,000</u> ===== |

13. 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 £ 30,923 (1995 - £27,952). 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 (1995 - nil).

The most recent formal actuarial valuation of the scheme took place as at July 1, 1994.

MARKIM FUEL OILS LIMITED

NOTES TO THE ACCOUNTS

14. 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.