



ARTHURANDERSEN

Kuwait Petroleum International Limited

Accounts for the year ended 30 June 2000
together with directors' and auditors' reports

Registered number: 1734259



AD4 #AYCBRZPA* 0281
COMPANIES HOUSE 11/04/01

Directors' report

For the year ended 30 June 2000

The directors present their annual report together with the accounts and auditors' report for the year ended 30 June 2000.

Principal activity and review of business developments

The principal activity of the company during the year was the provision of promotional, administrative and advisory services to subsidiary undertakings of its ultimate parent company, Kuwait Petroleum Corporation.

The company is operating at a satisfactory level of profitability and the directors do not believe that the scale of the company's operations will change significantly in the current year.

Results and dividends

The profit for the year, after taxation, amounted to £2,079,000 (1999 – £1,978,000).

The directors do not recommend the payment of any dividend (1999 - £nil).

Supplier payment policy

The company's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. The year end trade creditor days equalled 9 days (1999 – 9 days).

Directors and their interests

The directors who served during the year were as follows:

J. Al-Nouri
J.R. Howells
J. Bryden
A.R.H. Thomas
M. Al-Qasim

The directors had no interest in the share capital of the company or any other group undertakings.

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.

Directors' report (continued)

Directors' responsibilities (continued)

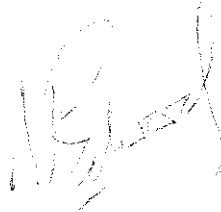
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company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

Auditors

The Company has elected, in accordance with the Companies Act 1985, to dispense with the requirement to reappoint auditors annually.

80 New Bond Street
London
W1Y 9DA

By order of the Board



B.R. Edwards

Secretary

15 January 2001



To the shareholder of Kuwait Petroleum International Limited:

We have audited the accounts on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on pages 1 and 2, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 affairs of the company at 30 June 2000 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

15 January 2001

Profit and loss account

For the year ended 30 June 2000

	Notes	2000 £'000	1999 £'000
Turnover	2	21,800	17,315
Administrative expenses		(20,031)	(15,929)
Operating profit		<u>1,769</u>	<u>1,386</u>
Interest receivable and similar income	3	560	595
Interest payable and similar charges	4	(250)	(3)
Profit on ordinary activities before taxation	5	<u>2,079</u>	<u>1,978</u>
Tax on profit on ordinary activities	6	-	-
Profit for the year	11	<u>2,079</u>	<u>1,978</u>
Retained profit, at beginning of year		<u>13,957</u>	<u>11,979</u>
Retained profit, at end of year		<u>16,036</u>	<u>13,957</u>

All operations of the company continued throughout both years. No operations were acquired or discontinued.

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

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

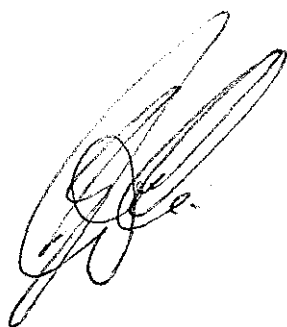
Balance sheet

30 June 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	7	<u>883</u>	<u>893</u>
Current assets			
Debtors			
– Amounts falling due within one year	8a	17,915	11,855
– Amounts falling due after more than one year	8b	4,200	4,200
Cash at bank and in hand		<u>3</u>	<u>3</u>
		22,118	16,058
Creditors: Amounts falling due within one year	9	<u>(6,965)</u>	<u>(2,994)</u>
Net current assets		<u>15,153</u>	<u>13,064</u>
Total assets less current liabilities		<u>16,036</u>	<u>13,957</u>
Net assets		<u>16,036</u>	<u>13,957</u>
Capital and reserves			
Called-up equity share capital	10	-	-
Profit and loss account	11	<u>16,036</u>	<u>13,957</u>
Shareholders' funds	11	<u>16,036</u>	<u>13,957</u>

Signed on behalf of the Board

J.R. Howells



15 January 2001

Director

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

Notes to accounts

30 June 2000

1 Accounting policies

A summary of the company's principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable financial reporting and accounting standards.

b) Tangible fixed assets

Tangible fixed assets are shown at original historical cost. Depreciation is provided on a straight line basis on all tangible assets at rates designed to write off costs, less residual values, over their estimated useful lives, as follows:

Furniture and office equipment	10 years
Data processing equipment	4 years
Communication equipment	4 years
Building fixtures and fittings	10 years

c) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the year end.

Transactions denominated in foreign currencies are translated at the average exchange rate for the month in which the transaction occurred.

All exchange differences are taken to the profit and loss account.

d) Pension costs

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 constant 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. Further information on pension costs is provided in note 13.

e) Taxation

Corporation tax payable is provided on taxable profits at the current rate. Deferred taxation is calculated using the liability method. Deferred tax is provided on timing differences which, in the opinion of the directors, will probably reverse, at the rates of tax likely to be in force at the time of reversal.

Notes to accounts (continued)

1 Accounting policies (continued)

f) Leases

Assets held under finance leases are initially reported at the fair value of the asset and are capitalised in the balance sheet and depreciated over the shorter of the lease term and their useful lives. An equivalent liability, categorised as appropriate between creditors due within or after one year, is included in the balance sheet.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are expensed on a straight line basis over the lease term, even if the payments are not made on the same basis.

g) Cash flow statement

The company's ultimate parent company, Kuwait Petroleum Corporation (note 14), presents consolidated financial statements which consolidate the results of the company and accordingly under Financial Reporting Standard No. 1 (revised) no cash flow statement is included in these accounts.

2 Turnover

Turnover represents amounts invoiced (exclusive of VAT) in respect of services provided to fellow subsidiary undertakings and other group and related group undertakings.

Turnover, all of which originated in the United Kingdom, was contributed as follows:

	2000 £'000	1999 £'000
United Kingdom	3,757	3,816
Overseas	18,043	13,499
	<u>21,800</u>	<u>17,315</u>

3 Interest receivable and similar income

	2000 £'000	1999 £'000
Interest receivable from group undertakings	536	494
Other interest receivable	19	4
Other income receivable	5	12
Net foreign exchange gains	-	85
	<u>560</u>	<u>595</u>

Notes to accounts (continued)

4 Interest payable and similar charges

	2000 £'000	1999 £'000
Foreign exchange loss	250	-
Interest payable to group undertaking	-	3
	<u>250</u>	<u>3</u>

5 Profit on ordinary activities before taxation

a) *Profit on ordinary activities before taxation is stated after charging:*

	2000 £'000	1999 £'000
Staff costs (see below)	12,935	9,829
Depreciation		
– owned assets	353	257
– assets held under finance leases	15	8
Auditors' remuneration		
– audit	13	22
– non-audit	-	-
Operating lease rentals		
– plant and machinery	10	9
– other	162	134
	<u>12,935</u>	<u>9,829</u>

b) *Staff costs*

	2000 £'000	1999 £'000
Employees, including executive directors:		
Wages and salaries	11,211	8,626
Social security costs	807	627
Pension costs (note 13)	917	576
	<u>12,935</u>	<u>9,829</u>

Staff costs, including those in respect of executive directors, include a recharge of costs of £6,775,910 (1999 – £5,024,447) for 34 (1999 – 33) personnel employed by a related group undertaking in respect of services provided to the company.

The average monthly number of employees during the year was 86 (1999 – 82) including those personnel employed by related group undertakings.

Notes to accounts (continued)

5 Profit on ordinary activities before taxation (continued)

c) Directors' remuneration

	2000 £'000	1999 £'000
Emoluments (excluding pension contributions)	<u>1,225</u>	<u>1,037</u>

The directors' remuneration shown above, excluding pension contributions, included the emoluments of the highest paid director, of £349,069 (1999 – £311,200). The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 30 June 2000 was £29,133 (1999 - £25,508).

6 Tax on profit on ordinary activities

No provision has been made for corporation tax for the years ended 30 June 2000 and 30 June 1999 on the basis that group relief is available.

7 Tangible fixed assets

	Furniture and office equipment £'000	Data processing equipment £'000	Motor vehicles £'000	Communication equipment £'000	Building fixtures and fittings £'000	Work in progress £'000	Total £'000
Cost							
At 30 June 1999	383	2,306	40	327	146	-	3,202
Transfers	-	327	-	(327)	-	-	-
Additions	-	296	-	-	-	83	379
Write back of credit balances	-	(21)	-	-	-	-	(21)
Disposals	-	(1,096)	(40)	-	-	-	(1,136)
At 30 June 2000	<u>383</u>	<u>1,812</u>	<u>-</u>	<u>-</u>	<u>146</u>	<u>83</u>	<u>2,424</u>
Depreciation							
At 30 June 1999	328	1,533	25	314	109	-	2,309
Transfers	-	314	-	(314)	-	-	-
Charge	9	335	15	-	9	-	368
Disposals	-	(1,096)	(40)	-	-	-	(1,136)
At 30 June 2000	<u>337</u>	<u>1,086</u>	<u>-</u>	<u>-</u>	<u>118</u>	<u>-</u>	<u>1,541</u>
Net book value							
At 30 June 2000	<u>46</u>	<u>726</u>	<u>-</u>	<u>-</u>	<u>28</u>	<u>83</u>	<u>883</u>
At 30 June 1999	<u>55</u>	<u>773</u>	<u>15</u>	<u>13</u>	<u>37</u>	<u>-</u>	<u>893</u>

The net book value of assets capitalised under finance leases, all of which are motor vehicles, amounted to £nil (1999 – £14,867). The depreciation charge for the year on these assets was £14,867 (1999 – £7,516).

Notes to accounts (continued)

8 Debtors

	2000 £'000	1999 £'000
<i>(a) Amounts falling due within one year:</i>		
Amounts due from group undertakings	13,161	8,004
Amounts due from other group undertakings	2,918	3,097
Other debtors	1,323	493
Prepayments and accrued income	489	261
VAT recoverable	24	-
	<u>17,915</u>	<u>11,855</u>
<i>(b) Amounts falling due after more than one year:</i>		
Loan to group undertaking	<u>4,200</u>	<u>4,200</u>

The loan bears interest at 6.25% and has no fixed repayment date.

9 Creditors: Amounts falling due within one year

	2000 £'000	1999 £'000
Obligations under finance leases	-	15
Bank overdraft	-	66
Trade creditors	792	233
Amounts due to group undertakings	5,611	1,906
VAT payable	-	161
Payroll taxes and social security costs	126	90
Accruals and deferred income	436	523
	<u>6,965</u>	<u>2,994</u>

10 Called-up equity share capital

	2000 £	1999 £
<i>Authorised, allotted, called-up and fully-paid</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

Notes to accounts (continued)

11 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
Profit for the year	2,079	1,978
Opening shareholders' funds	13,957	11,979
Closing shareholders' funds	<u>16,036</u>	<u>13,957</u>

12 Leasing commitments

At 30 June, the company had annual commitments under non-cancellable operating leases for plant and equipment as set out below:

	2000 £'000	1999 £'000
Leases which expire		
- within 1 year	131	129
- within 2 to 5 years	100	140
- after 5 years	-	-
	<u>231</u>	<u>269</u>

13 Pension commitments

Certain employees are members of a group funded defined benefit pension scheme in the UK which also covers employees of fellow subsidiary undertakings in the UK ("the Scheme"). The assets of the Scheme are held in a separate trustee administered fund.

Directors and employees seconded to the company from other group companies are not included in this Scheme.

The total pension cost for the company for the year was £917,000 (1999 - £576,000). Of this £36,000 (1999 - £114,000) relates to the above scheme. Of the remaining £788,000 (1999 - £462,000) is a recharge from a related group undertaking (see note 5b), representing contributions made to the Executive and Overseas Pension Scheme and £93,000 is a recharge from a related group undertaking, representing contributions made to the KPPF Rotterdam Pension Scheme. The pension cost has been assessed in accordance with the advice of qualified actuaries using the actuarial method and assumptions set out in the accounts of Kuwait Petroleum (UK Holdings) Limited, the immediate parent company.

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

Notes to accounts (continued)

13 Pension commitments (continued)

The number of directors who were members of pension schemes was as follows:

	2000 Number	1999 Number
Defined benefit schemes	<u>2</u>	<u>2</u>

14 Ultimate parent company

The 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, incorporated in Kuwait. The parent company of the smallest such group is Kuwait Petroleum (UK Holdings) Limited whose principal place of business is at 80 New Bond Street, London W1Y 9DA. Copies of the consolidated accounts of Kuwait Petroleum (UK Holdings) Limited can be obtained from Companies House, Crown Way, Mandy, Cardiff CF4 3UZ.

The company has utilised the exemption in Financial Reporting Standard 8 'Related Party Disclosures' not to disclose transactions with other members of the group headed by Kuwait Petroleum Corporation.