

ARTHUR  
ANDERSEN

## Kuwait Petroleum International Limited

Accounts 30 June 1999

together with directors' and auditors' reports

Registered number: 1734259



A41  
COMPANIES HOUSE

\*A50RQ0WG\*

0689  
18/03/00

## Directors' report

For the year ended 30 June 1999

The directors present their annual report together with the accounts and auditors' report for the year ended 30 June 1999.

### 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 £1,978,000 (1998 - £1,517,000).

The directors do not recommend the payment of any dividend (1998 - £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 (1998 - 24 days).

### Directors and their interests

The directors who served during the year were as follows:

|               |                          |
|---------------|--------------------------|
| K.A. Harami   | (resigned 23 June 1999)  |
| J.R. Howells  |                          |
| J. Bryden     |                          |
| A.R.H. Thomas |                          |
| M. Al-Qasim   |                          |
| J. Al-Nouri   | (appointed 23 June 1999) |

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)

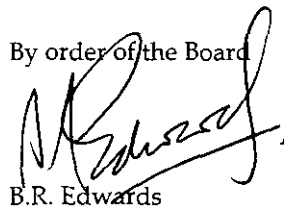
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company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

### Auditors

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

80 New Bond Street  
London  
W1Y 9DA

By order of the Board

A handwritten signature in black ink, appearing to read 'B.R. Edwards', written over a horizontal line.

B.R. Edwards

Secretary

21 December 1999

Auditors' report

London

**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. 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 affairs of the company at 30 June 1999 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

21 December 1999

## Profit and loss account

For the year ended 30 June 1999

|   | Notes | 1999<br>£'000   | 1998<br>£'000   |
|---|-------|-----------------|-----------------|
| Turnover                                      | 2     | 17,315          | 16,038          |
| Administrative expenses                       |       | <u>(15,929)</u> | <u>(14,862)</u> |
| Operating profit                              |       | 1,386           | 1,176           |
| Interest receivable and similar income        | 3     | 595             | 477             |
| Interest payable and similar charges          | 4     | <u>(3)</u>      | <u>(136)</u>    |
| Profit on ordinary activities before taxation | 5     | 1,978           | 1,517           |
| Tax on profit on ordinary activities          | 6     | <u>-</u>        | <u>-</u>        |
| Profit for the year                           | 11    | 1,978           | 1,517           |
| Retained profit, at beginning of year         |       | <u>11,979</u>   | <u>10,462</u>   |
| Retained profit, at end of year               |       | <u>13,957</u>   | <u>11,979</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

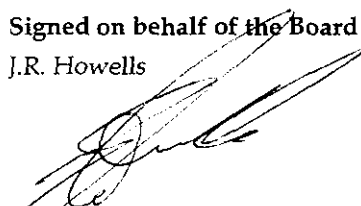
30 June 1999

|   | Notes | 1999<br>£'000  | 1998<br>£'000  |
|---|-------|----------------|----------------|
| <b>Fixed assets</b>                                   |       |                |                |
| Tangible assets                                       | 7     | <u>893</u>     | <u>580</u>     |
| <b>Current assets</b>                                 |       |                |                |
| Debtors   |       |                |                |
| - Amounts falling due within one year                 | 8a    | 11,855         | 8,594          |
| - Amounts falling due after more than one year        | 8b    | 4,200          | 4,200          |
| Cash at bank and in hand                              |       | <u>3</u>       | <u>63</u>      |
|   |       | 16,058         | 12,857         |
| <b>Creditors: Amounts falling due within one year</b> | 9     | <u>(2,994)</u> | <u>(1,458)</u> |
| <b>Net current assets</b>                             |       | <u>13,064</u>  | <u>11,399</u>  |
| <b>Total assets less current liabilities</b>          |       | <u>13,957</u>  | <u>11,979</u>  |
| <b>Net assets</b>                                     |       | <u>13,957</u>  | <u>11,979</u>  |
| <b>Capital and reserves</b>                           |       |                |                |
| Called-up equity share capital                        | 10    | -              | -              |
| Profit and loss account                               |       | <u>13,957</u>  | <u>11,979</u>  |
| <b>Shareholders' funds</b>                            | 11    | <u>13,957</u>  | <u>11,979</u>  |

Signed on behalf of the Board

J.R. Howells

Director



21 December 1999

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

## Notes to accounts

30 June 1999

### 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  |
| Motor vehicles                 | 4 years  |
| Communication equipment        | 4 years  |
| Building fixtures and fittings | 10 years |
| Software                       | 3 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:

|                | 1999<br>£'000 | 1998<br>£'000 |
|----------------|---------------|---------------|
| United Kingdom | 3,816         | 2,835         |
| Overseas       | 13,499        | 13,203        |
|                | <u>17,315</u> | <u>16,038</u> |

### 3 Interest receivable and similar income

|                                    | 1999<br>£'000 | 1998<br>£'000 |
|------------------------------------|---------------|---------------|
| Receivable from group undertakings | 494           | 394           |
| Other interest receivable          | 4             | 1             |
| Other income receivable            | 12            | 82            |
| Net foreign exchange gains         | 85            | -             |
|                                    | <u>595</u>    | <u>477</u>    |



## Notes to accounts (continued)

### 4 Interest payable and similar charges

|                              | 1999<br>£'000 | 1998<br>£'000 |
|------------------------------|---------------|---------------|
| Finance leases               | -             | 4             |
| Foreign exchange loss        | -             | 106           |
| Payable to group undertaking | 3             | 26            |
|                              | <u>3</u>      | <u>136</u>    |

### 5 Profit on ordinary activities before taxation

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

|                                    | 1999<br>£'000 | 1998<br>£'000 |
|------------------------------------|---------------|---------------|
| Staff costs (see below)            | 9,829         | 9,668         |
| Depreciation                       |               |               |
| - owned assets                     | 257           | 235           |
| - assets held under finance leases | 8             | 12            |
| Auditors' remuneration             |               |               |
| - audit                            | 22            | 16            |
| - non-audit                        | -             | 10            |
| Operating lease rentals            |               |               |
| - plant and machinery              | 9             | 10            |
| - other                            | 134           | 145           |
|                                    | <u>9,829</u>  | <u>9,668</u>  |

b) Staff costs

|   | 1999<br>£'000 | 1998<br>£'000 |
|---|---------------|---------------|
| Employees, including executive directors: |               |               |
| Wages and salaries                        | 8,626         | 8,477         |
| Social security costs                     | 627           | 727           |
| Pension costs (note 14)                   | 576           | 464           |
|   | <u>9,829</u>  | <u>9,668</u>  |

Staff costs, including those in respect of executive directors, include a recharge of costs of £5,024,447 (1998 - £4,668,045) for 33 (1998 - 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 82 (1998 - 84) including those personnel employed by a related group undertaking.

## Notes to accounts (continued)

### 5 Profit on ordinary activities before taxation (continued)

#### c) Directors' remuneration

|  | 1999<br>£'000 | 1998<br>£'000 |
|--|---------------|---------------|
| Emoluments (excluding pension contributions) | <u>1,037</u>  | <u>1,225</u>  |

The directors' remuneration shown above, excluding pension contributions, included the emoluments of the highest paid director, of £311,200 (1998 - £410,639). The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 30 June 1999 was £nil (1998 - £nil).

### 6 Tax on profit on ordinary activities

No provision has been made for corporation tax for the years ended 30 June 1999 and 30 June 1998 on the basis that group relief is available.

### 7 Tangible fixed assets

|                       | Furniture<br>and office<br>equipment<br>£'000 | Data<br>processing<br>equipment<br>£'000 | Motor<br>vehicles<br>£'000 | Communication<br>equipment<br>£'000 | Building<br>fixtures<br>and fittings<br>£'000 | Total<br>£'000 |
|-----------------------|---|--|----------------------------|-------------------------------------|---|----------------|
| <b>Cost</b>           |   |  |                            |                                     |   |                |
| At 30 June 1998       | 381   | 2,306                                    | 72                         | 322                                 | 146   | 3,227          |
| Additions             | 2   | 591                                      | -                          | 5                                   | -   | 598            |
| Disposals             | -   | (591)                                    | (32)                       | -                                   | -   | (623)          |
| At 30 June 1999       | <u>383</u>                                    | <u>2,306</u>                             | <u>40</u>                  | <u>327</u>                          | <u>146</u>                                    | <u>3,202</u>   |
| <b>Depreciation</b>   |   |  |                            |                                     |   |                |
| At 30 June 1998       | 316   | 1,923                                    | 37                         | 254                                 | 117   | 2,647          |
| Charge                | 12  | 193                                      | 8                          | 60                                  | (8)   | 265            |
| Disposals             | -   | (583)                                    | (20)                       | -                                   | -   | (603)          |
| At 30 June 1999       | <u>328</u>                                    | <u>1,533</u>                             | <u>25</u>                  | <u>314</u>                          | <u>109</u>                                    | <u>2,309</u>   |
| <b>Net book value</b> |   |  |                            |                                     |   |                |
| At 30 June 1998       | <u>65</u>                                     | <u>383</u>                               | <u>35</u>                  | <u>68</u>                           | <u>29</u>                                     | <u>580</u>     |
| At 30 June 1999       | <u>55</u>                                     | <u>773</u>                               | <u>15</u>                  | <u>13</u>                           | <u>37</u>                                     | <u>893</u>     |

The net book value of assets capitalised under finance leases, all of which are motor vehicles, amounted to £13,867 (1998 - £33,832). The depreciation charge for the year on these assets was £7,516 (1998 - £12,331).

## Notes to accounts (continued)

### 8 Debtors

|  | 1999<br>£'000 | 1998<br>£'000 |
|--|---------------|---------------|
| <i>(a) Amounts falling due within one year:</i>          |               |               |
| Amounts due from group undertakings                      | 8,004         | 4,708         |
| Amounts due from other group undertakings                | 3,097         | 2,293         |
| Other debtors  | 493           | 213           |
| Prepayments and accrued income                           | 261           | 128           |
| Amounts due from group undertakings not yet billed       | -             | 1,252         |
|  | <u>11,855</u> | <u>8,594</u>  |
| <i>(b) Amounts falling due after more than one year:</i> |               |               |
| Loan to group undertaking                                | <u>4,200</u>  | <u>4,200</u>  |

### 9 Creditors: Amounts falling due within one year

|   | 1999<br>£'000 | 1998<br>£'000 |
|---|---------------|---------------|
| Trade creditors                         | 233           | 395           |
| Amounts due to group undertakings       | 1,906         | 699           |
| Amounts due to other group undertakings | -             | 14            |
| Bank overdraft                          | 66            | -             |
| VAT payable                             | 161           | 45            |
| Payroll taxes and social security costs | 90            | 60            |
| Accruals and deferred income            | 523           | 212           |
| Obligations under finance leases        | 15            | 33            |
|   | <u>2,994</u>  | <u>1,458</u>  |

### 10 Called-up equity share capital

|   | 1999<br>£  | 1998<br>£  |
|---|------------|------------|
| <i>Authorised, allotted, called-up and fully-paid</i> |            |            |
| 100 ordinary shares of £1 each                        | <u>100</u> | <u>100</u> |

### 11 Reconciliation of movements in shareholders' funds

|                             | 1999<br>£'000 | 1998<br>£'000 |
|-----------------------------|---------------|---------------|
| Profit for the year         | 1,978         | 1,517         |
| Opening shareholders' funds | <u>11,979</u> | <u>10,462</u> |
| Closing shareholders' funds | <u>13,957</u> | <u>11,979</u> |

## Notes to accounts (continued)

### 12 Leasing commitments

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

|                       | 1999<br>£'000 | 1998<br>£'000 |
|-----------------------|---------------|---------------|
| Leases which expire   |               |               |
| - within 1 year       | 129           | 128           |
| - within 2 to 5 years | 140           | 136           |
| - after 5 years       | -             | -             |
|                       | <hr/>         | <hr/>         |
|                       | 269           | 264           |
|                       | <hr/>         | <hr/>         |

### 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 £576,000 (1998 - £464,000). Of this £114,000 (1998 - £100,000) relates to the above Scheme. The remaining £462,000 (1998 - £366,000) is a recharge from a related group undertaking (see note 5b), representing contributions made to the Executive and Overseas 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:

|                         | 1999<br>Number | 1998<br>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, Maindy, 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.