

Company Registration No. 0886981

**Kuwait Petroleum International
Treasury Services Limited**

Report and Financial Statements

31 March 2007

TUESDAY



APJKTWKB

A26

22/01/2008

417

COMPANIES HOUSE

Kuwait Petroleum International Treasury Services Limited

Report and financial statements 2007

Contents	Page
Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	6
Balance sheet	7
Notes to the accounts	8

Kuwait Petroleum International Treasury Services Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2007

Principal activity and review of the business

The principal activity of the company is to act as a group treasury company. The directors expect the level of business to remain stable in the future.

Results and dividends

During the year the company made a profit after taxation of US\$2,646,426 (2006 – US\$1,045,827). The directors recommended interim dividends of US\$ 0.36 per ordinary share which was paid on 21 February 2007 (2006 US\$0.30 and US\$0.20 per ordinary share). The directors do not recommend the payment of a final dividend.

The retained profit of US\$846,390 (2006 – loss of US\$1,454,223) will be transferred to reserves.

Enhanced Business Review (EBR)

The company is exempt from the requirement to provide an EBR as it qualifies as a small company under section 246(4)(a) of the Companies Act 1985.

Directors and their interests

The directors who served during the year and to the date of this report, except as otherwise stated below, were as follows:

S. Hakim	Y. Al-Yateem
G. Smith	A. Al-Houti

The directors have no interests which require disclosure under Schedule 7 of the Companies Act 1985.

Information to auditors

Each of the directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

Financial risk management

The main finance risks faced by the group through its normal business activities are market risk, credit risk and liquidity risk. These risks and the group's approach to dealing with them are described in note 9 to the financial statements.

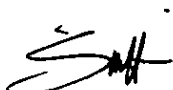
Kuwait Petroleum International Treasury Services Limited

Directors' report

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board



S A Hakim
Director

27 September 2007

Duke's Court
Duke Street
Woking, Surrey
GU21 5BH

Kuwait Petroleum International Treasury Services Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, 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 UK Accounting Standards have been followed, and
- prepare the financial statements 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 that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements 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.

Independent auditors' report to the members of Kuwait Petroleum International Treasury Services Limited

We have audited the financial statements of Kuwait Petroleum International Treasury Services Limited for the year ended 31 March 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended,
- The financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London, United Kingdom

28 September 2007

Kuwait Petroleum International Treasury Services Limited

Profit and loss account Year ended 31 March 2007

	Notes	2007 US\$	2006 US\$
Net income from treasury activities	1, 2	3,785,116	2,170,165
Administrative expenses		<u>(1,138,690)</u>	<u>(1,124,338)</u>
Profit on ordinary activities before and after taxation	3, 5	2,646,426	1,045,827
Dividends paid	6	<u>(1,800,036)</u>	<u>(2,500,050)</u>
Retained profit /(loss) for the year		<u>846,390</u>	<u>(1,454,223)</u>
Retained profit brought forward		<u>1,415,325</u>	<u>2,869,548</u>
Retained profit carried forward	11	<u><u>2,261,715</u></u>	<u><u>1,415,325</u></u>

There were no recognised gains or losses in either year other than the profit for those years. Consequently no statement of total recognised gains and losses has been presented.

All activities of the company were continuing throughout both years.

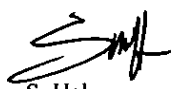
Kuwait Petroleum International Treasury Services Limited

Balance sheet 31 March 2007

	Note	2007 US\$	2006 US\$
Current assets			
Debtors	7	832,284,256	577,001,522
Cash at bank		78,117,385	199,885,882
		<u>910,401,641</u>	<u>776,887,404</u>
Creditors amounts falling due within one year	8	(902,926,815)	(770,258,968)
Net current assets		<u>7,474,826</u>	<u>6,628,436</u>
Total assets less current liabilities		<u>7,474,826</u>	<u>6,628,436</u>
Capital and reserves			
Called up equity share capital	10	5,000,150	5,000,150
Profit and loss account	11	2,261,715	1,415,325
Capital contribution	11	212,961	212,961
Shareholders' funds	12	<u>7,474,826</u>	<u>6,628,436</u>

These financial statements were approved by the Board of Directors on 27 September 2007

Signed on behalf of the Board of Directors



S. Hakim
Director

Kuwait Petroleum International Treasury Services Limited

Notes to the financial statements Year ended 31 March 2007

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted which, with the exception of the adoption of FRS 23 (IAS 21) ("The effects of changes in foreign exchange rates"), FRS 25 ("Financial instruments Presentation") and FRS 26 ("Financial instruments Recognition and Measurement"), have been applied consistently in both the current and preceding year, are described below. The adoption of FRS 23, FRS 25 and FRS 26 has had no impact on the results of the company for previous periods but has resulted in certain amendments to the company's disclosures in relation to foreign currency translation and financial instruments.

Basis of accounting

The financial statements are prepared under the historical cost convention, except for the revaluation of certain open forward foreign exchange contracts, and in accordance with applicable United Kingdom law and accounting standards.

Presentation of profit and loss account

Due to the fact that the company provides treasury services and acts as an intermediary between other group companies and the external market, the directors are of the opinion that it is more appropriate to use net income from treasury activities rather than turnover and cost of sales in presenting the profit and loss account.

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Derivative financial instruments

Derivative financial instruments are recorded at trade date at fair value. The fair value of a derivative is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Derivatives with positive market values (unrealised gains) are included in current debtors and derivatives with negative market values (unrealised losses) are included in current creditors in the balance sheet. The resultant gains and losses from derivatives are included in revenue or cost of sales as appropriate.

The company enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties whose value changes in response to movements in a specified reference price, rate, index or similar variable that requires a minimal initial net investment relative to other types of similar contract, and that is settled at a future date. Derivative financial instruments include forwards, futures, swaps and options.

Further details of the company's financial instruments and risk management approach are provided in note 9.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in a period different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Kuwait Petroleum International Treasury Services Limited

Notes to the financial statements Year ended 31 March 2007

1. Accounting policies (continued)

Net income from treasury activities

Net income from treasury activities includes gains and losses on foreign currency trading activities accounted for on a mark-to-market basis, and interest receivable and payable accounted for on an accruals basis

Cash flow statement

The company's ultimate parent company, Kuwait Petroleum Corporation (see note 15), presents consolidated financial statements which consolidate the results of the company and are publicly available. Accordingly under Financial Reporting Standard No. 1 no cash flow statement is included in these financial statements

Foreign currencies

The financial statements are presented in US dollars which is the functional currency of the company

Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the year end foreign exchange rates. All forward foreign exchange contracts which are open at the year end are revalued at rates of exchange derived from observable market information applicable to those contracts

All profits and losses arising on the translation or revaluation of foreign currency assets, liabilities and forward foreign exchange contracts are recognised immediately in the profit and loss account. Gains and losses arising from the use of hedging instruments are recorded in the profit and loss account concurrently with losses and gains arising from the underlying hedged investments

Pensions

The company participates in a group defined benefit scheme. The company accounts for its obligations in respect of the defined benefit scheme on a defined contribution basis, as the net assets of this scheme relating to individual companies cannot be separately identified. The latest actuarial valuation of the defined benefit scheme, prepared in accordance with FRS 17 and reflected in the consolidated accounts of the immediate parent company, shows a deficit position. Further details can be found in the annual report of Kuwait Petroleum (U.K. Holdings) Limited

For defined contribution schemes the amount charged to the profit and loss account is the contributions payable in the year

Further information on pension costs is provided in note 14

Kuwait Petroleum International Treasury Services Limited

Notes to the financial statements Year ended 31 March 2007

2. Net income from treasury activities

	2007 US\$	2006 US\$
Net intercompany gain/(loss) on foreign currency activities	41,848,970	(18,714,942)
Net external (loss) /gain on foreign currency activities	(40,954,388)	18,285,476
Net gain /(loss) on foreign currency activities	894,582	(429,466)
Net intercompany interest charged	(7,193,737)	(2,531,291)
Net external interest earned	10,084,271	5,130,921
Net interest earned	2,890,534	2,599,630
Net income from treasury activities	3,785,116	2,170,165

All activities during either year derived from one business segment, the provision of treasury services, and from one geographical area

The company writes short-term foreign currency forward exchange contracts with fellow subsidiary undertakings in order to hedge external currency exposures identified by such undertakings. It also takes out offsetting short-term foreign currency forward exchange contracts with third party financial institutions with high credit ratings in order to hedge the exposure relating to these intercompany instruments.

The amounts shown above in respect of foreign currency activities represent the movement in the fair values of such foreign exchange financial instruments during the year and derive entirely from forward contracts and swaps as in the previous year.

3. Profit on ordinary activities before taxation

The audit fee in respect of the company's annual accounts of £5,000 (2006 £ 5,000) was borne by another group undertaking.

4. Staff costs

Particulars of employees (including executive directors) are as shown below

Employee costs during the year amounted to

	2007 US\$	2006 US\$
Wages and salaries	360,792	404,190
Social security costs	-	13,945
Pension costs (see note 14)	34,109	28,766
	394,901	446,901

Kuwait Petroleum International Treasury Services Limited

Notes to the financial statements Year ended 31 March 2007

4 Staff costs (continued)

The average monthly number of persons employed by the company during the year was three (2006 – 3)

Directors' remuneration.

One director was remunerated by the company The remuneration of the director was as follows

	2007 US\$	2006 US\$
Emoluments (including pension contributions)	238,557	217,382

No other directors received or were due any remuneration relating to services provided to the company in either year No directors held share options in the company during the current or prior years

One director (2006 – one) was a member of a defined benefit pension scheme

5. Tax on profit on ordinary activities

No provision has been made for corporation tax for the current year (2006 – US\$nil) on the basis that group relief is available

	2007 US\$	2006 US\$
Profit on ordinary activities before tax	2,646,426	1,045,827
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2006 – 30%)	793,928	313,748
Effects of		
Capital allowances in excess of depreciation	-	(1,201)
Utilisation of tax losses via group relief	(793,938)	(312,547)
Current tax charge for the year	-	-

There are no material amounts of deferred tax at either year end

6. Dividends paid

Dividends paid on equity shares

	2007 US\$	2006 US\$
Interim paid for 2006/07 of US\$0 36 (2005/06 US\$0 20) per ordinary US\$1 share	1,800,000	1,000,000
Interim paid for 2006/07 of US\$0 36 (2005/06 US\$0 20) per ordinary £1 share	36	20
Interim paid for 2004/05 US\$0 30 per ordinary US\$1 share	-	1,500,000
Interim paid for 2004/05 of US\$0 30 per ordinary £1 share	-	30
	1,800,036	2,500,050

Kuwait Petroleum International Treasury Services Limited

Notes to the financial statements Year ended 31 March 2007

7. Debtors

	2007 US\$	2006 US\$
Amounts falling due within one year		
Amounts owed by other group undertakings	832,130,035	576,863,194
Other debtors	154,221	138,328
Total debtors	<u>832,284,256</u>	<u>577,001,522</u>

The directors consider that the carrying amount of the debtors approximates their fair value

8. Creditors: amounts falling due within one year

	2007 US\$	2006 US\$
Amounts owed to other group undertakings	901,201,936	769,213,377
Accruals and deferred income	250,521	608,959
Fair value of derivative financial instruments	1,474,358	436,632
	<u>902,926,815</u>	<u>770,258,968</u>

Fair value of derivative financial instruments represents the fair value of open foreign currency forward exchange contracts at the balance sheet date. During the year ended 31 March 2007, the loss in fair value of \$1.04 million (2006: \$6.3m loss) has been recognised in net income from treasury activities in the profit and loss account.

The directors consider that the carrying amount of the creditors approximates their fair value.

9. Financial instruments and risk management

Derivative financial instruments

The group for which the company acts as a treasury company operates internationally in commodity-based markets. As a result, it can be affected by changes in crude oil and petroleum product prices, exchange rates, and interest rates. In the areas described below, the company seeks to manage the risks arising from these external factors using a number of methods, some of which involve derivative instruments. The company does not use derivatives for speculative purposes.

Foreign exchange risk management

The company seeks to identify and measure all risks arising from movements in foreign exchange rates. Such risks are routinely hedged using a variety of methods, including derivatives such as forward currency contracts and swaps.

The principal source of foreign currency risk within the group which is hedged routinely by the company relates to other group companies' outstanding product supply accounts payable, which are mainly expressed in US dollars. These exposures, along with other transaction risks related to currency movements between commitment or billing and payment, are hedged by the company using derivative instruments such as forward currency contracts or, particularly in the case of uncertain exposures, swaps. All significant group foreign currency transactions, including those involving derivative instruments, are conducted through the company.

Kuwait Petroleum International Treasury Services Limited

Notes to the financial statements Year ended 31 March 2007

9. Financial instruments and risk management (continued)

Foreign exchange risk management (continued)

All foreign currency derivative instruments are marked to market at the end of each month. The gross contract amounts of such contracts, none of which extended beyond 12 months, are given in note 13.

The majority of the balances at 31 March 2007 relating to forward exchange contracts were in Euro/US\$, Pounds Sterling/US\$ with smaller amounts in Danish Krone and Swedish Krona.

Counter-party risk management

The company controls counter-party risks in relation to its cash, short-term deposits and derivative instruments by rigorous screening and credit assessment of all proposed trading counter-parties and limits on total financial exposure with each counter-party individually. As a general rule, the company only deals with banks with the highest national or international standing and also limits its credit risk exposure and its daily settlement risk with any single bank to certain specified amounts. Both such exposures are further reduced by having standardised ISDA Master Agreements, including set-off provisions, with each counter-party.

10. Called up share capital

	2007 £	2007 US\$	2006 £	2006 US\$
Authorised				
10,000,000 ordinary shares of US\$1 each	-	10,000,000	-	10,000,000
100 ordinary shares of £1 each	100	150	100	150
	<u>100</u>	<u>10,000,150</u>	<u>100</u>	<u>10,000,150</u>
Authorised, issued and fully paid				
5,000,000 ordinary shares of US\$1 each	-	5,000,000	-	5,000,000
100 ordinary shares of £1 each	100	150	100	150
	<u>100</u>	<u>5,000,150</u>	<u>100</u>	<u>5,000,150</u>

11. Reserves

Of the total reserves shown in the company's balance sheet, the following amounts are regarded as distributable or otherwise:

	Capital contribution US\$	Profit and loss account US\$
Opening balance as at 1 April 2006	212,961	1,415,325
Retained profit for the year	-	846,390
Closing balance as at 31 March 2007	<u>212,961</u>	<u>2,261,715</u>

The capital contribution is non-distributable.

Kuwait Petroleum International Treasury Services Limited

Notes to the financial statements Year ended 31 March 2007

12. Reconciliation of movements in shareholders' funds

	2007 US\$	2006 US\$
Opening shareholders' funds	6,628,436	8,082,659
Profit for the year	2,646,426	1,045,827
Dividends paid	(1,800,036)	(2,500,050)
Closing shareholders' funds	<u>7,474,826</u>	<u>6,628,436</u>

13. Financial commitments

In accordance with the company's accounting policy, all foreign currency exchange contracts are marked to market at the end of each month. At the year end the gross contracted amounts of such contracts, none of which extended beyond 12 months, was US\$1,299,350,369 (2006 – US\$1,096,264,099)

14. Pension costs

The group headed by Kuwait Petroleum (U K Holdings) Limited 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 US\$34,109 (2006 – US\$28,766). At the end of the year, there was no accrual or prepayment (2006 – US\$nil)

No separate disclosures are required under the provisions of FRS 17 "Retirement Benefits", as the company participates in a group pension scheme and the net assets of this scheme relating to individual companies cannot be separately identified. The latest actuarial valuation of the defined benefit scheme, prepared in accordance with FRS 17 and reflected in the consolidated accounts of the immediate parent company, shows a deficit position of \$16,425,173 (2006 \$22,228,305 deficit). Further details can be found in the annual report of Kuwait Petroleum (UK Holdings) Limited

15. Ultimate parent company

The ultimate controlling party and 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, and the immediate parent company, is Kuwait Petroleum (UK Holdings) Limited whose principal place of business is at Duke's Court, Duke Street, Woking, Surrey GU21 5BH. Copies of the consolidated accounts of Kuwait Petroleum (UK Holdings) Limited can be obtained from Companies House, Crown Way, Mandy, Cardiff CF14 3UZ

16. Related parties

The company has utilised the exemption in paragraph 3(c) of Financial Reporting Standard 8 'Related Party Disclosures' not to disclose transactions with other members of the group headed by Kuwait Petroleum Corporation as it is a wholly owned subsidiary of the group headed by Kuwait Petroleum Corporation