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**Kuwait Petroleum International Treasury
Services Limited**

Financial statements for the year ended 31 March 2002
together with directors' and auditors' reports

Registered number: 886981



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Directors' report

For the year ended 31 March 2002

The directors present their report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 March 2002.

Principal activity and business review

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\$1,943,407 (nine months to 31 March 2001 – US\$1,751,810). The directors recommended an interim dividend of US\$0.34 per ordinary share which was paid on 28 May 2002 (nine months to 31 March 2001 – US\$0.30). The retained profit of US\$243,373 will be transferred to reserves.

Directors and their interests

The directors who served during the year were as follows:

S.A. Hakim
J.R. Howells
M.W. Northeast
J. Al-Nouri
G. Smith

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

Directors' responsibilities

Company law requires the directors to prepare financial statements 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 year. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' report (continued)

Directors' responsibilities (continued)

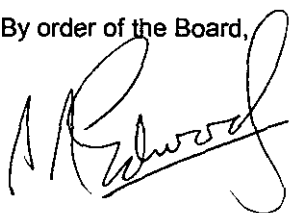
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Auditors

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

KPC House
54 Pall Mall
London
SW1Y 5JH

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

16 July 2002



To the shareholders 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 2002 which comprise the profit and loss account, the balance sheet and the related notes numbered 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

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 are set out in the Statement of Directors' Responsibilities in the Directors' report. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' report is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom 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 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 circumstances of the company, 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 of the state of affairs of the company at 31 March 2002 and of the company's 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

180 Strand
London
WC2R 1BL

16 July 2002

Profit and loss account

For the year ended 31 March 2002

	Notes	Year ended 31 March 2002 US\$	9 months ended 31 March 2001 US\$
Net income from treasury activities	2	2,683,635	2,306,125
Administrative expenses		(740,228)	(554,315)
Profit on ordinary activities before and after taxation	3,11	<u>1,943,407</u>	<u>1,751,810</u>
Dividends proposed	6,11	(1,700,034)	(1,500,030)
Retained profit for the period		<u>243,373</u>	<u>251,780</u>
Retained profit, beginning of period		<u>576,181</u>	<u>324,401</u>
Retained profit, end of period	10	<u>819,554</u>	<u>576,181</u>

There were no recognised gains or losses in either period other than the profit for that period.

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

Balance sheet

31 March 2002

	Notes	31 March 2002 US\$	31 March 2001 US\$
Current assets			
Debtors	7	252,305,450	244,781,256
Short term deposits		92,033,984	106,537,800
Cash at bank		69,128	75,072
		<u>344,408,562</u>	<u>351,394,128</u>
Creditors: Amounts falling due within one year	8	(338,375,897)	(345,604,836)
Net current assets		<u>6,032,665</u>	<u>5,789,292</u>
Net assets		<u>6,032,665</u>	<u>5,789,292</u>
Capital and reserves			
Called-up equity share capital	9	5,000,150	5,000,150
Profit and loss account	10	819,554	576,181
Capital contribution	10	212,961	212,961
		<u>6,032,665</u>	<u>5,789,292</u>
Equity shareholders' funds	11	<u>6,032,665</u>	<u>5,789,292</u>

The financial statements on pages 5 to 12 were approved by the board of directors on 16 July 2002 and signed on its behalf by:


S.A. Hakim
Director

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

Notes to financial statements

For the year ended 31 March 2002

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding period, except for the adoption of FRS 19 "Deferred Tax" (see note 5), is set out below:

a) 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 accounting standards.

b) Financial instruments and related disclosures

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

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.

The profit and loss account includes unrealised gains and losses on forward foreign exchange contracts. The directors consider that this accounting policy, which represents a departure from the Companies Act 1985 where such items are not recognised until they crystallise, is necessary to provide a true and fair view as required under SSAP 20. The financial effect of the departure from the Companies Act 1985 is shown in note 12 to the financial statements.

c) 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.

d) Net income from treasury activities

Net income from treasury activities includes gains and losses on foreign currency operations, and interest receivable and payable accounted for on an accruals basis.

e) 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 are publicly available. Accordingly under Financial Reporting Standard No. 1 no cash flow statement is included in these financial statements.

Notes to financial statements (continued)

1 Accounting policies (continued)

f) 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 level percentage of current and future pensionable payroll. Variations from regular cost are charged to the profit and loss account over the estimated average remaining working life of the scheme members. Any differences between the charge to the profit and loss account and the contributions paid to the scheme are shown as an asset or liability in the balance sheet. Further information on pension costs is provided in note 13.

2 Net income from treasury activities

	Year ended 31 March 2002 US\$	9 months ended 31 March 2001 US\$
Net intercompany (loss)/gain on foreign currency operations	(5,685,478)	20,677,113
Net external gain/(loss) on foreign currency operations	6,422,048	(19,760,390)
Net gain on foreign currency operations	736,570	916,723
Net intercompany interest paid	(752,642)	(875,135)
Net external interest earned	2,699,707	2,264,537
Net interest earned	1,947,065	1,389,402
	<u>2,683,635</u>	<u>2,306,125</u>

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Year ended 31 March 2002 US\$	9 months ended 31 March 2001 US\$
Auditors' remuneration		
– audit fees	22,037	18,922

Notes to financial statements (continued)

4 Staff costs

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

Employee costs during the period amounted to:

	Year ended 31 March 2002 US\$	9 months ended 31 March 2001 US\$
Wages and salaries	196,003	145,846
Social security costs	19,328	12,805
Pension costs	29,589	-
	<u>244,920</u>	<u>158,651</u>

The average monthly number of persons employed by the company during the year was 3 (9 months to 31 March 2001 – 3).

Directors' remuneration:

The remuneration of the directors was as follows:

	Year ended 31 March 2002 US\$	9 months ended 31 March 2001 US\$
Emoluments	<u>127,766</u>	<u>70,589</u>

1 director (2001 – 1) was a member of the pension scheme.

5 Tax on profit on ordinary activities

No provision has been made for corporation tax for the current year (9 months to 31 March 2001 – US\$nil) on the basis that group relief is available.

There are no material amounts of unprovided deferred tax at either period end.

During the year the company adopted FRS 19 "Deferred tax". This had no material impact on the current or prior year financial statements.

Notes to financial statements (continued)

6 Dividends proposed

Dividends proposed on equity shares:

	Year ended 31 March 2002 US\$	9 months ended 31 March 2001 US\$
Interim proposed of US\$0.34 (9 months to 31 March 2001 – US\$0.30) per ordinary share of US\$1	1,700,000	1,500,000
Interim proposed of US\$0.34 (9 months to 31 March 2001 – US\$0.30) per ordinary share of £1	34	30
	<u>1,700,034</u>	<u>1,500,030</u>

7 Debtors

	2002 US\$	2001 US\$
<i>Amounts falling due within one year:</i>		
Amounts owed by other group undertakings	252,264,435	244,265,848
Other debtors	-	448,345
Prepayments and accrued income	41,015	67,063
	<u>252,305,450</u>	<u>244,781,256</u>

8 Creditors: Amounts falling due within one year

	2002 US\$	2001 US\$
Amounts owed to other group undertakings	336,280,932	344,002,220
Other creditors	240,500	-
Accruals and deferred income	154,431	102,586
Proposed dividends – equity shares	1,700,034	1,500,030
	<u>338,375,897</u>	<u>345,604,836</u>

Notes to financial statements (continued)

9 Called-up equity share capital

	2002		2001	
	£	US\$	£	US\$
<i>Authorised</i>				
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>
<i>Allotted, called-up and fully paid</i>				
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>

10 Reserves

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

	2002 US\$	2001 US\$
Distributable		
– profit and loss account	819,554	576,181
Non-distributable		
– capital contribution	212,961	212,961
Total reserves	<u>1,032,515</u>	<u>789,142</u>

11 Reconciliation of movements in equity shareholders' funds

	2002 US\$	2001 US\$
Profit for the period	1,943,407	1,751,810
Dividends proposed	(1,700,034)	(1,500,030)
Opening shareholders' funds	<u>5,789,292</u>	<u>5,537,512</u>
Closing shareholders' funds	<u>6,032,665</u>	<u>5,789,292</u>

12 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 contract amounts of such contracts, none of which extended beyond 12 months, was US\$515,888,132 (31 March 2001 – US\$506,353,274). These amounts are indicative of trading volumes and not levels of risk. These contracts had unrealised losses, which are recognised in the profit and loss account, of US\$703,936 (9 months to 31 March 2001 – US\$424,694).

Notes to financial statements (continued)

13 Pension costs

The group headed by Kuwait Petroleum (U.K. Holdings) Ltd 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 £29,589 (2001 - Nil). 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 the company's immediate parent undertaking, Kuwait Petroleum (U.K. Holdings) Limited. At the end of the year there was no accrual or prepayment (2001 - Nil). The most recent formal actuarial valuation of the scheme took place on 1 July 2000.

In accordance with FRS 17 "Retirement Benefits", the company accounts for its contributions to the scheme as if it were a defined contribution scheme because it is not possible to identify the company's share of the assets and liabilities in the scheme on a consistent and reasonable basis. The latest actuarial valuation of the scheme, prepared for the purposes of making the transitional disclosures in accordance with FRS 17 in the consolidated financial statements of the immediate parent company, shows a net deficit position. Further details of this valuation can be found in the annual report of Kuwait Petroleum (UK Holdings) Limited.

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 KPC House, 54 Pall Mall, London SW1Y 5JH. Copies of the consolidated accounts of Kuwait Petroleum (UK Holdings) Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

15 Related parties

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.