

**Kuwait Petroleum International Treasury
Services Limited**

Financial statements 30 June 2000
together with directors' and auditors' reports

Registered number: 886981



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Directors' report

For the year ended 30 June 2000

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 30 June 2000.

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 \$1,751,879 (1999 – \$1,540,664). After a dividend payment of \$3,000,060 (1999 – \$6,250,125) the retained loss of \$(1,248,181) (1999 – loss \$4,709,461) will be transferred to reserves.

Directors and their interests

The directors who served during the period were as follows:

S.A. Hakim
J.R. Howells
M.W. Northeast
A.R. Thomas

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 period. 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)

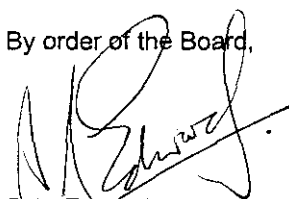
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

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', is written over the printed name.

B.R. Edwards
Secretary

22 December 2000

To the Shareholders of Kuwait Petroleum International Treasury Services Limited:

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on pages 1 and 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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 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 the company's affairs as at 30 June 2000 and of the company's loss 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

22 December 2000

Profit and loss account

For the year ended 30 June 2000

	Notes	2000 \$	1999 \$
Net income from treasury activities	2	2,470,904	2,379,430
Administrative expenses		(719,025)	(838,766)
Profit on ordinary activities before and after taxation	3	<u>1,751,879</u>	<u>1,540,664</u>
Dividends paid and proposed	6	(3,000,060)	(6,250,125)
Retained (loss) for the year		<u>(1,248,181)</u>	<u>(4,709,461)</u>
Retained profit, beginning of year		<u>1,572,582</u>	<u>6,282,043</u>
Retained profit, end of year	11, 12	<u>324,401</u>	<u>1,572,582</u>

There were no recognised gains or losses in either the current or prior year other than those in the profit and loss account.

A reconciliation of movements in shareholders' funds is shown in note 12 to the financial statements.

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

Balance sheet

30 June 2000

	Notes	2000 \$	1999 \$
Fixed assets			
Tangible assets	7	-	-
Current assets			
Debtors	8	16,529,147	333,808,102
Short term deposit		88,314,734	78,419,511
Cash at bank		49,782	22,605
		<u>104,893,663</u>	<u>412,250,218</u>
Creditors: Amounts falling due within one year	9	(99,356,151)	(405,464,525)
Net current assets		<u>5,537,512</u>	<u>6,785,693</u>
Net assets		<u>5,537,512</u>	<u>6,785,693</u>
Capital and reserves			
Called-up share capital	10	5,000,150	5,000,150
Profit and loss account	11	324,401	1,572,582
Capital contribution	11	212,961	212,961
Shareholders' funds – equity interests	12	<u>5,537,512</u>	<u>6,785,693</u>

The accounts on pages 4 to 10 were approved by the board of directors on 22 December 2000 and signed on its behalf by:



S.A. Hakim
Director

22 December 2000

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

Notes to financial statements

30 June 1999

1 Accounting policies

A summary of the 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 financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) *Tangible fixed assets*

Fixed assets are shown at cost. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Software	3 years (33% per annum)
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c) *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.

d) *Taxation*

Corporation tax payable is provided on taxable profits at the current rate. No provision for corporation tax is made where there is available group relief from other group companies. All group relief is surrendered without charge.

e) *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.

f) *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.

Notes to financial statements (continued)

2 Net income from treasury activities

	2000 \$	1999 \$
Net intercompany gain/(loss) on foreign currency operations	13,318,504	11,230,555
Net external (loss)/gain on foreign currency operations	(12,478,979)	(10,948,254)
Net gain on foreign currency operations	839,525	282,301
Net intercompany interest (paid)/earned	(3,761,309)	9,606,357
Net external interest earned/(paid)	5,392,688	(7,509,228)
Net interest earned	1,631,379	2,097,129
	<u>2,470,904</u>	<u>2,379,430</u>

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2000 \$	1999 \$
Auditors' remuneration		
– audit fees	20,447	13,500
Staff costs (see note 4)	<u>251,455</u>	<u>387,921</u>

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year for both the current and prior year and their respective historical cost equivalents.

4 Staff costs

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

Employees costs during the year amounted to:

	2000 \$	1999 \$
Wages and salaries	231,797	356,177
Social security costs	19,658	17,120
Other pension costs	-	14,624
	<u>251,455</u>	<u>387,921</u>

The average weekly number of persons employed by the company during the period was 3 (1999 – 5).

Notes to financial statements (continued)

4 Staff costs (continued)

Directors' remuneration:

The remuneration of the director (also highest paid director) was as follows:

	2000 \$	1999 \$
Emoluments	<u>109,802</u>	<u>102,818</u>

No other directors received nor 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 year.

5 Tax on profit on ordinary activities

No provision has been made for corporation tax for the current year on the basis that group relief is available (1999 – \$nil).

6 Dividends paid and proposed

Dividends proposed on equity shares:

	2000 \$	1999 \$
Final proposed of US\$0.60 (1999 – US\$1.25) per ordinary share of US\$1	3,000,000	6,250,000
Final proposed of US\$0.60 (1999 – US\$1.25) per ordinary share of £1	60	125
	<u>3,000,060</u>	<u>6,250,125</u>

7 Tangible fixed assets

The movement in the year was as follows:

	Software \$
Cost	
Beginning and end of year	<u>75,000</u>
Depreciation	
Beginning and end of year	<u>75,000</u>
Net book value	
Beginning of year	<u>-</u>
End of year	<u>-</u>

Notes to financial statements (continued)

8 Debtors

	2000 \$	1999 \$
Amounts owed by other group undertakings	16,427,993	333,512,532
Prepayments and accrued income	101,154	247,086
Positions: net mark to market	-	48,484
	<u>16,529,147</u>	<u>333,808,102</u>

The above amounts owed by other group undertakings includes \$nil (1999 – \$4,999,850) receivable in more than one year.

9 Creditors: Amounts falling due within one year

	2000 \$	1999 \$
Amounts owed to other group undertakings	94,117,948	405,227,481
Other creditors	2,190,564	-
Accruals and deferred income	47,579	237,044
Proposed dividends	3,000,060	-
	<u>99,356,151</u>	<u>405,464,525</u>

10 Called-up share capital

	2000		1999	
	£	\$	£	\$
<i>Authorised</i>				
10,000,000 ordinary shares of \$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 \$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>

Notes to financial statements (continued)

11 Reserves

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

	2000 \$	1999 \$
Distributable		
– profit and loss account	324,401	1,572,582
Non-distributable		
– capital contribution	212,961	212,961
Total reserves	<u>537,362</u>	<u>1,785,543</u>

12 Reconciliation of movements in shareholders' funds

	2000 \$	1999 \$
Profit for the year and net addition to shareholders' funds	(1,248,181)	(4,709,461)
Opening shareholders' funds	<u>6,785,693</u>	<u>11,495,154</u>
Closing shareholders' funds	<u>5,537,512</u>	<u>6,785,693</u>

13 Financial commitments

As at the year end the company had \$266m (1999 – \$1,107m) of forward foreign exchange contracts. These amounts are indicative of trading volumes and not levels of risk. These on-balance sheet contracts had unrealised profits of \$3,267,930 (1999 – losses \$275,523).

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.