



**ANDERSEN**

**Kuwait Petroleum International Limited**

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

Registered number: 1734259



## Directors' report

For the year ended 31 March 2002

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

### Principal activity and review of business

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 forthcoming year.

The company also operates a branch in Kuwait.

### Results and dividends

The profit for the year, after taxation, amounted to £1,752,000 (2001 (as restated) – £1,734,000).

The directors recommended an interim dividend of £15,000 per ordinary share which was paid to ordinary shareholders on 14 March 2002.

### Directors and their interests

The directors who served during the year were as follows:

J. Al-Nouri  
J.R. Howells  
M. Al-Qasim  
A.I. Behbehani  
G. Smith

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 financial statements for each financial period 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)

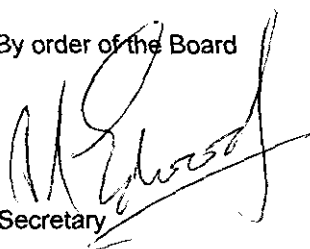
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets 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 reappoint auditors annually.

KPC House  
54 Pall Mall  
London  
SW1Y 5JH

By order of the Board



Secretary

B.R. Edwards

28 June 2002

**To the Shareholders of Kuwait Petroleum International Limited:**

We have audited the financial statements of Kuwait Petroleum International 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 18. 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 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**  
**Chartered Accountants and Registered Auditors**

180 Strand  
London  
WC2R 1BL  
28 June 2002

## Profit and loss account

For the year ended 31 March 2002

		Year ended 31 March 2002 £'000	(As restated) Nine months ended 31 March 2001 £'000
	Notes		
<b>Turnover</b>	2	20,254	14,176
Administrative expenses		(18,611)	(12,968)
<b>Operating profit</b>		1,643	1,208
Interest receivable and similar income	3	418	626
Interest payable and similar charges	4	(229)	(178)
<b>Profit on ordinary activities before taxation</b>	5	1,832	1,656
Tax on profit on ordinary activities	6	(80)	78
<b>Profit on ordinary activities after taxation</b>		1,752	1,734
Dividends paid or proposed	7	(1,500)	(4,000)
<b>Retained profit/(loss) for the period</b>	13	252	(2,266)
<b>Retained profit, at beginning of period</b>		14,307	16,573
<b>Retained profit, at end of period</b>		14,559	14,307

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

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

## Statement of total recognised gains and losses

For the year ended 31 March 2002

	Year ended 31 March 2002 £'000	(As restated) Nine months ended 31 March 2001 £'000
<b>Total recognised gains and losses relating to the year</b>	1,752	1,734
Prior year adjustment (as explained in note 8)	615	
<b>Total gains and losses recognised since last annual report and financial statements</b>	2,367	

# Balance sheet

31 March 2002

	Notes	2002 £'000	(As restated) 2001 £'000
<b>Fixed assets</b>			
Tangible assets	9	<u>705</u>	<u>1,197</u>
<b>Current assets</b>			
Debtors			
– Amounts falling due within one year	10a	11,875	14,343
– Amounts falling due after more than one year	10b	4,735	4,815
Cash at bank and in hand		<u>457</u>	<u>540</u>
		<u>17,067</u>	<u>19,698</u>
<b>Creditors: Amounts falling due within one year</b>	11	<u>(3,213)</u>	<u>(6,588)</u>
<b>Net current assets</b>		<u>13,854</u>	<u>13,110</u>
<b>Total assets less current liabilities, being net assets</b>		<u>14,559</u>	<u>14,307</u>
<b>Capital and reserves</b>			
Called-up equity share capital	12	-	-
Profit and loss account	13	<u>14,559</u>	<u>14,307</u>
<b>Equity shareholders' funds</b>	14	<u>14,559</u>	<u>14,307</u>

The financial statements on pages 4 to 14 were approved by the board of directors and signed on its behalf by:

G. Smith



Director

28 June 2002

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

## Notes to financial statements

31 March 2002

### 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 period, except for the introduction of FRS 19 (Deferred Tax) (see note 8), is set out below.

#### *a) Basis of accounting*

The accounts are prepared under the historical cost convention and in accordance with applicable 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	3 to 10 years
Data processing equipment	3 to 4 years
Building fixtures and fittings	3 to 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*

For defined benefit schemes the amount charged to the profit and loss account is calculated in accordance with SSAP 24 as 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 16.

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

## Notes to financial statements (continued)

### 1 Accounting policies (continued)

#### *e) Taxation*

Corporation tax payable is provided on taxable profits at tax rates which have been enacted or substantially enacted at 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 periods 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 differences 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.

#### *f) Leases*

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 17), 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.

#### *h) Change of accounting period*

During the prior period the company changed its year end from 30 June to 31 March. Due to the shorter accounting period used, comparative amounts for the statement of income, together with related notes, are not directly comparable.



## Notes to financial statements (continued)

### 2 Turnover

Turnover represents amounts invoiced (exclusive of VAT) in respect of promotional, administrative and advisory services provided to fellow subsidiary undertakings and other group and related group undertakings. This is considered by the directors to be one class of business.

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

	Year ended 31 March 2002 £'000	9 months ended 31 March 2001 £'000
United Kingdom	3,616	2,710
Overseas	16,638	11,466
	<u>20,254</u>	<u>14,176</u>

### 3 Interest receivable and similar income

	Year ended 31 March 2002 £'000	9 months ended 31 March 2001 £'000
Interest receivable from group undertakings	397	591
Bank interest receivable	17	9
Other income receivable	4	26
	<u>418</u>	<u>626</u>

### 4 Interest payable and similar charges

	Year ended 31 March 2002 £'000	9 months ended 31 March 2001 £'000
Foreign exchange loss on foreign currency intercompany borrowings	218	168
Interest payable to group undertaking	5	3
Other payables	6	7
	<u>229</u>	<u>178</u>

## Notes to financial statements (continued)

### 5 Profit on ordinary activities before taxation

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

	Year ended 31 March 2002 £'000	9 months ended 31 March 2001 £'000
Depreciation		
– owned assets	564	374
Auditors' remuneration		
– Audit services	152	153
– Non-audit services	103	93
Operating lease rentals		
– plant and machinery	10	16
– other	203	139
	<u>          </u>	<u>          </u>

The audit fee above includes amounts paid on behalf of, and subsequently recharged to, other group undertakings.

b) Staff costs

	Year ended 31 March 2002 £'000	9 months ended 31 March 2001 £'000
Employees, including executive directors:		
Wages and salaries	8,646	6,599
Social security costs	1,364	768
Pension costs (note 16)	569	377
	<u>          </u>	<u>          </u>
	10,579	7,744
	<u>          </u>	<u>          </u>

Staff costs, including those in respect of executive directors, include a recharge of costs of £6,088,515 (2001 – £3,392,667) for 65 (2001 – 24) 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 94 (nine months ended 31 March 2001 – 95) including those personnel employed by related group undertakings.

## Notes to financial statements (continued)

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

#### c) Directors' remuneration

	Year ended 31 March 2002 £'000	9 months ended 31 March 2001 £'000
Emoluments (excluding pension contributions)	<u>396</u>	<u>577</u>

The directors' remuneration shown above, excluding pension contributions, included the emoluments of the highest paid director, of £248,750 (nine months ended 31 March 2001 – £190,429). The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 March 2002 was £nil (2001 – £ nil).

No directors were members of money purchase pension schemes in either period. 2 directors (2001 – 2) were members of defined benefit schemes.

### 6 Tax on profit on ordinary activities

No provision has been made for current corporation tax for the year ended 31 March 2002 (nine months ended 31 March 2001 – £nil) on the basis that group relief is available. Deferred tax arises as follows:

	Year ended 31 March 2002 £'000	(As restated) 9 months ended 31 March 2001 £'000
Deferred tax charge/(credit)	<u>80</u>	<u>(78)</u>

### 7 Dividends paid or proposed on equity shares

	Year ended 31 March 2002 £'000	9 months ended 31 March 2001 £'000
Interim paid of £15,000 (2001 – proposed of £40,000) per £1 ordinary share	<u>1,500</u>	<u>4,000</u>

## Notes to financial statements (continued)

### 8 Prior year adjustment

The company policy for recognising deferred tax was changed during the year due to the implementation of FRS 19 (Deferred Tax). The comparative figures in the primary statements and notes have been restated to reflect the new policy.

The effects of the change in policy are summarised below:

	2002 £'000	2001 £'000
<b>Profit and loss account</b>		
Deferred tax (charge) credit	<u>(80)</u>	<u>78</u>
<b>Balance sheet</b>		
Increase in deferred tax asset (debtors)	<u>535</u>	<u>615</u>

### 9 Tangible fixed assets

	Furniture and office equipment £'000	Data processing equipment £'000	Building fixtures and fittings £'000	Work in progress £'000	Total £'000
<b>Cost</b>					
At 31 March 2001	709	2,010	368	12	3,099
Additions	60	51	41	-	152
Disposals	<u>(372)</u>	<u>(797)</u>	<u>(146)</u>	<u>-</u>	<u>(1,315)</u>
At 31 March 2002	<u>3,97</u>	<u>1,264</u>	<u>263</u>	<u>12</u>	<u>1,936</u>
<b>Depreciation</b>					
At 31 March 2001	387	1,360	155	-	1,902
Charge	83	421	60	-	564
Disposals	<u>(341)</u>	<u>(767)</u>	<u>(127)</u>	<u>-</u>	<u>(1,235)</u>
At 31 March 2002	<u>129</u>	<u>1,014</u>	<u>88</u>	<u>-</u>	<u>1,231</u>
<b>Net book value</b>					
At 31 March 2002	<u>268</u>	<u>250</u>	<u>175</u>	<u>12</u>	<u>705</u>
At 31 March 2001	<u>322</u>	<u>650</u>	<u>213</u>	<u>12</u>	<u>1,197</u>

# Notes to financial statements (continued)

## 10 Debtors

	2002	(As restated) 2001
	£'000	£'000
<i>(a) Amounts falling due within one year:</i>		
Amounts due from immediate group undertakings	9,073	10,067
Amounts due from other group undertakings	1,203	2,599
Other debtors	1,264	1,465
Prepayments and accrued income	335	206
VAT recoverable	-	6
	<u>11,875</u>	<u>14,343</u>
<i>(b) Amounts falling due after more than one year:</i>		
Loan to group undertaking	4,200	4,200
Deferred tax asset	535	615
	<u>4,735</u>	<u>4,815</u>
<b>Total debtors</b>	<u>16,610</u>	<u>19,158</u>

The loan bears interest at 7.25% and has no fixed repayment date.

The deferred tax asset comprises the tax effect of timing differences due to capital allowances.

## 11 Creditors: Amounts falling due within one year

	2002	2001
	£'000	£'000
Trade creditors	896	941
Amounts due to group undertakings	1,517	514
Payroll taxes and social security	125	250
Accruals and deferred income	675	883
Proposed equity dividend	-	4,000
	<u>3,213</u>	<u>6,588</u>

## 12 Called-up equity share capital

	2002	2001
	£	£
<i>Authorised, allotted, called-up and fully paid</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

## Notes to financial statements (continued)

### 13 Reserves

	Profit and loss account £'000
As at 31 March 2001, as previously stated	13,692
Prior year adjustment	615
As at 1 April 2001, as restated	14,307
Retained profit for the year	252
As at 31 March 2002	14,559

### 14 Reconciliation of movements in equity shareholders' funds

	2002 £'000	2001 £'000
Profit for the year	1,752	1,734
Dividends paid or proposed	(1,500)	(4,000)
Net addition/(reduction) to shareholders' funds	252	(2,266)
Opening shareholders' funds, as previously stated	14,307	16,036
Prior year adjustment (see note 8)	-	537
Opening shareholders' funds, as restated	14,307	16,573
Closing shareholders' funds	14,559	14,307

### 15 Leasing commitments

At 31 March 2002, the company had annual commitments under non-cancellable operating leases for plant and equipment as set out below:

	2002 £'000	2001 £'000
Leases which expire		
– within 1 year	13	3
– within 2 to 5 years	82	42
	95	45

## Notes to financial statements (continued)

### 16 Pension costs

The group headed by Kuwait Petroleum (U.K. Holdings) Ltd operates both a funded defined benefit pension scheme and a defined contribution pension scheme in the UK, the assets of which are held in separate trustee administered funds.

Directors and employees seconded to the company from other group companies are not included in the above schemes. The total pension cost for the company for the year was £569,000 (2001 – £377,000). Of this £278,000 (2001 – £nil) relates to the UK defined benefit scheme and £nil (2001 – £nil) relates to the UK defined contribution scheme. The remainder of £291,000 (2001 – £377,000) is a recharge from a related group undertaking (see note 5b), representing contributions made to the Executive and Overseas Pension Scheme. Although the Executive and Overseas Pension Scheme is a defined benefit scheme the ultimate responsibility for funding this scheme resides with another company exterior to the Kuwait Petroleum (UK Holdings) Limited group (see note 17). The staff to which payments to this pension scheme relate are on secondment to the company, and once this secondment ends the company has no contractual responsibility to fund any future deficit in this scheme. The pension costs payable are therefore disclosed as if the scheme were a defined contribution scheme.

The pension cost payable in relation to the UK defined benefit scheme 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. At the end of the year there was no accrual or prepayment (2001 – £nil). The most recent formal actuarial valuation of this scheme for SSAP 24 purposes took place on 1 July 2000.

#### *FRS 17 disclosures*

Additional disclosures regarding the UK defined benefit pension scheme are required under the transitional provisions of FRS 17 "Retirement benefits". In accordance with FRS 17, the company will account 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.

### 17 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 CF4 3UZ.

### 18 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.