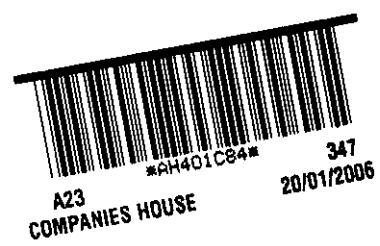


Company Registration No. 1734259

**Kuwait Petroleum International
Limited**

Report and Financial Statements

31 March 2005



Kuwait Petroleum International Limited

Report and financial statements 2005

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7

Kuwait Petroleum International Limited

Report and financial statements 2005

Officers and professional advisers

Directors

A Al-Houti
Y Al-Yateem
A I Behbehani
G Smith

Secretary

A Thomson

Registered Office

Dukes Court
Duke Street
Woking
Surrey
GU21 5BH

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Kuwait Petroleum International Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2005.

Principal activity and review of the 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 £1,069,000 (2004 – £733,000).

The directors recommended an interim dividend of £20,000 (2004 - £35,000) per ordinary share which was paid to ordinary shareholders on 6 June 2005.

Directors and their interests

The directors throughout the year and up to the date of this report were as follows:

A Al-Houti (appointed 30 September 2004)

J Al-Nouri (resigned 30 September 2004)

Y Al-Yateem (appointed 30 June 2005)

J.R. Howells (resigned 30 June 2005)

A.I. Behbehani

G. Smith

The directors had no interest in the share capital of the company or any other group undertakings.

Auditors

A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

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



A Thomson
Secretary

12 December 2005

Dukes Court
Dukes Street
Woking
Surrey
GU21 5BH

Kuwait Petroleum International Limited

Statement of directors' responsibilities

United Kingdom 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 as at the end of the financial year 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; 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 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 the system of internal control, 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 Limited

We have audited the financial statements of Kuwait Petroleum International Limited for the year ended 31 March 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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 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 of the state of the company's affairs as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

16 December 2005

Kuwait Petroleum International Limited

Profit and loss account Year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Turnover	2	22,564	20,172
Administrative expenses		(21,501)	(19,564)
Operating profit		1,063	608
Interest receivable and similar income	3	72	211
Interest payable and similar charges	4	(54)	(39)
Profit on ordinary activities before taxation	5	1,081	780
Tax on profit on ordinary activities	6	(12)	(47)
Profit on ordinary activities after taxation		1,069	733
Dividends paid or proposed	7	(2,000)	(3,500)
Retained loss for the year	12	(931)	(2,767)
Retained profit brought forward		7,551	10,318
Retained profit carried forward		6,620	7,551

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

There are no recognised gains or losses for the year other than the results for the year shown above, consequently no statement of total recognised gains and losses is presented.


Kuwait Petroleum International Limited

Balance sheet 31 March 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	8	418	355
Current assets			
Debtors:			
- amounts falling due within one year	9a	12,012	8,546
- amounts falling due after more than one year	9b	394	406
Cash at bank and in hand		720	1,038
		13,126	9,990
Creditors: amounts falling due within one year	10	(6,924)	(2,794)
Net current assets		6,202	7,196
Total assets less current liabilities, being net assets		6,620	7,551
Capital and reserves			
Called up equity share capital	11	-	-
Profit and loss account	12	6,620	7,551
Total equity shareholders' funds	13	6,620	7,551

These financial statements were approved by the Board of Directors on 12 December 2005.

Signed on behalf of the Board of Directors



G Smith
Director

Kuwait Petroleum International Limited

Notes to the financial statements Year ended 31 March 2005

1. Accounting policies

A summary of the company's principal accounting policies, all of which have been applied consistently throughout the current and preceding year, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

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.

Tangible fixed assets

Tangible fixed assets are shown at original historical cost. Depreciation is provided on a straight-line basis on all tangible assets except work in progress 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

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.

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.

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 15.

Kuwait Petroleum International Limited

Notes to the financial statements Year ended 31 March 2005

1. Accounting policies (continued)

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. Deferred tax is not discounted.

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.

Cash flow statement

The company's ultimate parent company, Kuwait Petroleum Corporation (note 16), 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.

2. Turnover

Turnover is considered by the directors to be from one class of business all of which originated in the United Kingdom and was contributed as follows:

	2005 £'000	2004 £'000
United Kingdom	2,998	3,243
Overseas	19,566	16,929
	<u>22,564</u>	<u>20,172</u>

3. Interest receivable and similar income

	2005 £'000	2004 £'000
Interest receivable from group undertakings	49	209
Bank interest receivable	23	2
	<u>72</u>	<u>211</u>

Kuwait Petroleum International Limited

Notes to the financial statements Year ended 31 March 2005

4. Interest payable and similar charges

	2005 £'000	2004 £'000
Interest payable - other	1	-
Interest payable to group undertaking	53	39
	<u>54</u>	<u>39</u>

5. Profit on ordinary activities before taxation

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

	2005 £'000	2004 £'000
Depreciation		
- owned assets	156	212
Foreign exchange loss	102	285
Auditors' remuneration		
- audit services	130	108
- non-audit services	16	30
Operating lease rentals		
- plant and machinery	10	10
- other	166	167
	<u>166</u>	<u>167</u>

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

(b) Staff costs

	2005 £'000	2004 £'000
Employees, including executive directors:		
Wages and salaries	8,964	7,910
Social security costs	1,295	1,703
Pension costs (note 15)	2,165	581
	<u>12,424</u>	<u>10,194</u>

Kuwait Petroleum International Limited

Notes to the financial statements Year ended 31 March 2005

5. Profit on ordinary activities before taxation (continued)

Staff costs, including those in respect of executive directors, include a recharge of costs of £5,542,017 (2004 – £5,311,900) for 25 personnel (2004 – 24) employed by a related group undertaking in respect of services provided to the company.

The average monthly number of employees during the year was 106 (2004 – 117) including those personnel employed by related group undertakings. All staff are employed in administrative positions.

(c) Directors' remuneration

	2005 £'000	2004 £'000
Emoluments (excluding pension contributions)	887	907
Compensation for loss of office	691	-
	<u>1,578</u>	<u>907</u>

The directors' remuneration shown above, excluding pension contributions, included the emoluments of the highest paid director, of £928,021 (including compensation for loss of office) (2004 – £314,397). The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 March 2005 was £nil (2004 – £nil).

No directors were members of money purchase pension schemes in either period. 3 directors (2004 – 3) were members of defined benefit schemes.

6. Tax on profit on ordinary activities

The tax charge comprises:

	2005 £'000	2004 £'000
<i>Deferred Tax</i>		
Deferred tax charge / (credit) origination and reversal of timing differences	12	(46)
<i>Current tax</i>		
UK Corporation Tax:		
Current tax on income for the year	-	93
Double taxation relief	-	(93)
	<u>-</u>	<u>-</u>
Foreign Tax:		
Current tax on income for the year	-	93
	<u>-</u>	<u>93</u>
Total tax on profit on ordinary activities	<u>12</u>	<u>47</u>

Kuwait Petroleum International Limited

Notes to the financial statements Year ended 31 March 2005

6. Tax on profit on ordinary activities (continued)

Factors affecting current tax charge

	2005 £'000	2004 £'000
Profit on ordinary activities before taxation	1,081	780
Corporation tax at 30%	324	234
Effects of:		
Capital allowance in excess of depreciation	(126)	(110)
Other timing differences	39	70
Losses surrendered as group relief	(237)	(101)
Total current tax charge	-	93

7. Dividends paid or proposed on equity shares

	2005 £'000	2004 £'000
Interim paid of £20,000 (2004 – £35,000) per £1 ordinary share	2,000	3,500

Kuwait Petroleum International Limited

Notes to the financial statements Year ended 31 March 2005

8. Tangible fixed assets

	Furniture and office equipment £'000	Data processing equipment £'000	Building fixtures and fittings £'000	Work in progress £'000	Total £'000
Cost					
At 31 March 2004	364	762	229	12	1,367
Foreign currency translation adjustment	(5)	(3)	(2)	-	(10)
Additions	107	105	51	-	263
Transfers	91	-	(91)	-	-
Disposals	(43)	(449)	-	(12)	(504)
At 31 March 2005	514	415	187	-	1,116
Accumulated depreciation					
At 31 March 2004	288	615	109	-	1,012
Foreign currency translation adjustment	(4)	(3)	(1)	-	(8)
Charge	48	102	6	-	156
Transfers	(22)	-	22	-	-
Disposals	(17)	(445)	-	-	(462)
At 31 March 2005	293	269	136	-	698
Net book value					
At 31 March 2005	221	146	51	-	418
At 31 March 2004	76	147	120	12	355

Kuwait Petroleum International Limited

Notes to the financial statements Year ended 31 March 2005

9. Debtors

	2005 £'000	2004 £'000
a) Amounts falling due within one year:		
Amounts due from immediate group undertakings	10,278	7,638
Amounts due from other group undertakings	517	-
Other debtors	702	81
Payroll taxes and social security	-	15
VAT Receivable	2	-
Prepayments and accrued income	513	812
	<u>12,012</u>	<u>8,546</u>
b) Amounts falling due after more than one year:		
Deferred tax asset	394	406
	<u>394</u>	<u>406</u>
Total debtors	<u>12,406</u>	<u>8,952</u>

The deferred tax asset comprises the tax effect of timing differences due to capital allowances, with all movements during the year taken to the profit and loss account (see note 6).

10. Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Trade creditors	907	512
Amounts due to immediate group undertakings	2,588	777
Dividend due to immediate group undertaking	2,000	-
Amounts due to other group undertakings	155	125
Accruals and deferred income	1,274	1,238
VAT payable	-	142
	<u>6,924</u>	<u>2,794</u>

11. Called up share capital

	2005 £	2004 £
Authorised, issued and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

Kuwait Petroleum International Limited

Notes to the financial statements Year ended 31 March 2005

12. Reserves

	Profit and loss account £'000
As at 1 April 2004	7,551
Retained loss for the year	(931)
	<hr/>
As at 31 March 2005	6,620
	<hr/>

13. Reconciliation of movements in equity shareholders' funds

	2005 £'000	2004 £'000
Profit for the financial year	1,069	733
Dividends paid or proposed	(2,000)	(3,500)
	<hr/>	<hr/>
Net deduction from equity shareholders' funds	(931)	(2,767)
	<hr/>	<hr/>
Opening equity shareholders' funds	7,551	10,318
	<hr/>	<hr/>
Closing equity shareholders' funds	6,620	7,551
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14. Leasing commitments

At 31 March 2005, the company had annual commitments under non-cancellable operating leases as set out below:

	2005 £'000	2004 £'000
Other leases which expire:		
- within 1 year	115	10
- within 2 to 5 years	94	106
	<hr/>	<hr/>
	209	116
	<hr/>	<hr/>

Kuwait Petroleum International Limited

Notes to the financial statements Year ended 31 March 2005

15. Pension costs

The group headed by Kuwait Petroleum (UK 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 £2,165,000 (2004 – £581,000). Of this £452,000 (2004 – £106,000) relates to the UK defined benefit scheme and £nil (2004 – £nil) relates to the UK defined contribution scheme. The remainder of £1,713,000 (2004 – £475,000) 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 a company exterior to the group headed by Kuwait Petroleum (U.K.) Holdings Limited. The staff to which payments to this pension scheme relate are on secondment to the group, and once this secondment ends the group 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 (U.K. Holdings) Limited, the immediate parent company. At the end of the year there was no accrual or prepayment (2004 – £nil). The most recent formal actuarial valuation of this scheme for SSAP 24 purposes took place on 1 July 2003, and the scheme was in deficit with approximately 76% of the liabilities funded.

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 scheme, prepared for making the transitional disclosures in accordance with FRS 17 in the consolidated accounts of the parent company, shows a deficit position. Further details can be found in the annual report of Kuwait Petroleum (U.K. Holdings) Limited.

16. Ultimate parent company

The ultimate parent company and 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 immediate parent company, and parent company of the smallest such group is Kuwait Petroleum (U.K. Holdings) Limited whose principal place of business is at Dukes Court, Duke Street, Woking, Surrey, GU21 5BH. Copies of the consolidated accounts of Kuwait Petroleum (U.K. Holdings) Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

17. 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.