

Company Registration No. 2063581

**Kuwait Petroleum (U.K. Holdings)
Limited and subsidiary undertakings
Report and Financial Statements**

31 March 2006



Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Report and financial statements 2006

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	5
Independent auditors' report	6
Consolidated profit and loss account	8
Consolidated statement of total recognised gains and losses	8
Consolidated balance sheet	9
Company balance sheet	10
Notes to the accounts	11

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Report and financial statements 2006

Officers and professional advisers

Directors

Mr A Al-Houti
Mr A I Behbehani
Mr S W B Whitworth

Secretary

Mrs A Thomson

Registered Office

6th Floor
Dukes Court
Duke Street
Woking
Surrey
GU21 5BH

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Directors' report

The directors present their annual report together with the financial statements and auditors' report for the year ended 31 March 2006.

Principal activity and review of business developments

The group's principal activity continues to be the distribution and marketing of petroleum products. The directors expect that the level of activity of the group will continue in the forthcoming year.

As shown in the Group's consolidated profit and loss account on page 8, turnover has increased by 7.2%, principally due to increases in sales volume and refined product prices. If the contribution of operations discontinued in the prior year (see note 24) is excluded, turnover from continuing operations has increased by 56% compared to 2005. However, gross profit has fallen from £65.7 million to £42.6 million, principally as a result of the elimination of gross profit of £22.0 million generated in 2005 from operations discontinued in that year. In addition, strong competition in the group's continuing business has not allowed increases in product costs to be fully passed on to the group's customer base.

The operating result of the group has deteriorated from a profit of £3.2 million to a loss of £6.7 million. This is primarily due to the group's continuing operations moving from an operating profit of £2.0 million in the prior year to an operating loss of £6.7 million in the current year. Factors contributing to this decline include a 19% increase in the distribution costs of its continuing operations compared with the previous year, partly due to airport and storage fees increasing with higher sales volume, and also a 18% increase in the group's administration costs, again compared to the continuing operations of the previous year.

The net result of the group has moved from a retained profit of £11.2 million in 2005 to a retained loss of £9.1 million in the current year. In addition to the deterioration in operating results, this is principally due to an £8.6 million reduction in profit from the disposal of discontinued operations and other fixed assets.

The balance sheet on page 9 of the financial statements show that the group's financial position at the year end has deteriorated, with net liabilities increasing to £264.0 million this year, up from £256.1 million previously. During the year, the group adopted FRS 17 ("Retirement Benefits") and restated the comparative figures for 2005 accordingly. The impact of adopting this standard is that the net liabilities of the group now include the deficit on the group's defined benefit pension schemes totalling £12 million this year (2005 - £15.9 million).

The subsidiary and associated undertakings principally affecting the results of the group in the year are listed in note 9 to the financial statements.

The group incurs expenditure on research and development of advanced fuels and lubricants for improved environmental and performance purposes. This expenditure is written off as incurred.

Principal risks and uncertainties

Competitive pressure within the industry in which the group operates is a continuing risk for the group, which could result in losing sales to key competitors. There is also an inherent credit risk when sales are made to customers. The group manages these risks by providing added value services to customers, having fast response times in handling all customer queries, maintaining strong relationships with customers and suppliers, and wherever possible making sales on a prepayment basis.

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Directors' report

The group is exposed to risks associated with changes in foreign exchange rates. The group's treasury company enters into derivative contracts to manage the risk of the largest trading company within the group. Smaller companies within the group do not enter into any hedging activity however they continue to monitor the risks associated with changes in foreign exchange rates on an ongoing basis.

Results and dividends

The group's loss for the financial year after taxation and minority interests amounted to £9,066,000 (2005 restated – profit of £11,199,000).

The directors do not recommend the payment of a dividend (2005 – £nil).

Disabled employees

The group gives every consideration to applications for employment from disabled persons where the requirements of a job may be adequately covered by a handicapped or disabled person. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee involvement

During the year the policy of providing employees with information about the group has continued. Local management of operating units regularly consults with employees to enhance their understanding of the business and gain their involvement in the success of the group.

Political and charitable contributions

During the year the group made charitable contributions totalling £3,125 (2005 – £804). There were no political contributions in either the current or prior year.

Supplier payment policy

The company's policy, which is also applied to the group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the group at 31 March 2006 were equivalent to 15 (2005 – 6) days' purchases, based on the average daily amount invoiced by suppliers during the year. It is not considered meaningful to disclose a number in respect of the parent company, as this company does not trade.

Environment

The Kuwait Petroleum UK Holdings Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the groups activities. Initiatives designed to minimise the group's impact on the environment include tight safety procedures in the handling of aviation fuel so as to minimise any pollution to the environment. We are also committed to the clean up of any sites where our operations cease.

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Directors' report

Directors and their interests

The directors who served throughout the year and subsequently were as follows:

A Al-Houti
A I Behbehani
S W B Whitworth

No director held any disclosable interest in the share capital of the company or any other group undertaking during the year or at the date of this report.

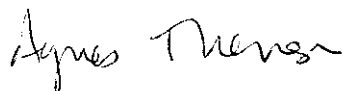
Information to auditors

Each of the directors in office at the time when the directors' report is approved confirm that so far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and that they have taken all the steps that they ought to have taken as directors in order 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.

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



A Thomson
Secretary

1 February 2007

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

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 and group as at the end of the financial year and of the profit or loss of the group 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 and group 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 group 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 group 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 (U.K. Holdings) Limited and subsidiary undertakings

We have audited the financial statements of Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings for the year ended 31 March 2006 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the company balance sheet and the related notes 1 to 24. 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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 judgments 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 and the group, 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 group's and the individual company's affairs as at 31 March 2006 and of the group's loss 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

Y February 2007

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Consolidated profit and loss account Year ended 31 March 2006

		2006		2005	
	Note	Total £'000	Continuing operations £'000	Discontinued operations (see note 24) £'000	Total (Restated see note 23) £'000
Turnover	2	481,065	308,809	139,865	448,674
Cost of sales		(438,438)	(265,134)	(117,878)	(383,012)
Gross profit		42,627	43,675	21,987	65,662
Other operating expenses (net)	4	(49,355)	(41,692)	(20,817)	(62,509)
Operating(loss) / profit		(6,728)			3,153
Profit on sale of discontinued operations	24	2,018			7,837
Profit on disposal of fixed assets		-			2,804
Finance charges (net)	5	(3,818)			(2,350)
(Loss) / Profit on ordinary activities before taxation	6	(8,528)			11,444
Tax on profit on ordinary activities	7	(395)			(12)
(Loss) / Profit on ordinary activities after taxation		(8,923)			11,432
Equity minority interests' share of profit	17	(143)			(233)
Retained (loss) / profit on ordinary activities after taxation for the year	15	(9,066)			11,199

There were no material acquisitions in either period.

Consolidated statement of total recognised gains and losses Year ended 31 March 2006

	2006 £'000	Restated (see note 23) 2005 £'000
Retained (loss) / profit for the financial year	(9,066)	11,199
Gain /(loss) on foreign currency translation	226	(122)
Actuarial gain / (loss) relating to pensions scheme	916	(375)
Total recognised (losses)/gains relating to the year	(7,924)	10,702
Prior year adjustment (see note 23)	(15,852)	
Total gains / (losses) recognised since last annual report and financial statements	(23,776)	

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Consolidated balance sheet 31 March 2006

			Restated (see note 23)
	Note	2006 £'000	2005 £'000
Fixed assets			
Tangible assets	8	10,003	11,278
Investments	9	3,156	138
		<u>13,159</u>	<u>11,416</u>
Current assets			
Stocks	10	25,980	14,474
Debtors			
- amounts falling due within one year	11a	299,531	264,781
- amounts falling after more than one year	11b	8,477	11,516
Cash at bank and in hand		<u>120,657</u>	<u>59,004</u>
		454,645	349,775
Creditors: Amounts falling due within one year	12	<u>(469,324)</u>	<u>(351,004)</u>
Net current liabilities		<u>(14,679)</u>	<u>(1,229)</u>
Total assets less current liabilities		(1,520)	10,187
Creditors: Amounts falling due after more than one year	13	<u>(250,438)</u>	<u>(250,437)</u>
Net liabilities excluding pension liability		(251,958)	(240,250)
Pension liability	20	<u>(11,993)</u>	<u>(15,852)</u>
Net liabilities including pension liability	21	<u>(263,951)</u>	<u>(256,102)</u>
Capital and reserves			
Called-up equity share capital	14	15,000	15,000
Capital reserve	15	561	561
Foreign currency translation reserve	15	(195)	(421)
Profit and loss account	15	<u>(280,231)</u>	<u>(272,081)</u>
Equity shareholder's deficit	16	(264,865)	(256,941)
Minority interests	17	<u>914</u>	<u>839</u>
Total capital employed		<u>(263,951)</u>	<u>(256,102)</u>

These financial statements were approved by the Board of Directors on 1 February 2007.

Signed on behalf of the Board of Directors


A I Behbehani

Director

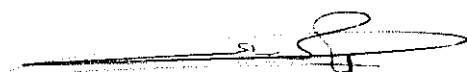
Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Company balance sheet 31 March 2006

			Restated (see note 23)
	Note	2006 £'000	2005 £'000
Fixed assets			
Investments	9	8,873	8,637
Tangible assets	8	-	675
		<u>8,873</u>	<u>9,312</u>
Current assets			
Debtors	11	1,120	3,899
Creditors: Amounts falling due within one year	12	<u>(4,616)</u>	<u>(7,883)</u>
Net current liabilities		<u>(3,496)</u>	<u>(3,984)</u>
Total assets less current liabilities		<u>5,377</u>	<u>5,328</u>
Creditors: Amounts falling due after more than one year	13	<u>(250,437)</u>	<u>(250,437)</u>
Net liabilities	21	<u>(245,060)</u>	<u>(245,109)</u>
Capital and reserves			
Called up equity share capital	14	15,000	15,000
Profit and loss account	15	<u>(260,060)</u>	<u>(260,109)</u>
Equity shareholder's deficit	16	<u>(245,060)</u>	<u>(245,109)</u>

These financial statements were approved by the Board of Directors on 1 February 2007.

Signed on behalf of the Board of Directors



A I Behbehani
Director

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts Year ended 31 March 2006

1. Accounting policies

A summary of the group's principal accounting policies which, with exception of the adoption of FRS 17 (see "Pensions" below) and FRS 21 (see note 23), have been applied consistently throughout the current and preceding year is set out below.

(a) Basis of accounting

These financial statements have been prepared under the historical cost convention, except for the fair valuation of certain forward foreign exchange contracts (see note 1i), and the actuarial valuation of defined benefit pension schemes and in accordance with applicable United Kingdom law and accounting standards.

(b) Basis of consolidation

The group financial statements consolidate the accounts of Kuwait Petroleum (U.K. Holdings) Limited ('the company') and its subsidiary undertakings drawn up to 31 March 2006. Details of the principal subsidiary undertakings included in the consolidation are set out in note 9. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of during the period are included in the consolidated profit and loss account from or to the date on which control passed.

No profit and loss account is presented for Kuwait Petroleum (U.K. Holdings) Limited as permitted by s230 of the Companies Act 1985. The company's results for the period are shown in note 15.

c) Cash flow statement

Under the provisions of Financial Reporting Standard No.1 (Revised 1996), the group has not prepared a cash flow statement because its ultimate parent company, which is incorporated in Kuwait, prepares accounts which consolidate those of the group and are publicly available (see note 21).

d) Tangible fixed assets

Tangible fixed assets are shown at original historical cost less any provision for impairment. No provision is made for depreciation of freehold land. Other fixed assets in use are depreciated on a straight-line basis at rates designed to write off costs, less residual values, over their estimated useful lives, having regard to the applicable operating circumstances and locations of the assets, as follows:

Freehold buildings	up to 40 years
Plant, machinery and equipment	up to 20 years
Motor vehicles	from 3 to 5 years

e) Fixed asset investments

Fixed asset investments are shown at cost less provision for impairment. Investment income is recognised when receivable.

f) Investments in joint ventures

Investments in joint ventures represent the cost incurred by a subsidiary undertaking of acquiring capital interests in several joint ventures, both incorporated and unincorporated, plus that undertaking's share of subsequent capital additions, less any provision for impairment. The cost of each unincorporated joint venture is amortised over the remaining life of the lease of the land on which the related assets are sited or the unexpired period of the licence, whichever is applicable.

The group has certain contractual arrangements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. The group includes its share of assets, liabilities and cash flows in such joint arrangements, measured in accordance with the terms of each agreement.

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts Year ended 31 March 2006

1. Accounting policies (continued)

g) Research and development

Research and development expenditure is written off as incurred.

h) Stocks

Refined petroleum products are valued at the lower of average cost and net realisable value. Materials and supplies are valued at selling price less gross margin.

i) Foreign currencies

Transactions denominated in foreign currencies are translated at the average exchange rate for the month in which the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange prevailing at the period end. All forward foreign exchange contracts (except those which are used for hedging purposes) which are open at period end are re-valued at rates of exchange prevailing at the period end. Gains and losses arising from the use of hedging instruments are recorded in the profit and loss account concurrently with gains and losses arising from the underlying hedged investments. All other exchange differences are taken to the profit and loss account immediately.

For the purposes of consolidation, the closing rate method is used under which translation gains or losses are shown as a movement on reserves. The profit and loss accounts of subsidiary undertakings with financial statements denominated in currencies other than pounds sterling are translated at the average exchange rate for the period.

j) Taxation

Current 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 group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains or 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 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 measured on a non-discounted basis.

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts Year ended 31 March 2006

1. Accounting policies (continued)

k) Pension costs

During the current year, the company adopted FRS 17 ("Retirements Benefits") and restated the comparative figures for 2005 accordingly. Details of the impact of the adoption are provided in note 23.

The company has a defined benefit pension scheme. The amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as a part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The defined benefit scheme is funded with the assets of the scheme held separately from those of the company, in a separate trustee administered fund. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

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

l) Leases

The group enters into operating leases as detailed in note 19.

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.

2. Turnover

Turnover primarily represents amounts receivable (exclusive of VAT, excise duty and similar levies) in respect of goods and services provided in the normal course of business.

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts

Year ended 31 March 2006

2. Turnover (continued)

Geographic distribution

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

	2006 £'000	2005 £'000
Europe		
– United Kingdom	435,615	404,847
– other	28,023	32,668
Middle East	14,493	10,173
Far East	1,640	983
North America	763	3
Other	531	-
	<u>481,065</u>	<u>448,674</u>

3. Group segmental results

The group operates substantially in only one geographical segment, the United Kingdom, and in one business segment, the marketing and distribution of petroleum products.

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts Year ended 31 March 2006

4. Other operating expenses (net)

Continuing operations

	2006 £'000	Restated (see note 23) 2005 £'000
Distribution costs	(14,566)	(12,215)
Administrative expenses	(35,707)	(30,204)
Other operating income	918	727
	<u>(49,355)</u>	<u>(41,692)</u>

Discontinued operations

	2006 £'000	Restated (see note 23) 2005 £'000
Distribution costs	-	(20,722)
Administrative expenses	-	(2,837)
Other operating income	-	2,742
	<u>-</u>	<u>(20,817)</u>

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts Year ended 31 March 2006

5. Finance charges (net)

	2006 £'000	Restated (see note 23) 2005 £'000
Interest income on bank deposits and short-term loans	3,450	909
Interest on loans to fellow subsidiaries and other related undertakings	6,967	5,679
Other interest receivable and similar income	784	1,099
Finance income of pension scheme	198	-
Interest receivable and similar income	<u>11,399</u>	<u>7,687</u>
Bank overdrafts and short-term loans		
– repayable within five years not by instalments	(78)	(39)
Loans from fellow subsidiaries and other related undertakings	(14,965)	(9,195)
Net foreign exchange losses	(174)	(520)
Finance cost of pension scheme	-	(283)
Interest payable and similar charges	<u>(15,217)</u>	<u>(10,037)</u>
Finance charges (net)	<u><u>(3,818)</u></u>	<u><u>(2,350)</u></u>

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts Year ended 31 March 2006

6. (Loss) / profit on ordinary activities before taxation

(Loss) / profit on ordinary activities before taxation is stated after charging:

	2006 £'000	2005 £'000
Depreciation – owned assets	1,148	3,452
Amortisation of goodwill	-	32
Operating lease rentals		
- other	179	915
- plant and machinery	344	1,154
Auditors' remuneration		
- audit	218	221
- tax compliance	-	13
- tax advisory	55	-
Research and development costs	384	195

The audit fee includes approximately £100,000 (2005 - £100,000) paid on behalf of, and subsequently recharged to, other entities within the Kuwait Petroleum Corporation group. The remuneration of the auditors of the company was borne by another group undertaking.

There is no material difference, for either year, between either the profit on ordinary activities before taxation or the profit for the financial year and their respective historical cost equivalents.

Staff costs

Employees, including executive directors:

	2006 £'000	Restated (see note 23) 2005 £'000
Wages and salaries	12,810	18,977
Social security costs	2,280	2,178
Other pension costs / (income) (note 20):		
Defined benefit scheme	1,105	(599)
Defined contribution scheme	2,158	1,841
Redundancy costs	-	139
	18,353	22,536

The average monthly number of employees (including executive directors) during the year was 259 (2005 - 571). These were split as follows: Sales 25 (2005 - 314), Distribution 3 (2005 - 12) and Administration 231 (2005 - 245).

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts

Year ended 31 March 2006

6. (Loss) / Profit on ordinary activities before taxation (continued)

Directors' remuneration

	2006 £	2005 £
Emoluments (excluding pension contributions)	631,901	533,831
Compensation for loss of office	-	691,328
	<u>631,901</u>	<u>1,225,159</u>

The directors remuneration shown above included the emoluments of the highest paid director, excluding pension contributions, of £329,701 (2005 – £928,021). One director was a member of a defined benefit scheme in both years. No directors were members of a defined contribution scheme in either year. The accrued pension benefit at the period end of the highest paid director was £nil (2005 - £nil).

7. Tax on (loss) / profit on ordinary activities

The tax charge for the year is as follows:

	2006 £'000	2005 £'000
Deferred Tax		
Deferred tax charge – origination and reversal of timing differences (see note 11)	<u>(394)</u>	<u>(12)</u>
Current Tax		
Foreign tax on income for the period	(1)	-
Double taxation relief	<u>-</u>	<u>-</u>
	<u>(1)</u>	<u>-</u>
Tax on profit on ordinary activities	<u><u>(395)</u></u>	<u><u>(12)</u></u>

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts

Year ended 31 March 2006

7. Tax on (loss) / profit on ordinary activities (continued)

The reconciliation between the total current tax charge and the amount calculated by applying the enacted standard rate of UK corporation tax (30%) to the profit before tax is shown in the reconciliation below.

	2006 £'000	Restated (see note 23) 2005 £'000
Current tax		
(Loss)/Profit on ordinary activities before tax	(8,528)	11,444
Corporation tax at 30% (2005: 30%)	(2,558)	3,433
Effect of:		
Depreciation claimed in excess of capital allowances	108	144
Capital allowances claimed in excess of depreciation	(273)	(268)
Pension scheme tax deductions in excess of charges	(883)	(1,370)
Non-taxable disposal profits	-	(2,351)
Disallowable expenditure	1,435	1,090
Non-taxable dividend income	(235)	(282)
Other timing differences	22	(240)
Tax losses used	(361)	(156)
Unrelieved tax losses	2,744	-
Total current tax charge	(1)	-

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts Year ended 31 March 2006

8. Tangible fixed assets

Group	Freehold land and buildings £'000	Vehicles, plant and equipment £'000	Total £'000
Cost			
At 31 March 2005	2,812	15,570	18,382
Additions	28	566	594
Disposals	(675)	(64)	(739)
	<hr/>	<hr/>	<hr/>
At 31 March 2006	2,165	16,072	18,237
Depreciation			
At 31 March 2005	252	6,852	7,104
Charge	86	1,062	1,148
Disposals	-	(18)	(18)
	<hr/>	<hr/>	<hr/>
At 31 March 2006	338	7,896	8,234
Net book value			
At 31 March 2006	<hr/> 1,827 <hr/>	<hr/> 8,176 <hr/>	<hr/> 10,003 <hr/>
At 31 March 2005	<hr/> 2,560 <hr/>	<hr/> 8,718 <hr/>	<hr/> 11,278 <hr/>

Included in the net book value above is £375,000 (2005 - £375,000) of freehold land that is not being depreciated.

The tangible fixed assets of the company of £Nil relate to freehold land and buildings, which were sold during the year (2005 - £675,000).

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts Year ended 31 March 2006

9. Fixed asset investments

Group	Investments £'000	Long term loans £'000	Total £'000
Cost			
As 31 March 2005	396	30	426
Additions	2,416	792	3,208
As 31 March 2006	2,812	822	3,634
Provision for impairment			
As at 31 March 2005	288	-	288
Charge for the year	190	-	190
As at 31 March 2006	478	-	478
Net book value			
As at 31 March 2006	2,334	822	3,156
As at 31 March 2005	108	30	138

Fixed asset investments represent the following shareholdings in joint ventures and related long-term loans held by a subsidiary undertaking in companies registered in England and Wales:

Hydrant Servicing Company Limited	40 ordinary £1 shares representing 33.3% of the total nominal value of ordinary shares issued
Heathrow Hydrant Operating Company Limited	100 ordinary £1 shares representing 10% of the total nominal value of ordinary shares issued
Gatwick Airport Storage & Hydrant Company Limited (GASHCO)	100 ordinary £1 shares representing 12.5% of the total nominal value of ordinary shares issued
Manchester Airport Storage Hydrant Company Limited (MASHCO)	25 ordinary £1 shares representing 25% of the total nominal value of ordinary shares issued
Stansted Fuelling Company Limited	100 ordinary £1 shares representing 14.3% of the total nominal value of ordinary shares issued
Heathrow Hydrant Company Limited	1,000 ordinary £1 shares representing 10% of the total nominal value of ordinary shares issued
Heathrow Airport Fuelling Company Limited (HAFCO)	100 ordinary £1 shares representing 16.67% of the total nominal value of ordinary shares issued
Stansted Into-Plane Company Limited	1,000 ordinary £1 shares representing 25% of the total nominal value of ordinary shares issued
Aviation Fuel Services Limited	75 ordinary £1 shares representing 25% of the total nominal value of ordinary shares issued
Pentland Aviation Fuelling Services Limited	150 ordinary £1 shares representing 25% of the total nominal value of ordinary shares issued

There are no listed fixed asset investments.

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts Year ended 31 March 2006

9. Fixed asset investments (continued)

Company

Investments in and loans to subsidiary undertakings are as follows:

	Investments £'000	Loans £'000	Total £'000
Balance at 31 March 2005 at cost	5,763	2,874	8,637
Additions	3,000	-	3,000
Impairment	(2,764)	-	(2,764)
Net book value at 31 March 2006	5,999	2,874	8,873

Additions represent additional financing provided to two subsidiaries as they resumed trading. The impairment charge shown above has been recorded to reflect the net asset position of Kuwait Petroleum International Lubricants (UK) Limited and International Diesel Service Limited.

The company's active subsidiary undertakings are as follows:

Name of company	Holding	Voting rights and ownership	Nature of business
Kuwait Petroleum International Aviation Co. Limited	100 £1 ordinary shares	100%	Agents for the supply of aviation fuel
Kuwait Petroleum International Aviation Co. (UK) Limited*	100 £1 ordinary shares	100%	Supply of aviation fuel
International Diesel Service Limited	2,000,000 £1 ordinary shares	100%	Marketing petroleum products
Kuwait Petroleum International Lubricants (UK) Limited	4,400,000 £1 ordinary shares	100%	Blending and marketing of petroleum products
Kuwait Petroleum International Limited	100 £1 ordinary shares	100%	Administrative and advisory
Kuwait Petroleum International Treasury Services Limited	100 £1 ordinary shares 5,000,000 US\$1 ordinary shares	76%	Group treasury services
Kuwait Petroleum (Ireland) Limited	100 €2 ordinary shares	100%	Marketing petroleum products

All of these companies are incorporated in Great Britain, except Kuwait Petroleum (Ireland) Limited, which is registered in the Republic of Ireland. Last year, the group disposed of Kuwait Petroleum (G.B.) Limited, The Ross Chemicals and Storage Co. Limited and Kuwait Fuelcare Limited.

*Subsidiary undertaking not directly owned by the company.

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts Year ended 31 March 2006

10. Stocks

	2006 £'000	2005 £'000
Group		
Refined petroleum products	25,152	13,627
Spare parts, materials and supplies	828	847
	<u>25,980</u>	<u>14,474</u>

The estimated replacement cost of stocks is not materially different from historic cost in either year. The company held no stocks in either year.

11. Debtors

a) Amounts falling due within one year:

	2006 £'000	2005 £'000
Group		
Trade debtors	29,190	21,987
Amounts due from fellow subsidiary undertakings	257,491	237,034
Other debtors	2,185	4,207
VAT and other excise duties receivable	6,858	687
Prepayments and accrued income	3,807	866
	<u>299,531</u>	<u>264,781</u>
		Restated (see note 23)
	2006 £'000	2005 £'000
Company		
Other debtors	-	753
Amounts due from fellow subsidiary undertakings	1,112	3,131
VAT and other excise duties receivable	8	15
	<u>1,120</u>	<u>3,899</u>

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts Year ended 31 March 2006

11. Debtors (continued)

b) Amounts falling due after more than one year:

	2006 £'000	2005 £'000
Group		
Loans to dealers	25	34
Deferred tax asset	-	394
Prepayments and accrued income	8,452	11,088
	<u>8,477</u>	<u>11,516</u>

The movement in the deferred tax asset during the year has been taken to the profit and loss account (see note 7). The balance at the end of the prior year represents excess depreciation over capital allowances.

An additional deferred tax asset amounting to £11,031,000 (2005 - £4,557,000) relating principally to brought forward losses within subsidiaries has not been recognised because, in the opinion of the directors, there will be no suitable taxable profits available in the foreseeable future against which these can be offset. This unrecognised deferred tax asset also includes £3,598,000 in relation to the pension scheme liability at the year end.

The long-term prepayment shown above relates to certain prepaid operating costs which will be recovered over the life of the related contractual agreement which terminates in 2018.

12. Creditors: Amounts falling due within one year

	2006 £'000	2005 £'000
Group		
Trade creditors	25,734	6,094
Amounts due to immediate / intermediate parent undertakings	300,155	239,874
Amounts due to fellow subsidiary undertakings	136,369	97,974
Payroll taxes and social security costs	188	-
Other creditors	1,225	349
Accruals and deferred income	5,653	6,713
	<u>469,324</u>	<u>351,004</u>
Company		
Amounts due to fellow subsidiary undertakings	1,815	2,149
Amounts due to subsidiary undertakings	2,427	2,514
Accruals and deferred income	374	3,220
	<u>4,616</u>	<u>7,883</u>

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts Year ended 31 March 2006

13. Creditors: Amounts falling due after more than one year

	2006 £'000	2005 £'000
Group		
Loans from immediate / intermediate parent undertakings	202,938	202,937
Loan from fellow subsidiary undertaking	47,500	47,500
	<u>250,438</u>	<u>250,437</u>
Company		
Loans from immediate/ intermediate parent	202,937	202,937
Loan from fellow subsidiary undertaking	47,500	47,500
	<u>250,437</u>	<u>250,437</u>

Loans from immediate and intermediate parent undertakings are denominated in sterling and they are interest free. They all have a 10 year term with the earliest repayment due in June 2007.

The loans from fellow subsidiary undertaking are denominated in sterling. It has a 10 year term with a repayment due in June 2007. Interest rate is LIBOR +0.5%. Borrowings are repayable as follows:

	2006 £'000	2005 £'000
Group		
Between one and two years	81,857	-
Between two and five years	73,939	87,853
After five years	94,642	162,584
	<u>250,438</u>	<u>250,437</u>
Company		
Between one and two years	81,857	-
Between two and five years	73,939	87,853
After five years	94,641	162,584
	<u>250,437</u>	<u>250,437</u>

14. Called-up equity share capital

	2006 £	2005 £
Authorised		
(2005 – 100,000,000) ordinary shares of £1 each	<u>100,000,000</u>	<u>100,000,000</u>
Allotted, called up and fully-paid		
(2005 – 15,000,100) ordinary shares of £1 each	<u>15,000,100</u>	<u>15,000,100</u>

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts Year ended 31 March 2006

15. Reserves

	Capital reserve £'000	Foreign currency translation reserve £'000	Profit and loss account £'000	Total £'000
Group				
At 31 March 2005 – as previously stated	561	(421)	(256,229)	(256,089)
Prior year adjustment (see note 23)	-	-	(15,852)	(15,852)
At 31 March 2005 – as restated	561	(421)	(272,081)	(271,941)
Gain on foreign currency translation	-	226	-	226
Actuarial gains	-	-	916	916
Retained loss for the financial year	-	-	(9,066)	(9,066)
At 31 March 2006	561	(195)	(280,231)	(279,865)

The capital reserve is non-distributable.

The profit and loss account includes a deficit of £11,993,000 (2005:£15,852,000) relating to a defined benefit pension scheme liability.

	Capital reserve £'000	Foreign currency translation reserve £'000	Profit and loss account £'000	Total £'000
Company				
At 31 March 2005 – as previously stated	-	-	(257,495)	(257,495)
Prior year adjustment (see note 23)	-	-	(2,614)	(2,614)
At 31 March 2005 – as restated	-	-	(260,109)	(260,109)
Retained profit for the financial year	-	-	49	49
At 31 March 2006	-	-	(260,060)	(260,060)

The company has taken advantage of the exemption in s230 of the Companies Act 1985 to omit the presentation of its individual profit and loss account.

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts Year ended 31 March 2006

16. Reconciliation of movements in shareholder's deficit

	2006 £'000	Restated 2005 £'000
Group		
(Loss) / Profit for the financial year	(9,066)	11,199
Actuarial gains / (losses) on retirement benefits obligations	916	(375)
Gain / (loss) on foreign currency translation	226	(122)
	<u>(7,924)</u>	<u>10,702</u>
Total recognised (losses) / gains	(241,089)	(247,600)
Opening shareholder's deficit as previously stated	(15,852)	(20,043)
Prior year adjustment (see note 23)		
	<u>(256,941)</u>	<u>(267,643)</u>
Opening shareholder's deficit – as restated		
	<u>(264,865)</u>	<u>(256,941)</u>
Closing shareholders' deficit		
Company		
Gain/(loss) for the financial year	49	(15,920)
Opening shareholder's deficit as previously stated	(242,495)	(229,189)
Prior year adjustment (see note 23)	(2,614)	-
	<u>(245,109)</u>	<u>(229,189)</u>
Opening shareholder's deficit - as restated		
	<u>(245,060)</u>	<u>(245,109)</u>
Closing shareholder's deficit		

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts Year ended 31 March 2006

17. Equity minority interests

	£'000
At 31 March 2005	839
Share of profit on ordinary activities after taxation	143
Share of dividends paid and proposed	(138)
Foreign currency translation adjustment	70
	<hr/>
At 31 March 2006	914
	<hr/>

18. Capital and financial commitments

	2006 £'000	2005 £'000
Group		
Capital expenditure contracted	760	55
	<hr/>	<hr/>

In accordance with the group's accounting policy, all foreign currency exchange contracts are marked to market at the end of each month. As at the end of the year the gross contract amounts of such contracts, none of which extended beyond 12 months, was £632,396,201 (2005 – £397,917,240).

The company had no capital or financial commitments at year end (2005 - none).

19. Operating leases

The group had annual commitments under non-cancellable operating leases for plant and equipment at 31 March 2006 as set out below:

	31 March 2006		31 March 2005	
	Land and building £'000	Other operating leases £'000	Land and building £'000	Other operating leases £'000
Leases which expire				
– within 1 year	-	26	-	-
– within 2 to 5 years	203	278	111	133
– after 5 years	230	-	230	168
	<hr/>	<hr/>	<hr/>	<hr/>
	433	304	341	301
	<hr/>	<hr/>	<hr/>	<hr/>

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts

Year ended 31 March 2006

20. Pensions

The group headed by the company 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. The related costs are assessed in accordance with the advice of professionally qualified actuaries using the project unit method and assumptions set out below. The total pension cost for the group was £3,065,000 (2005 Restated - £1,525,000), of which £907,000 (2005 - credit of £316,000) relates to the defined benefit scheme. The remainder is a recharge from a related group undertaking, 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 accounted for as if the scheme were a defined contribution scheme.

The most recent formal actuarial valuation of the defined benefit scheme took place on 1 July 2003.

Additional disclosures regarding the group's defined benefit pension scheme are required under the provisions of FRS 17 "Retirement benefits" and these are set out below.

The actuarial valuation described above has been updated at 31 March 2006 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

The major assumptions used for the actuarial valuation were:

	31 March 2006 %	31 March 2005 %	31 March 2004 %
Rate of increase in salaries	4.50	4.50	4.50
Rate of increase in pensions in payment	2.75	2.75	2.75
Discount rate	4.90	5.40	5.50
Inflation assumption	3.00	3.00	3.00

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts Year ended 31 March 2006

20. Pensions (continued)

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

	2006 %	2006 £'000	2005 %	2005 £'000	2004 %	2004 £'000
Equities	8.50	31,034	8.50	25,120	8.50	21,678
Bonds	4.50	20,779	5.00	13,864	5.00	10,086
Other	4.00	(8)	4.00	100	0.00	310
		<u>51,805</u>		<u>39,084</u>		<u>32,074</u>
Total fair value of assets		51,805		39,084		32,074
Present value of scheme liabilities		<u>(63,798)</u>		<u>(54,936)</u>		<u>(52,117)</u>
Deficit in the scheme		<u>(11,993)</u>		<u>(15,852)</u>		<u>(20,043)</u>

The group paid contributions at the rate of 11.9% of Pensionable Salaries during the year plus a lump sum payment of £3.6 million into the Scheme on 18 August 2005. The members contributed to the Scheme at the rate of 4.5 % Pensionable Salary. It has been agreed that the group and the members will continue to contribute at the above rates until at least June 2006. It is intended that the group will contribute at the rate of 11.9% of Pensionable Salaries from July 2006 plus pay the Group Life Assurance premiums directly to the insurer. In addition, funding assessments will be made on a regular basis to determine whether additional lump sums need to be paid to partially eliminate any remaining deficit. It is intended that the members' contributions will increase to 6% of Pensionable Salary from 1 July 2006.

Analysis of the amount that has been credited / (charged) to operating profit under FRS 17

	2006 £'000	2005 £'000
Current service cost	(1,105)	(1,812)
Past service cost	-	-
Gain on curtailments and settlements	-	2,411
Total operating credit / (charge)	<u>(1,105)</u>	<u>599</u>

Analysis of the amount that has been charged to net finance charges under FRS 17

	2006 £'000	2005 £'000
Expected return on pension scheme assets	2,835	2,479
Interest on pension scheme liabilities	<u>(2,637)</u>	<u>(2,762)</u>
Net credit / (charge)	<u>198</u>	<u>(283)</u>

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts Year ended 31 March 2006

20. Pensions (continued)

Analysis of the amount that has been recognised in the statement of total recognised gains and losses under FRS 17

	2006 £'000	2005 £'000
Actual return less expected return on scheme assets	6,292	1,203
Experience gains and losses arising on the scheme liabilities	(743)	(1,059)
Changes in assumptions underlying the present value of the scheme liabilities	(6,465)	(519)
Net actuarial (gain)/loss	<u>(916)</u>	<u>(375)</u>

Movement in scheme deficit during the year

	2006 £'000	2005 £'000
At beginning of year	(15,852)	(20,043)
Current service cost	(1,105)	(1,812)
Contributions	3,850	4,250
Curtailment gains	-	2,411
Net finance credit / (charges)	198	(283)
Actuarial gain/(loss)	916	(375)
At end of year	<u>(11,993)</u>	<u>(15,852)</u>

History of experience gains and losses

	2006 £'000	2005 £'000	2004 £'000
Difference between the expected and actual return on scheme assets:			
Amount, £'000	6,292	1,203	3,292
Percentage of scheme assets	12	3	10
Experience gains and losses on scheme liabilities:			
Amount, £'000	(743)	1,352	(644)
Percentage of the present value of scheme liabilities	1	3	(1)
Total actuarial (gain) / loss in the statement of total recognised gains and losses:			
Amount, £'000	(916)	(375)	(4,088)
Percentage of the present value of scheme liabilities	(1)	(1)	(8)

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts

Year ended 31 March 2006

21. Controlling party

The ultimate parent company, controlling party and the parent of the largest group of undertakings for which group accounts are drawn up, and of which the group is a member, is Kuwait Petroleum Corporation, incorporated in Kuwait. Copies of the consolidated accounts of Kuwait Petroleum Corporation may be obtained from Kuwait Petroleum Corporation, P.O. Box 26565, Safat, Kuwait.

The intermediate parent company and parent of the smallest group of undertakings for which group accounts are drawn up, and of which the group is a member, is KPC Holdings (Aruba) A.E.C., incorporated in Aruba. The consolidated accounts of KPC Holdings (Aruba) A.E.C. are not publicly available.

The company's and group's balance sheets show net liability positions at 31 March 2006 and 31 March 2005. The intermediate parent company has confirmed that it will continue to provide financial support to the company and the group to enable them to meet their liabilities as they fall due for the foreseeable future.

22. Related parties

The company has taken advantage of the exemption in FRS 8 'Related party disclosures' from disclosing transactions with other wholly-owned members of the group headed by Kuwait Petroleum Corporation.

23. Prior year adjustments

FRS 17

During the current year, the company adopted FRS 17 ("Retirement Benefits") and restated the comparative figures for 2005 accordingly.

The effect of this change in policy is as follows:

	2006 £'000	2005 £'000
Consolidated Profit and Loss Account		
Administrative expenses	2,745	4,849
Other finance costs	198	(283)
	<hr/>	<hr/>
Increase in profit	2,943	4,566
Consolidated Balance Sheet		
Pension Liability	(11,993)	(15,852)
	<hr/>	<hr/>
Decrease in net assets	(11,993)	(15,852)

Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Notes to the accounts Year ended 31 March 2006

23. Prior year adjustments (continued)

FRS21

The impact of the adoption of FRS 21 in relation to dividends is as follows:

	2006 £'000	2005 £'000
Company Only Balance Sheet		
Debtors: Reduction in amounts due from fellow subsidiary undertakings	-	(2,614)
Profit and loss account: Increase / (reduction) in investment income	2,614	(2,614)

This relates to dividends from subsidiaries that were declared subsequent to 31 March 2005 but recorded in the company only financial statements of that year. On 1 April 2005 the company adopted FRS 21 ("Events after the balance sheet date") and has restated its financial statements to show these dividends in the result for the year ended 31 March 2006, as required by that standard.

24. Disposal of discontinued operations

The company sold its investment in Kuwait Petroleum (G.B) Ltd. ("KPGB") on 30 September 2004 to a third party. The company also sold a subsidiary of KPGB, The Ross Chemical and Storage Company Limited ("Ross"), to another third party on the same date. Certain components of the business of KPGB were retained by the group within separate legal entities. These disposals generated a profit of £7.8m in 2005.

In 2006, the company recorded an additional profit on sale of these discontinued operations of £2,018,000. This principally represents the release of a provision for warranties which expired in September 2006 with no claims being made.