

Company Registration No. 2063581

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

31 March 2007

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Kuwait Petroleum (U.K. Holdings) Limited

Report and financial statements 2007

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	7
Statement of total recognised gains and losses	7
Company balance sheet	8
Notes to the accounts	9

Kuwait Petroleum (U.K. Holdings) Limited

Report and financial statements 2007

Officers and professional advisers

Directors

Mr A Al-Houti (resigned 1st November 2007)
Mr H Esmail (appointed 1st November 2007)
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

Directors' report

The directors present their annual report together with the financial statements and auditors' report for the year ended 31 March 2007

Principal activity and review of business developments

The principal activity of the company during the year was to maintain continuing overall control of the United Kingdom incorporated group companies

Principal risks and uncertainties

The directors do not believe that the company has any significant exposure to price, credit, liquidity or cash flow risk. The company does show a net liability position on the balance sheet however, the majority of this consists of monies owed to its immediate and intermediate parent companies. The directors feel there is no significant risk here as the intermediate parent company has confirmed that it will continue to provide financial support to the company to enable it to meet its liabilities as they fall due for the foreseeable future

Results and dividends

The loss for the financial year after taxation amounted to £2,168,000 (2006 – profit of £49,000)
The loss arose principally due to a reduction in dividend income

The directors do not recommend the payment of a dividend (2006 – £nil)

Directors and their interests

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

A Al-Houti (resigned 1st November 07)
H Esmail (appointed 1st November 07)
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

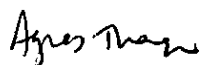
Kuwait Petroleum (U.K. Holdings) Limited

Directors' report

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

12th September 2008

Kuwait Petroleum (U.K. Holdings) 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 (U.K. Holdings) Limited

We have audited the financial statements of Kuwait Petroleum (U.K. Holdings) Limited for the year ended 31 March 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. 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 auditor's 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, 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 company's affairs as at 31 March 2007 and of its 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

15 September 2008

Kuwait Petroleum (U.K. Holdings) Limited

Profit and loss account 31 March 2007

	Note	2007 £'000	2006 £'000
Interest income		174	319
Interest expense		(2,629)	(2,492)
Net interest	2	(2,455)	(2,173)
Expenses	3	(69)	(94)
Foreign exchange gain		-	13
Operating loss		(2,524)	(2,254)
(Loss)/gain on sale of discontinued operations	4	(70)	2,018
Provision for impairment of investments	6	(273)	(2,764)
Net loss before dividends and tax		(2,867)	(3,000)
Dividend income		699	3,049
Net (loss)/profit before and after tax	4,5	(2,168)	49

Other than as indicated above, all results are derived from continuing operations

There were no acquisitions in either period

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

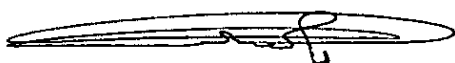
Kuwait Petroleum (U.K. Holdings) Limited

Balance sheet 31 March 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Investments	6	8,501	8,873
Current assets			
Debtors	7	10	1,120
Creditors: Amounts falling due within one year	8	(78,771)	(4,616)
Net current liabilities		(78,761)	(3,496)
Total assets less current liabilities		(70,260)	5,377
Creditors: Amounts falling due after more than one year	9	(176,968)	(250,437)
Net liabilities	14	(247,228)	(245,060)
Capital and reserves			
Called up share capital	10	15,000	15,000
Profit and loss account	11	(262,228)	(260,060)
Shareholder's deficit	12	(247,228)	(245,060)

These financial statements were approved by the Board of Directors on 12th September 2008

Signed on behalf of the Board of Directors



A I Behbehani
Director

Kuwait Petroleum (U.K. Holdings) Limited

Notes to the accounts

Year ended 31 March 2007

1. Accounting policies

A summary of the company's principal accounting policies which 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 and in accordance with applicable United Kingdom law and accounting standards

Under s228A of the Companies Act 1985, the company is exempt from the obligation to prepare group accounts, as its result, position and cash flows are included within the consolidated financial statements prepared by KPC Holdings (Aruba) A E C, incorporated in Aruba

The company's subsidiaries are listed in note 6

b) Cash flow statement

The company's ultimate parent company, Kuwait Petroleum Corporation (note 4), presents consolidated financial statements which include 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

c) Fixed asset investments

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

d) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange prevailing at the period 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

Kuwait Petroleum (U.K. Holdings) Limited

Notes to the accounts

Year ended 31 March 2007

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 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 not discounted

f) Pension costs

The company participates in a group defined benefit scheme. The company has taken advantage of the multi-employer exemption under FRS 17 and accounts for its obligations in respect of the defined benefit scheme on a defined contribution basis, as the net assets of this scheme relating to individual companies cannot be separately identified. The latest actuarial valuation of the defined benefit scheme, prepared in accordance with FRS 17, shows a deficit position. Further details can be found in note 13

2 Net Interest

	2007 £'000	2006 £'000
Receivable from direct subsidiary undertakings	174	319
Payable to direct subsidiary undertakings	(54)	-
Payable to other group undertakings	(2,560)	(2,492)
	<u>(2,455)</u>	<u>(2,173)</u>

Kuwait Petroleum (U.K. Holdings) Limited

Notes to the accounts

Year ended 31 March 2007

3 Expenses

	2007 £'000	2006 £'000
Administration costs	(69)	(94)
	<u>(69)</u>	<u>(94)</u>

4. (Loss) / profit before tax

The company had no employees in either year other than its directors, none of whom received any remuneration in respect of services to the company. The audit fee in respect of the company's annual accounts, which was borne by another group company, was approximately £5,000 (2006 £5,000).

The (loss) / gain from discontinued operations is in respect of the company's disposal of a subsidiary undertaking in a previous year.

5 Tax on (loss) / profit on ordinary activities

There was no current or deferred tax charge in either year. 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 (loss) / profit before tax is shown in the reconciliation below.

	2007 £'000	2006 £'000
Current tax		
(Loss)/profit on ordinary activities before and tax	(2,168)	49
Corporation tax at 30% (2006 30%)	(650)	15
Effect of		
Disallowable expenditure	103	-
Other timing differences	757	-
Non-taxable dividend income	(210)	(915)
Tax losses used	-	900
Unrelieved tax losses	-	-
Total current tax charge	<u>-</u>	<u>-</u>

Kuwait Petroleum (U.K. Holdings) Limited

Notes to the accounts Year ended 31 March 2007

5 Tax on (loss) / profit on ordinary activities (continued)

The company has a potential net deferred tax asset at 31 March 2007 of £463,095 (2006 - £499,000). This asset has not been recognised as there is insufficient evidence of suitable future taxable profits.

6. Fixed asset investments

Company

Investments in and loans to subsidiary undertakings are as follows

	Investments £'000	Loans £'000	Total £'000
Balance at 31 March 2006	5,999	2,875	8,874
Disposals	(100)	-	(100)
Impairment	(738)	-	(738)
Reversal of prior year impairment	465	-	465
Net book value at 31 March 2007	<u>5,626</u>	<u>2,875</u>	<u>8,501</u>

The impairment charge and reversal, as shown above, has been recorded to reflect the net asset position of the related subsidiaries.

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.

*Subsidiary undertaking not directly owned by the company

Kuwait Petroleum (U.K. Holdings) Limited

Notes to the accounts

Year ended 31 March 2007

7 Debtors

a) Amounts falling due within one year

	2007 £'000	2006 £'000
Other debtors	10	-
Amounts due from direct subsidiary undertakings	-	1,112
VAT and other excise duties receivable	-	8
	<u>10</u>	<u>1,120</u>

8. Creditors Amounts falling due within one year

	2007 £'000	2006 £'000
Amounts due to immediate/ intermediate parent	25,970	-
Amounts due to other group undertakings	49,479	1,815
Amounts due to subsidiary undertakings	2,737	2,427
Accruals and deferred income	585	374
	<u>78,771</u>	<u>4,616</u>

Kuwait Petroleum (U.K. Holdings) Limited

Notes to the accounts

Year ended 31 March 2007

9 Creditors' Amounts falling due after more than one year

	2007 £'000	2006 £'000
Loans from immediate/ intermediate parent	176,968	202,937
Loan from fellow subsidiary undertaking	-	47,500
	<u>176,968</u>	<u>250,437</u>

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

Borrowings are repayable as follows

	2007 £'000	2006 £'000
Between one and two years	-	81,857
Between two and five years	97,927	73,939
After five years	79,041	94,641
	<u>176,968</u>	<u>250,437</u>

10. Called-up share capital

	2007 £	2006 £
Authorised		
100,000,000 (2006 – 100,000,000) ordinary shares of £1 each	<u>100,000,000</u>	<u>100,000,000</u>
Allotted, called up and fully-paid		
15,100,000 (2006 – 15,000,100) ordinary shares of £1 each	<u>15,000,100</u>	<u>15,000,100</u>

11. Reserves

	Profit and loss account £'000	Total £'000
Company		
At 31 March 2006	<u>(260,060)</u>	<u>(260,060)</u>
Retained loss for the financial year	<u>(2,168)</u>	<u>(2,168)</u>
At 31 March 2007	<u>(262,228)</u>	<u>(262,228)</u>

Kuwait Petroleum (U.K. Holdings) Limited

Notes to the accounts

Year ended 31 March 2007

12. Reconciliation of movements in shareholder's deficit

	2007 £'000	2006 £'000
(Loss) / gain for the financial year	(2,168)	49
Net deduction from shareholders' deficit	(2,168)	49
Opening shareholders' deficit	(245,060)	(245,109)
Closing shareholders' deficit	(247,228)	(245,060)

Kuwait Petroleum (U.K. Holdings) Limited

Notes to the accounts

Year ended 31 March 2007

13 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 most recent formal actuarial valuation of the defined benefit scheme took place on 31 March 2006

The company had no employees and hence has not borne any charge in relation to the above schemes in either year. Additional disclosures regarding the overall financial status of the group's defined benefit pension scheme are set out below. The amounts shown in respect of operating profit, finance charges and total recognised gains and losses are those that would have been recorded if consolidated accounts for the group headed by the company were prepared.

The actuarial valuation described above has been updated at 31 March 2007 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 2007 %	31 March 2006 %	31 March 2005 %
Rate of increase in salaries	4.80	4.50	4.50
Rate of increase in pensions in payment	3.05	2.75	2.75
Discount rate	5.40	4.90	5.40
Inflation assumption	3.30	3.00	3.00

Kuwait Petroleum (U.K. Holdings) Limited

Notes to the accounts

Year ended 31 March 2007

13 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

	2007 %	2007 £'000	2006 %	2006 £'000	2005 %	2005 £'000
Equities	8.10	35,174	8.50	31,034	8.50	25,120
Bonds	5.00	22,401	4.50	20,779	5.00	13,864
Other	4.30	1,179	4.00	(8)	4.00	100
Total bid value of assets†		58,754		51,805		39,084
Present value of scheme liabilities		(67,138)		(63,798)		(54,936)
Deficit in the scheme		(8,384)		(11,993)		(15,852)

(† Prior to 2007 the "fair" value of assets was used rather than the "bid" value. This change reflects recent amendments to FRS17 disclosures made by the Accounting Standards Board (ASB).)

The group contributions during the accounting period to 31 March 2007 amounted to £5,935,000. The total contribution made includes contributions at the rate of 11.9% of Pensionable Salaries during the year plus lump sum contributions of £4.0 million and £1.08 million into the Scheme on 18 August 2006 and 29 March 2007 respectively. The members contributed to the Scheme at the rate of 4.5% Pensionable Salary until 1 July 2006 and 6.0% thereafter. The Company contribution rate for the coming year is 19.3%.

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

	2007 £'000	2006 £'000
Current service cost	(1,052)	(1,105)
Past service cost	-	-
Gain on curtailments and settlements	-	-
Total operating charge	(1,052)	(1,105)

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

	2007 £'000	2006 £'000
Expected return on pension scheme assets	3,709	2,835
Interest on pension scheme liabilities	(3,053)	(2,637)
Net credit	656	198

Kuwait Petroleum (U.K. Holdings) Limited

Notes to the accounts

Year ended 31 March 2007

13 Pensions (continued)

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

	2007 £'000	2006 £'000
Actual return less expected return on scheme assets	(1,630)	6,292
Experience gains and losses arising on the scheme liabilities	(35)	1,089
Changes in assumptions underlying the present value of the scheme liabilities	(265)	(6,465)
Net actuarial (loss) / gain	(1,930)	916

Movement in scheme deficit during the year

	2007 £'000	2006 £'000
At beginning of year	(11,993)	(15,852)
Current service cost	(1,052)	(1,105)
Contributions	5,935	3,850
Curtailment gains	-	-
Net finance credit	656	198
Actuarial gain/(loss)	(1,930)	916
At end of year	(8,384)	(11,993)

History of experience gains and losses

	2007 £'000	2006 £'000	2005 £'000
Difference between the expected and actual return on scheme assets:			
Amount, £'000	(1,630)	6,292	1,203
Percentage of scheme assets	(3)	12	3
Experience gains and losses on scheme liabilities			
Amount, £'000	(35)	1,089	1,352
Percentage of the present value of scheme liabilities	-	2	3
Total actuarial (loss) / gain in the statement of total recognised gains and losses:			
Amount, £'000	(1,930)	916	(375)
Percentage of the present value of scheme liabilities	(3)	1	(1)

Kuwait Petroleum (U.K. Holdings) Limited

Notes to the accounts

Year ended 31 March 2007

14 Controlling party

The intermediate parent company and parent of the smallest group of undertakings for which group accounts are drawn up, and of which the company is a member, is KPC Holdings (Aruba) A E C , incorporated in Aruba. The consolidated accounts of KPC Holdings (Aruba) A E C may be obtained from the UK registrar of companies.

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 company 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 company's balance sheets show net liability positions at 31 March 2007 and 31 March 2006. The intermediate parent company has confirmed that it will continue to provide financial support to the company to enable it to meet its liabilities as they fall due for the foreseeable future.

15 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.