

Company Registration No. 2063581

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

31 March 2005



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

Report and financial statements 2005

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

Report and financial statements 2005

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 2005.

Principal activity and review of business developments

The group's principal activity continues to be the distribution and marketing of petroleum products. In the year ended 31 March 2005 the Group disposed of one of its principal subsidiaries, Kuwait Petroleum (G.B.) Limited and therefore the level of activity has decreased during the year. The directors expect that the level of activity of the remainder of the group will continue in the forthcoming year.

The subsidiary and associated undertakings principally affecting the profits or net assets of the group in the year are listed in note 10 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.

Results and dividends

The group's profit for the financial year after taxation and minority interests amounted to £6,633,000 (2004 – £1,329,000).

The directors do not recommend the payment of a dividend (2004 – £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 £804 (2004 – £532). 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 2005 were equivalent to 6 (2004 – 26) 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.

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:

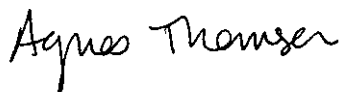
J Al-Nouri (resigned 30th September 2004)
A Al-Houti (appointed 30th September 2004)
A I Behbehani
J R Howells (resigned 30 June 2005)
S W B Whitworth (appointed 30 June 2005)

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.

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

26 January 2006

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 2005 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 25. 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 and other members of the group 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 United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company 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 of the state of affairs of the company and the group as at 31 March 2005 and of the profit of the group 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

26 January 2006

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

Consolidated profit and loss account Year ended 31 March 2005

	Note	2005		2004
		Continuing operations £'000	Discontinued operations (see note 25) £'000	Total £'000
Turnover	2	308,809	139,865	448,674
Cost of sales		(265,134)	(117,878)	(383,012)
Gross profit		43,675	21,987	65,662
Other operating expenses (net)	4	(44,130)	(23,228)	(67,358)
Operating (loss) / profit				(1,696)
Profit on sale of discontinued operations	25			7,837
Profit on disposal of fixed assets				2,804
Finance charges (net)	5			(2,067)
Profit on ordinary activities before taxation	6			6,878
Tax on profit on ordinary activities	7			(12)
Profit on ordinary activities after taxation				6,866
Equity minority interests' share of profit	19			(233)
Retained profit on ordinary activities after taxation for the year	17			6,633
Accumulated deficit, at beginning of year	17			(262,862)
Accumulated deficit, at end of year	17			(256,229)

There were no material acquisitions in either period.

Consolidated statement of total recognised gains and losses Year ended 31 March 2005

	2005 £'000	2004 £'000
Retained profit for the financial year	6,633	1,329
Loss on foreign currency translation	(122)	(430)
Total recognised gains and losses relating to the year	6,511	899

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

Consolidated balance sheet 31 March 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Goodwill	8	-	768
Tangible assets	9	11,278	62,799
Investments	10	138	191
		<u>11,416</u>	<u>63,758</u>
Current assets			
Stocks	11	14,474	31,028
Debtors			
- amounts falling due within one year	12a	264,781	313,267
- amounts falling after more than one year	12b	11,516	9,981
Cash at bank and in hand		<u>59,004</u>	<u>9,771</u>
		349,775	364,047
Creditors: Amounts falling due within one year	13	<u>(351,004)</u>	<u>(375,955)</u>
Net current liabilities		<u>(1,229)</u>	<u>(11,908)</u>
Total assets less current liabilities		10,187	51,850
Creditors: Amounts falling due after more than one year	14	<u>(250,437)</u>	<u>(295,580)</u>
Provisions for liabilities and charges	15	<u>-</u>	<u>(3,031)</u>
Net liabilities	23	<u>(240,250)</u>	<u>(246,761)</u>
Capital and reserves			
Called-up equity share capital	16	15,000	15,000
Capital reserve	17	561	561
Foreign currency translation reserve	17	(421)	(299)
Profit and loss account	17	<u>(256,229)</u>	<u>(262,862)</u>
Equity shareholder's deficit	18	<u>(241,089)</u>	<u>(247,600)</u>
Minority interests	19	<u>839</u>	<u>839</u>
Total capital employed		<u>(240,250)</u>	<u>(246,761)</u>

These financial statements were approved by the Board of Directors on 26 January 2006.

Signed on behalf of the Board of Directors



A I Behbehani

Director

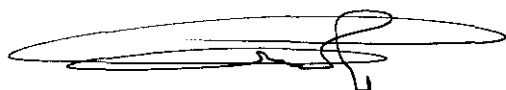
Kuwait Petroleum (U.K. Holdings) Limited and subsidiary undertakings

Company balance sheet 31 March 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Investments	10	8,637	70,603
Tangible assets	9	675	-
		<u>9,312</u>	<u>70,603</u>
Current assets			
Debtors	12	6,513	252
Creditors: Amounts falling due within one year	13	<u>(7,883)</u>	<u>(4,464)</u>
Net current liabilities		<u>(1,370)</u>	<u>(4,212)</u>
Total assets less current liabilities		<u>7,942</u>	<u>66,391</u>
Creditors: Amounts falling due after more than one year	14	<u>(250,437)</u>	<u>(295,580)</u>
Net liabilities	23	<u>(242,495)</u>	<u>(229,189)</u>
Capital and reserves			
Called up equity share capital	16	15,000	15,000
Profit and loss account	17	<u>(257,495)</u>	<u>(244,189)</u>
Equity shareholder's deficit	18	<u>(242,495)</u>	<u>(229,189)</u>

These financial statements were approved by the Board of Directors on 26 January 2006.

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 2005

1. Accounting policies

A summary of the group's principal accounting policies, all of 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, except for the fair valuation of certain forward foreign exchange contracts (see note 1j), 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 2005. Details of the principal subsidiary undertakings included in the consolidation are set out in note 10. 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 provided by s230 of the Companies Act 1985. The company's results for the period are shown in note 17.

(c) Cash flow statement

Under the provisions of Financial Reporting Standard No.1 (Revised), 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 23).

(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
Leasehold land and buildings	over the unexpired portion of the lease
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 2005

1. Accounting policies (continued)

g) Goodwill

Goodwill arising on the acquisition of subsidiary undertakings, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised in equal instalments over the shorter of its estimated useful economic life, as determined by the directors, and fifteen years. Provisions are made for impairment.

h) Research and development

Research and development expenditure is written off as incurred.

i) Stocks

Refined petroleum products, including exchange balances in respect of stocks loaned to or from other oil companies, are valued at the lower of average cost and net realisable value. Materials and supplies are valued at selling price less gross margin.

j) 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 exchange differences are taken to the profit and loss account.

The profit and loss account includes unrealised gains and losses on forward foreign exchange contracts, as described above. The directors consider that this accounting policy, which represents a departure from the Companies Act 1985 where such items are not recognised until they crystallise, is necessary to provide a true and fair view as required under SSAP 20. The financial effect of the departure from the Companies Act 1985 is shown in note 20 to the financial statements.

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.

k) 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 2005

1. Accounting policies (continued)

l) Pension costs

For defined benefit schemes, the amount charged to the profit and loss account is 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 level percentage of current and future pensionable payroll. Variations from regular cost are charged to the profit and loss account over the estimated average remaining working life of the scheme members. Any differences between the charge to the profit and loss account and the contributions paid to the scheme are 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.

m) Leases

The group enters into operating leases as detailed in note 21.

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.

Geographic distribution

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

	2005 £'000	2004 £'000
Europe		
– United Kingdom	404,847	419,045
– other	32,668	21,710
Middle East	10,173	10,876
Far East	983	1,264
North America	3	3
	<hr/> 448,674 <hr/>	<hr/> 452,898 <hr/>

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 2005

4. Other operating expenses (net)

Continuing operations

	2005 £'000	2004 £'000
Distribution costs	(12,215)	(9,318)
Administrative expenses	(32,642)	(21,692)
Other operating income	727	-
	<u>(44,130)</u>	<u>(31,010)</u>

Discontinued operations

	2005 £'000	2004 £'000
Distribution costs	(20,722)	(36,228)
Administrative expenses	(5,248)	(11,612)
Other operating income	2,742	3,511
	<u>(23,228)</u>	<u>(44,329)</u>

5. Finance charges (net)

	2005 £'000	2004 £'000
Interest income on bank deposits and short-term loans	909	242
Interest on loans to fellow subsidiaries and other related undertakings	5,679	173
Other interest receivable and similar income	<u>1,099</u>	<u>972</u>
Interest receivable and similar income	<u>7,687</u>	<u>1,387</u>
Bank overdrafts and short-term loans – repayable within five years not by instalments	(39)	(1,022)
Loans from fellow subsidiaries and other related undertakings	(9,195)	(2,162)
Net foreign exchange losses	<u>(520)</u>	<u>(913)</u>
Interest payable and similar charges	<u>(9,754)</u>	<u>(4,097)</u>
Finance charges (net)	<u>(2,067)</u>	<u>(2,710)</u>

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

Notes to the accounts Year ended 31 March 2005

6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2005 £'000	2004 £'000
Depreciation – owned assets	3,452	5,313
Amortisation of goodwill	32	64
Operating lease rentals		
- other	915	1,361
- plant and machinery	1,154	3,401
Auditors' remuneration		
- audit	221	197
- tax compliance	13	74
Research and development expenditure written off	-	372

The audit fee includes approximately £100,000 (2004 - £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:

	2005 £'000	2004 £'000
Wages and salaries	18,977	23,081
Social security costs	2,178	3,011
Other pension costs (note 22)	5,077	1,699
Redundancy costs	139	-
	<u>26,371</u>	<u>27,791</u>

The average monthly number of employees (including executive directors) during the year was 571 (2004 - 817). These were split as follows: Sales 314 (2004 - 553), Distribution 12 (2004 - 39) and Administration 245 (2004 - 225).

Directors' remuneration

	2005 £	2004 £
Emoluments (excluding pension contributions)	533,831	712,589
Compensation for loss of office	691,328	-
	<u>1,225,159</u>	<u>712,589</u>

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

Notes to the accounts

Year ended 31 March 2005

6. Profit on ordinary activities before taxation (continued)

The directors remuneration shown above included the emoluments of the highest paid director, excluding pension contributions, of £928,021 (2004 – £314,397). 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 (2004 - £nil).

7. Tax on profit on ordinary activities

The tax (charge) credit for the year is as follows:

	2005 £'000	2004 £'000
Deferred Tax		
Deferred tax (charge) credit – origination and reversal of timing differences (see note 12)	(12)	406
Current Tax		
UK Corporation Tax		
Current Tax on income for the period	-	(93)
Double taxation relief	-	93
	-	-
Foreign Tax		
Current tax on income for the period	-	(95)
Tax on profit on ordinary activities	(12)	311

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.

	2005 £'000	2004 £'000
Current tax		
Profit on ordinary activities before tax	6,878	1,216
Corporation tax at 30% (2004: 30%)	2,063	366
Effect of:		
Depreciation claimed in excess of capital allowances	144	843
Capital allowances claimed in excess of depreciation	(268)	-
Non-taxable disposal profits	(2,351)	-
Disallowable expenditure	1,090	118
Non-taxable dividend income	(282)	(658)
Other timing differences	(240)	70
Tax losses used	(156)	(644)
Total current tax charge	-	95

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

Notes to the accounts Year ended 31 March 2005

8. Goodwill

	Cost £'000	Amortisation £'000	Net book value £'000
Group			
At 31 March 2004	78,915	(78,147)	768
Charge for the year	-	(32)	(32)
Disposal of subsidiary (see note 25)	(78,915)	78,179	(736)
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2005	-	-	-
	<u> </u>	<u> </u>	<u> </u>

The company has no intangible fixed assets.

9. Tangible fixed assets

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Vehicles, plant and equipment £'000	Total £'000
Group				
Cost				
At 31 March 2004	70,960	947	54,277	126,184
Additions	2,674		1,874	4,548
Disposal of subsidiary	(61,056)	(947)	(36,249)	(98,252)
Other disposals	(9,766)	-	(4,332)	(14,098)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2005	2,812	-	14,601	18,382
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation				
At 31 March 2004	34,332	788	28,265	63,385
Charge	813	32	2,607	3,452
Disposal of subsidiary	(29,012)	(820)	(20,519)	(50,351)
Other disposals	(5,881)	-	(3,501)	(9,382)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2005	252	-	6,852	7,104
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value				
At 31 March 2005	2,560	-	8,718	11,278
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2004	36,628	159	26,012	62,799
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Included in the net book value above is £375,000 (2004 - £18,657,262) of freehold land that is not being depreciated.

The tangible fixed assets of the company of £675,000 relate to freehold land and buildings (2004 - no tangible fixed assets) that were sold subsequent to year end. No depreciation was charged on this fixed asset during the year.

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

Notes to the accounts Year ended 31 March 2005

10. Fixed asset investments

Group	Investments £'000	Long term loans £'000	Total £'000
Cost			
As 31 March 2004 and 31 March 2005	396	30	426
Provision for impairment			
As at 31 March 2004	235	-	235
Charge for the year	53	-	53
As at 31 March 2005	288	-	288
Net book value			
As at 31 March 2005	108	30	138
As at 31 March 2004	161	30	191

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 <i>(supply of aviation fuel)</i>	40 ordinary £1 shares, representing 33.3% of the total nominal value of ordinary shares
Manchester Airport Storage and Hydrant Company Limited <i>(supply of aviation fuel)</i>	25 ordinary £1 shares, representing 25% of the total nominal value of ordinary shares
Stansted Fuelling Company Limited <i>(supply of aviation fuel)</i>	100 ordinary £1 shares, representing 14.3% of the total nominal value of ordinary shares
Heathrow Hydrant Operating Company Limited <i>(supply of aviation fuel)</i>	100 ordinary £1 shares, representing 10% of the total nominal value of ordinary shares
Gatwick Airport Storage and Hydrant Company Limited <i>(supply of aviation fuel)</i>	100 ordinary £1 shares, representing 12.5% of the total nominal value of ordinary shares
Heathrow Refuelling Services Limited <i>(supply of aviation fuel)</i>	25 ordinary £1 shares, representing 25% of the total nominal value of ordinary shares
Heathrow Hydrant Company Limited	1,000 ordinary £1 shares, representing 10% of the total nominal value of ordinary shares
Heathrow Airport Fuelling Company Limited	100 ordinary £1 shares, representing 16.7% of the total nominal value of ordinary shares
Stansted Into-plane Company Limited	1,000 ordinary £1 shares, representing 25% of the total nominal value of ordinary shares
Aviation Fuel Services Ltd	75 ordinary £1 shares, representing 25% of the total nominal value of ordinary shares

There are no listed fixed asset investments.

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

Notes to the accounts Year ended 31 March 2005

10. 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 2004 at cost	28,032	42,571	70,603
Foreign currency translation adjustment	-	(275)	(275)
Additions	3,389	7,675	11,064
Impairment	-	(16,803)	(16,803)
Disposal of subsidiary (see note 25)	(25,658)	(30,294)	(55,952)
Net book value at 31 March 2005	5,763	2,874	8,637

Additions represent additional financing provided to subsidiaries as they resumed trading. The impairment charge shown above has been recorded in respect of a subsidiary which is in a net liability position.

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	1,000,000 £1 ordinary shares	100%	Marketing petroleum products
Kuwait Petroleum International Lubricants (UK) Limited	2,400,000 £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 3,800,000 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. During the year the group disposed of Kuwait Petroleum (G.B.) Limited, The Ross Chemicals and Storage Co. Limited and Kuwait Fuelcare Limited.

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

Notes to the accounts Year ended 31 March 2005

11. Stocks

	2005 £'000	2004 £'000
Group		
Refined petroleum products	13,627	30,341
Spare parts, materials and supplies	847	687
	<u>14,474</u>	<u>31,028</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.

12. Debtors

a) Amounts falling due within one year:

	2005 £'000	2004 £'000
Group		
Trade debtors	21,987	42,163
Amounts due from fellow subsidiary undertakings	237,034	263,774
Other debtors	4,207	900
VAT and other excise duties receivable	687	-
Prepayments and accrued income	866	6,430
	<u>264,781</u>	<u>313,267</u>
Company		
Other debtors	753	-
Amounts due from fellow subsidiary undertakings	5,745	-
VAT and other excise duties receivable	15	-
Trade debtors	-	2
	<u>6,513</u>	<u>2</u>

b) Amounts falling due after more than one year:

	2005 £'000	2004 £'000
Group		
Loans to joint ventures	-	250
Loans to dealers	34	34
Deferred tax asset	394	406
Prepayments and accrued income	11,088	9,291
	<u>11,516</u>	<u>9,981</u>

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

Notes to the accounts

Year ended 31 March 2005

12. Debtors (continued)

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 year represents excess depreciation over capital allowances.

An additional deferred tax asset amounting to £4,557,000 (2004 - £9,701,000) 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.

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

	2005 £'000	2004 £'000
Company		
Loans to joint ventures	-	250
Total debtors		
Group	276,297	323,248
Company	6,513	252

13. Creditors: Amounts falling due within one year

	2005 £'000	2004 £'000
Group		
Bank overdrafts and short term loans (unsecured)	-	10,308
Trade creditors	6,094	45,645
Amounts due to immediate / intermediate parent undertakings	239,874	218,403
Amounts due to fellow subsidiary undertakings	97,974	78,206
VAT and other excise duties payable	-	7,113
Payroll taxes and social security costs	-	733
Other creditors	349	4,660
Accruals and deferred income	6,713	10,887
	351,004	375,955
Company		
Amounts due to fellow subsidiary undertakings	2,149	1,694
Amounts due to subsidiary undertakings	2,514	2,770
Accruals and deferred income	3,220	-
	7,883	4,464

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

Notes to the accounts Year ended 31 March 2005

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

	2005 £'000	2004 £'000
Group		
Loans from immediate / intermediate parent undertakings	202,937	240,080
Loan from fellow subsidiary undertaking	47,500	55,500
	<u>250,437</u>	<u>295,580</u>
Company		
Loans from immediate/ intermediate parent	202,937	240,080
Loan from fellow subsidiary undertaking	47,500	55,500
	<u>250,437</u>	<u>295,580</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 is 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:

	2005 £'000	2004 £'000
Group		
Between one and two years	-	33,229
Between two and five years	87,853	115,656
After five years	162,584	146,695
	<u>250,437</u>	<u>295,580</u>
Company		
Between one and two years	-	33,229
Between two and five years	87,853	115,656
After five years	162,584	146,695
	<u>250,437</u>	<u>295,580</u>

15. Provisions for liabilities and charges

	Incentive Scheme £'000	Redundancy £'000	Onerous Leases £'000	Other Onerous Contracts £'000	Total £'000
Group					
At 31 March 2004	333	375	1,545	778	3,031
Disposal of subsidiary	(333)	(375)	(1,545)	(778)	(3,031)
At 31 March 2005	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Notes to the accounts

Year ended 31 March 2005

All provisions were released upon disposal of KPGB (see note 25).

The provision for the incentive scheme was in respect of certain commitments entered into by 31 March 2004 by Kuwait Petroleum (G.B.) Limited but which related to services to be performed in the year ended 31 March 2005.

The provision for redundancy was in respect of a redundancy programme commenced in Kuwait Petroleum (G.B.) Limited in 2003 and which was, prior to the disposal of this entity in September 2004, expected to be fully utilised by 31 March 2005.

The provisions for onerous leases and other onerous contracts were expected to be utilised over the period of those contracts, which exceed one year, or to cover the costs of their early termination.

No charge for unwinding the discount in respect of the provisions at 1 April 2004 has been included as the amounts involved are not material.

16. Called-up equity share capital

	2005 £	2004 £
Authorised		
100,000,000 (2004 – 100,000,000) ordinary shares of £1 each	100,000,000	100,000,000
Allotted, called up and fully-paid		
15,000,100 (2004 – 15,000,100) ordinary shares of £1 each	15,000,100	15,000,100

17. Reserves

	Capital reserve £'000	Foreign currency translation reserve £'000	Profit and loss account £'000	Total £'000
Group				
At 31 March 2004	561	(299)	(262,862)	(262,600)
Loss on foreign currency translation	-	(122)	-	(122)
Retained profit for the financial year	-	-	6,633	6,633
At 31 March 2005	561	(421)	(256,229)	(256,089)

The capital reserve is non-distributable.

The movement in company reserves is solely due to the retained loss for the year of £13,306,000 (2004 – loss £286,574). 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 2005

18. Reconciliation of movements in shareholder's deficit

	2005 £'000	2004 £'000
Group		
Gain for the financial year	6,633	1,329
Loss on foreign currency translation	(122)	(430)
	<hr/>	<hr/>
Total recognised gains	6,511	899
Opening shareholder's deficit	(247,600)	(248,499)
	<hr/>	<hr/>
Closing shareholders' deficit	(241,089)	(247,600)
	<hr/>	<hr/>
Company		
Gain/(loss) for the financial year	(13,306)	(287)
Opening shareholder's deficit	(229,189)	(228,902)
	<hr/>	<hr/>
Closing shareholder's deficit	(242,495)	(229,189)
	<hr/>	<hr/>

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

Notes to the accounts Year ended 31 March 2005

19. Equity minority interests

	£'000
At 31 March 2004	839
Share of profit on ordinary activities after taxation	233
Share of dividends paid and proposed	(194)
Foreign currency translation adjustment	(39)
	<hr/>
At 31 March 2005	839
	<hr/>

20. Capital and financial commitments

	2005 £'000	2004 £'000
Group		
Capital expenditure contracted	55	274
	<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 £397,917,240 (2004 – £393,223,768). These amounts are indicative of trading volumes and not levels of risk. These contracts had net unrealised losses at the year end, which have been recognised in the consolidated profit and loss account, of £1,264,711 (2004 – loss of £1,872,487), which includes unrealised losses of £2,184,487 (2004 - £1,999,446) with respect to third parties.

The company had no capital or financial commitments at year end (2004 - none).

21. Operating leases

The group had annual commitments under non-cancellable operating leases for plant and equipment at 31 March 2005 as set out below:

	31 March 2005		31 March 2004	
	Land and building £'000	Other operating leases £'000	Land and building £'000	Other operating leases £'000
Leases which expire				
– within 1 year	-	-	159	1,145
– within 2 to 5 years	111	133	135	1,172
– after 5 years	230	168	766	120
	<hr/>	<hr/>	<hr/>	<hr/>
	341	301	1,060	2,437
	<hr/>	<hr/>	<hr/>	<hr/>

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

Notes to the accounts Year ended 31 March 2005

22. 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 £5,077,000 (2004 - £1,699,000), of which £4,712,000 (2004 - £1,088,000) relates to the defined benefit scheme.

The most recent formal actuarial valuation of the defined benefit scheme for SSAP24 purposes took place on 1 July 2003.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries. It was assumed for the valuation that the investment return would average 7.5% per annum for equities and 5.5% per annum for bonds, that salary increases would average 4.5% per annum, and that the plan assets were taken at their market value. At the date of the valuation, the total market value of the assets of the scheme was £28.7 million, and the market value of the assets was sufficient overall to cover approximately 76% of the benefits that had accrued to members at that date, after allowing for assumed future increases in earnings. The company has agreed to eliminate the deficit by August 2006.

Additional disclosures regarding the group's defined benefit pension scheme are required under the transitional provisions of FRS 17 "Retirement benefits" and these are set out below. The disclosures relate to the further year of the transitional provisions. They provide information which will be necessary for full implementation of FRS 17 in the year ending 31 March 2006.

The actuarial valuation described above has been updated at 31 March 2005 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 2005 %	31 March 2004 %	31 March 2003 %
Rate of increase in salaries	4.50	4.50	4.50
Rate of increase in pensions in payment	2.75	2.75	2.25
Discount rate	5.40	5.50	5.40
Inflation assumption	3.00	3.00	2.50

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

Notes to the accounts Year ended 31 March 2005

22. 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:

	2005 %	2005 £'000	2004 %	2004 £'000	2003 %	2003 £'000
Equities	8.50	25,120	8.50	21,678	8.75	17,010
Bonds	5.00	13,864	5.00	10,086	4.75	8,770
Other	4.00	100	0.00	310	-	-
Total fair value of assets		39,084		32,074		25,780
Present value of scheme liabilities		(54,936)		(52,117)		(41,623)
Deficit in the scheme		(15,852)		(20,043)		(15,843)

The group paid contributions at the rate of 13.3% of Pensionable Salaries during the year plus a lump sum payment of £2.9 million into the Scheme on 18 August 2004. The members contributed to the Scheme at the rate of 3.5 % Pensionable Salary. It has been agreed that the group and the members will continue to contribute at the above rates until at least 1 June 2005. It is intended that the group will contribute at the rate of 11.9% of Pensionable Salaries from 1 June 2005 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 4.5% of Pensionable Salary from 1 July 2005.

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

	2005 £'000	2004 £'000
Current service cost	(1,812)	(1,364)
Past service cost	-	-
Gain on curtailments and settlements	2,411	-
Total operating credit/(charge)	599	(1,364)

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

	2005 £'000	2004 £'000
Expected return on pension scheme assets	2,479	1,971
Interest on pension scheme liabilities	(2,762)	(2,248)
Net charge	(283)	(277)

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

Notes to the accounts Year ended 31 March 2005

22. Pensions (continued)

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

	2005 £'000	2004 £'000
Actual return less expected return on scheme assets	1,203	3,292
Experience gains and losses arising on the scheme liabilities	1,352	(644)
Changes in assumptions underlying the present value of the scheme liabilities	(519)	(6,736)
Net actuarial gain/(loss)	<u>2,036</u>	<u>(4,088)</u>

Movement in scheme deficit during the year

	2005 £'000	2004 £'000
At beginning of year	(20,043)	(15,843)
Current service cost	(1,812)	(1,364)
Contributions	4,250	1,529
Curtailment gains	2,411	-
Net finance costs	(283)	(277)
Actuarial gain/(loss)	(375)	(4,088)
At end of year	<u>(15,852)</u>	<u>(20,043)</u>

History of experience gains and losses

	2005 £'000	2004 £'000	2003 £'000
Difference between the expected and actual return on scheme assets:			
Amount, £'000	1,203	3,292	(8,051)
Percentage of scheme assets	3	10	(31)
Experience gains and losses on scheme liabilities:			
Amount, £'000	1,352	(644)	175
Percentage of the present value of scheme liabilities	3	(1)	0
Total actuarial loss in the statement of total recognised gains and losses:			
Amount, £'000	2,036	(4,088)	(11,381)
Percentage of the present value of scheme liabilities	4	(8)	(27)

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

Notes to the accounts

Year ended 31 March 2005

23. 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 2005 and 31 March 2004. 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.

24. 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.

25. 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.

The profit before taxation of KPGB from 1 April 2004 up to the date of disposal was £4.1 million, and for its last financial year was £2.5 million. The turnover of KPGB in 2004 was £257million, cost of sales was £220m and its operating profit was £2.5million. The equivalent results for Ross were not material.

Net assets disposed of and the related sale proceeds were as follows:

	£'000
Fixed assets	47,900
Current assets	46,165
Creditors	(41,183)
Provisions for liabilities and charges	(3,031)
Net assets	49,851
Related goodwill	736
Net assets disposed of	50,587
Profit on sale	7,837
Sale proceeds	58,424
Satisfied by	
Cash	58,424