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

Report and Financial Statements
Year ended 31 March 2004

Registered number: 2063581

Directors and advisors

Directors
Mr S Whitworth
Mr A Al-Houti
Mr A.I. Behbehani

Secretary
Mrs A Thomson

Auditors
Deloitte & Touche LLP
London

Registered Office
6th floor
Dukes Court
Dukes Street
Woking
Surrey
GU21 5BH

Directors' report

For the year ended 31 March 2004

The directors present their annual report together with the financial statements and auditors' report for the year ended 31 March 2004.

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 (see note 25) and therefore the level of activity is expected to decrease 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 £1,329,000 (2003 – £44,104,000 loss).

The directors do not recommend the payment of a dividend (2003 – £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 £532 (2003 – £7,402). 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 2004 were equivalent to 26 (2003 – 25) 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.

Directors and their interests

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

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

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

On 1 August 2003, Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the company and group's auditor will be proposed at the forthcoming Annual General Meeting.

Dukes Court
Dukes Street
Woking
Surrey
United Kingdom
GU21 5GH

By order of the Board

A. Thomson
Secretary

26 October 2005

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 year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and 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 group and 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 2004 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 numbered 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 2004 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 October 2005

Consolidated profit and loss account

For the year ended 31 March 2004

	Notes	2004 £'000	2003 £'000
Turnover	2	452,898	483,455
Cost of sales		(374,048)	(410,662)
Gross profit		78,850	72,793
Other operating expenses			
- impairment of fixed assets	4	-	(24,879)
- other (net)	4	(75,339)	(88,554)
Operating profit/(loss)		3,511	(40,640)
Profit/(loss) on disposal of fixed assets		415	(853)
Finance charges (net)	5	(2,710)	(2,325)
Profit/(loss) on ordinary activities before taxation	6	1,216	(43,818)
Tax on profit/(loss) on ordinary activities	7	311	-
Profit/(loss) on ordinary activities after taxation		1,527	(43,818)
Minority interests' share of profit	19	(198)	(286)
Retained profit/(loss) on ordinary activities after taxation for the year	17	1,329	(44,104)
Accumulated deficit, at beginning of year	17	(264,191)	(220,087)
Accumulated deficit, at end of year	17	(262,862)	(264,191)

All operations of the company and group continued throughout both periods and no operations which have a material effect on the profit and loss account were acquired or discontinued.

Consolidated statement of total recognised gains and losses

For the year ended 31 March 2004

	2004 £'000	2003 £'000
Retained profit/(loss) for the financial year	1,329	(44,104)
Loss on foreign currency translation	(430)	(323)
Total recognised gains and losses relating to the year	899	(44,427)

Consolidated balance sheet

At 31 March 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Goodwill	8	768	832
Tangible assets	9	62,799	66,366
Investments	10	191	32
		63,758	67,230
Current assets			
Stocks	11	31,028	27,038
Debtors			
- amounts falling due within one year	12a	313,267	281,241
- amounts falling after more than one year	12b	9,981	1,153
Cash at bank and in hand		9,771	14,715
		364,047	324,147
Creditors: Amounts falling due within one year	13	(375,955)	(339,592)
Net current liabilities		(11,908)	(15,445)
Total assets less current liabilities		51,850	51,785
Creditors: Amounts falling due after more than one year	14	(295,580)	(295,580)
Provisions for liabilities and charges	15	(3,031)	(3,731)
Net liabilities	23	(246,761)	(247,526)
Capital and reserves			
Called-up equity share capital	16	15,000	15,000
Capital reserve	17	561	561
Foreign currency translation reserve	17	(299)	131
Profit and loss account	17	(262,862)	(264,191)
Equity shareholders' deficit	18	(247,600)	(248,499)
Minority interests	19	839	973
Total capital employed		(246,761)	(247,526)

The financial statements were approved by the board of directors on 26th October 2005 and signed on its behalf by:

A.I. Behbehani Director

Company balance sheet
At 31 March 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Investments	10	70,603	69,461
Current assets			
Debtors	12	252	3,883
Creditors: Amounts falling due within one year	13	(4,464)	(2,466)
Net current (liabilities)/assets		(4,212)	1,417
Total assets less current liabilities		66,391	70,878
Creditors: Amounts falling due after more than one year	14	(295,580)	(299,780)
Net liabilities	23	(229,189)	(228,902)
Capital and reserves			
Called-up equity share capital	16	15,000	15,000
Profit and loss account	17	(244,189)	(243,902)
Equity shareholders' deficit	18	(229,189)	(228,902)

The financial statements were approved by the board of directors on 26th October 2005 and signed on its behalf by:

A.I. Behbehani Director

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 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 2004. 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.

1 Accounting policies (continued)

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.

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.

1 Accounting policies (continued)

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.

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 finance and operating leases as detailed in notes 13 and 21 respectively.

Assets held under finance leases are initially reported at the fair value of the assets and are capitalised in the balance sheet and depreciated over the shorter of the lease term and their useful lives. An equivalent liability, categorised as appropriate under creditors due within or after one year, is included in the balance sheet. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

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:

	2004 £'000	2003 £'000
Europe		
– United Kingdom	419,045	454,187
– other	21,710	21,288
Middle East	10,876	6,987
Far East	1,264	990
North America	3	3
	452,898	483,455

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.

4 Other operating expenses (net)

	2004 £'000	2003 £'000
Distribution costs	(45,546)	(53,338)
Administrative expenses		
- impairment of fixed assets (see notes 9 and 10)	(235)	(24,879)
- other exceptional charges (see note 15)	-	(3,731)
- other	(33,304)	(34,357)
Other operating income	3,511	2,872
	(75,339)	(113,433)

5 Finance charges (net)

	2004 £'000	2003 £'000
Interest income on bank deposits and short-term loans	242	1,737
Interest on loans to fellow subsidiaries and other related undertakings	173	144
Other interest receivable and similar income	972	718
Interest receivable and similar income	1,387	2,599
Bank overdrafts and short-term loans		
– repayable within 5 years not by instalments	(1,022)	(119)
Finance leases	-	(5)
Loans from fellow subsidiaries and other related undertakings	(2,162)	(4,800)
Net foreign exchange losses	(913)	-
Interest payable and similar charges	(4,097)	(4,924)
Finance charges (net)	(2,710)	(2,325)

For the year ended 31 March 2004 other interest receivable and similar income includes net exchange gains on foreign currency borrowings less deposits of £nil (2003 - £88,661).

6 Profit/(loss) on ordinary activities before taxation

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

	2004 £'000	2003 £'000
Depreciation – owned assets	5,313	6,371
Amortisation of goodwill	64	63
Operating lease rentals		
- land and buildings	1,361	1,363
- plant and machinery	3,401	2,867
Auditors' remuneration		
- audit	197	213
- tax compliance	74	52
- tax consultancy	-	18
Research and development expenditure written off	372	242

The audit fee includes approximately £100,000 (2003 - £100,000) paid on behalf of, and subsequently recharged to, other entities within the Kuwait Petroleum Corporation group.

6 Profit/(loss) on ordinary activities before taxation (continued)

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

b) Staff costs

Employees, including executive directors:

	2004 £'000	2003 £'000
Wages and salaries	23,081	23,887
Social security costs	3,011	2,103
Other pension costs (note 22)	1,699	1,683
Redundancy costs	-	1,162
	27,791	28,835

The average monthly number of employees (including executive directors) during the year was 817 (2003 - 874). These were split as follows: Sales 553 (2003 – 499), Distribution 39 (2003 – 123) and Administration 225 (2003 – 252).

c) Directors' remuneration

	2004 £	2003 £
Emoluments (excluding pension contributions)	712,589	621,305

The directors remuneration shown above included the emoluments of the highest paid director, excluding pension contributions, of £314,397 (2003 – £285,276). 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 (2003 - £nil).

7 Tax on profit/(loss) on ordinary activities

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

Deferred Tax

	2004 £'000	2003 £'000
Deferred tax credit – origination and reversal of timing differences (see note 12)	405	-
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	(94)	-
Tax on profit/(loss) on ordinary activities	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/(loss) before tax is shown in the reconciliation below.

Current tax:	2004 £'000	2003 £'000
Profit/(loss) on ordinary activities before tax	1,216	(43,818)
Corporation tax at 30% (2003: 30%)	366	(13,145)
Effect of:		
Depreciation claimed in excess of capital allowances	843	8,845
Disallowable expenditure	118	1,252
Non-taxable dividend income	(658)	(159)
Other timing differences	70	246
Tax losses carried forward	(645)	2,961
Total current tax charge	94	-

8 Goodwill

Group	Cost £'000	Amortisation £'000	Net book value £'000
At 31 March 2003	78,915	(78,083)	832
Charge for the year	-	(64)	(64)
At 31 March 2004	78,915	(78,147)	768

The company has no intangible fixed assets.

9 Tangible fixed assets

Group	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Vehicles, plant and equipment £'000	Total £'000
Cost				
At 31 March 2003	73,961	958	59,738	134,657
Additions	169	-	2,958	3,127
Disposals	(3,170)	(11)	(8,419)	(11,600)
At 31 March 2004	70,960	947	54,277	126,184
Depreciation				
At 31 March 2003	35,528	784	31,979	68,291
Charge	1,122	15	4,176	5,313
Disposals	(2,318)	(11)	(7,890)	(10,219)
At 31 March 2004	34,332	788	28,265	63,385
Net book value				
At 31 March 2003	38,433	174	27,759	66,366
At 31 March 2004	36,628	159	26,012	62,799

The company has no tangible fixed assets. Included in the net book value above is £18,657,262 (2003 - £19,071,742) of freehold land that is not being depreciated. The net book value above includes £nil (2003 - £nil) in relation to finance leases.

In the prior year there was an impairment charge of £24,879,000 relating to the service station network owned by Kuwait Petroleum (G.B.) Limited, a subsidiary of the company, which arose due to the poor economic returns being experienced in this sector.

10 Fixed asset investments

Group	Investments £'000	Long Term Loans £'000	Total £'000
Cost			
As at 1 April 2003	2	30	32
Additions	394	-	394
As at 31 March 2004	396	30	426
Provision for impairment			
As at 1 April 2003	-	-	-
Charge for the year	235	-	235
As at 31 March 2004	235	-	235
Net Book Value			
As at 31 March 2003	2	30	32
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 *(supply of aviation fuel)*	40 ordinary £1 shares, representing 33.3% of the total nominal value of ordinary shares
Manchester Airport Storage and Hydrant Company Limited *(supply of aviation fuel)*	25 ordinary £1 shares, representing 25% of the total nominal value of ordinary shares
Stansted Fuelling Company Limited *(supply of aviation fuel)*	100 ordinary £1 shares, representing 14.3% of the total nominal value of ordinary shares
Heathrow Hydrant Operating Company Limited *(supply of aviation fuel)*	100 ordinary £1 shares, representing 10% of the total nominal value of ordinary shares
Gatwick Airport Storage and Hydrant Company Limited *(supply of aviation fuel)*	100 ordinary £1 shares, representing 12.5% of the total nominal value of ordinary shares
Heathrow Refuelling Services Limited *(supply of aviation fuel)*	25 ordinary £1 shares, representing 25% of the total nominal value of ordinary shares

10 Fixed asset investments (continued)

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
Stanstead 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.

Company

Investments in and loans to subsidiary undertakings are as follows:

	Investments £'000	Loans £'000	Total £'000
Balance at 31 March 2003 at cost	28,032	41,429	69,461
Foreign currency translation adjustment	-	1,142	1,142
Net book value at 31 March 2004	28,032	42,571	70,603

10 Fixed asset investments (continued)

The company's active subsidiary undertakings are as follows:

Name of company	*Holding*	*Voting rights and ownership*	*Nature of business*
Kuwait Petroleum (G.B.) Limited	153,743,569 £1 ordinary shares	100%	Marketing petroleum products
Ross Chemicals and Storage Co. Limited*	25,000 £1 ordinary shares	100%	Receipt, storage and delivery of petroleum products
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
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 Fuelcare Limited*	4,500 £1 ordinary shares	100%	Marketing petroleum products
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 undertakings not directly owned by the company.

11 Stocks

Group	2004 £'000	2003 £'000
Refined petroleum products	30,341	26,345
Spare parts, materials and supplies	687	693
	31,028	27,038

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

12 Debtors

a) Amounts falling due within one year:

Group	2004 £'000	2003 £'000
Trade debtors	42,163	49,028
Amounts due from fellow subsidiary undertakings	263,774	222,910
Other debtors	900	2,600
Prepayments and accrued income	6,430	6,703
	313,267	281,241
Company		
Amounts due from subsidiary undertakings	-	2,853
Trade debtors	2	17
	2	2,870

b) Amounts falling due after more than one year:

Group	2004 £'000	2003 £'000
Loans to joint ventures	250	1,013
Loans to dealers	34	140
Deferred tax asset	405	-
Prepayments and accrued income	9,292	-
	9,981	1,153

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 £9,701,000 (2003 - £11,968,000) 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 distribution costs which will be recovered over the 15 year life of the related contractual agreement.

12 Debtors (continued)

b) Amounts falling due after more than one year (continued):	2004 £'000	2003 £'000
Company		
Loans to joint ventures	250	1,013
Total debtors		
Group	323,248	282,394
Company	252	3,883

13 Creditors: Amounts falling due within one year

Group	2004 £'000	2003 £'000
Bank overdrafts and short term loans (unsecured)	10,308	7,090
Obligations under finance leases	-	11
Trade creditors	45,645	77,110
Amounts due to immediate / intermediate parent undertakings	218,403	150,255
Amounts due to fellow subsidiary undertakings	78,206	84,363
VAT and other excise duties payable	7,113	7,000
Payroll taxes and social security costs	733	495
Other creditors	4,660	3,636
Accruals and deferred income	10,887	9,632
	375,955	339,592

Company		
Amounts due to fellow subsidiary undertakings	1,694	2,156
Amounts due to subsidiary undertakings	2,770	310
	4,464	2,466

14 Creditors: Amounts falling due after more than one year

Group	2004 £'000	2003 £'000
Loans from immediate / intermediate parent undertakings	240,080	240,080
Loans from fellow subsidiary undertakings	55,500	55,500
	295,580	295,580

Company	2004 £'000	2003 £'000
Loans from immediate/ intermediate parent	240,080	240,080
Loans from fellow subsidiary undertakings	55,500	55,500
Loans from subsidiary undertakings	-	4,200
	295,580	299,780

Loans from immediate and intermediate parent undertakings are denominated in sterling. They are interest free; however, for certain loans the lender has the right to charge interest at 12 month LIBOR +0.75%. They all have a 10 year term with the earliest repayment due in June 2005.

Loans from subsidiary undertakings are denominated in sterling, bear interest at sterling 12 month LIBOR +0.75% and have a term of 10 years.

Loans from fellow subsidiary undertakings are denominated in sterling. They all have a 10 year term with the earliest repayment due in June 2007. Interest rates vary by loan (LIBOR +0.5% and LIBOR +0.75%) and on some of the loans interest may be rolled up at the option of the borrower.

Borrowings are repayable as follows: **Group**	2004 £'000	2003 £'000
Between one and two years	33,229	21,020
Between two and five years	115,656	140,500
After five years	146,695	134,060
	295,580	295,580

Company	2004 £'000	2003 £'000
Between one and two years	33,229	25,220
Between two and five years	115,656	140,500
After five years	146,695	134,060
	295,580	299,780

15 Provisions for liabilities and charges

Group	Incentive Scheme £'000	Redundancy £'000	Onerous leases £'000	Other Onerous contracts £'000	Total £'000
At 31 March 2003	-	1,162	1,569	1,000	3,731
Charged to the profit and loss	-	-	72	-	72
Prepayment recorded	390	-	-	-	390
Utilisation of provision	(57)	(787)	(96)	(222)	(1,162)
At 31 March 2004	333	375	1,545	778	3,031

- The provision for the incentive scheme is 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. Kuwait Petroleum (G.B.) Limited was disposed of in September 2004 (see note 25).
- The provision for redundancy is in respect of a redundancy programme commenced in Kuwait Petroleum (GB) 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 will 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 2003 has been included as the amounts involved are not material.

16 Called-up equity share capital

	2004 £	2003 £
Authorised		
100,000,000 (2003 – 100,000,000) ordinary shares of £1 each	100,000,000	100,000,000
Allotted, called-up and fully-paid		
15,000,100 (2003 – 15,000,100) ordinary shares of £1 each	15,000,100	15,000,100

17 Reserves

Group	Capital reserve £'000	Foreign currency translation reserve £'000	Profit and loss account £'000	Total £'000
At 31 March 2003	561	131	(264,191)	(263,499)
Loss on foreign currency translation	-	(430)	-	(430)
Retained profit for the financial year	-	-	1,329	1,329
At 31 March 2004	561	(299)	(262,862)	(262,600)

The movement in company reserves is solely due to the retained loss for the year of £286,574 (2003 – loss £57,334,297). 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.

18 Reconciliation of movements in shareholders' deficit

Group	2004 £'000	2003 £'000
Gain/(loss) for the financial year	1,329	(44,104)
Loss on foreign currency translation	(430)	(323)
Total recognised gains/(losses)	899	(44,427)
Opening shareholders' deficit	(248,499)	(204,072)
Closing shareholders' deficit	(247,600)	(248,499)
Company		
Loss for the financial year	(287)	(57,334)
Opening shareholders' deficit	(228,902)	(171,568)
Closing shareholders' deficit	(229,189)	(228,902)

19 Minority interests

	£'000
At 31 March 2003	973
Share of profit on ordinary activities after taxation	198
Share of dividends paid and proposed	(196)
Foreign currency translation adjustment	(136)
At 31 March 2004	839

20 Capital and financial commitments

Group	2004 £'000	2003 £'000
Capital expenditure contracted	274	1,918

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 £393,223,768 (2003 – £516,403,793). 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 £1,872,487 (2003 – loss of £2,016,352), which includes unrealised losses of £1,999,446 (2003 - £3,420,701) with respect to third parties.

The company had no capital or financial commitments at year end (2003 none).

21 Operating leases

The group had annual commitments under non-cancellable operating leases for plant and equipment at 31 March 2004 as set out below:

	31 March 2004		31 March 2003	
	Land and Buildings £'000	Other operating leases £'000	Land and Buildings £'000	Other operating leases £'000
Leases which expire				
– within 1 year	159	1,145	-	641
– within 2 to 5 years	135	1,172	192	1,998
– after 5 years	766	120	868	2
	1,060	2,437	1,060	2,641

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 £1,699,000 (2003 - £1,683,000), of which £1,088,000 (2003 - £1,189,000) 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 £28.7million, 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 third 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 2004 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.

22 Pensions (continued)

The major assumptions used for the actuarial valuation were:

	31 March 2004	31 March 2003	31 March 2002
	%	%	%
Rate of increase in salaries	4.50	4.50	5.00
Rate of increase in pensions in payment	2.75	2.25	2.25
Discount rate	5.50	5.40	6.00
Inflation assumption	3.00	2.50	2.50

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:

	2004	2004	2003	2003	2002	2002
	%	£'000	%	£'000	%	£'000
Equities	8.50	21,678	8.75	17,010	7.50	21,802
Bonds	5.00	10,086	4.75	8,770	5.50	8,901
Other	0.00	310	-	-	-	-
Total fair value of assets		32,074		25,780		30,703
Present value of scheme liabilities		(52,117)		(41,623)		(35,318)
Deficit in the scheme		(20,043)		(15,843)		(4,615)

The group paid contributions at the rate of 13.3% of pensionable salaries during the year. The members contributed to the scheme at the rate of 3.5% of pensionable salary. It has been agreed that the group and the members will continue to contribute at the above rates until the future funding of the Scheme has been agreed.

Analysis of the amount that would be charged to operating profit under FRS 17

	2004	2003
	£'000	£'000
Current service cost	(1,364)	(1,189)
Past service cost	-	-
Total operating charge	(1,364)	(1,189)

22 Pensions (continued)

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

	2004 £'000	2003 £'000
Expected return on pension scheme assets	1,971	2,119
Interest on pension scheme liabilities	(2,248)	(2,182)
Net charge	(277)	(63)

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

	2004 £'000	2003 £'000
Actual return less expected return on scheme assets	3,292	(8,051)
Experience gains and losses arising on the scheme liabilities	(644)	175
Changes in assumptions underlying the present value of the scheme liabilities	(6,736)	(3,505)
Net actuarial loss	(4,088)	(11,381)

Movement in scheme surplus / (deficit) during the year

	2004 £'000	2003 £'000
At beginning of year	(15,843)	(4,615)
Current service cost	(1,364)	(1,189)
Contributions	1,529	1,405
Net finance costs	(277)	(63)
Actuarial loss	(4,088)	(11,381)
At end of year	(20,043)	(15,843)

22 Pensions (continued)

History of experience gains and losses

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

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 immediate 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 2004 and 31 March 2003. 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 Post Balance Sheet Event

The company sold its investment in Kuwait Petroleum (G.B) Ltd. ("KPGB") on 30th September 2004 to a third party. The company also sold a subsidiary of KPGB, The Ross Chemical and Storage Company Limited, to another third party on the same date. Certain components of the business of KPGB were retained within separate legal entities. The consideration received was £52 million. For the year ended 31 March 2004 KPGB contributed £215 million to turnover of the group, £1.9 million to profit before taxation and £34 million to net assets (excluding intra-group balances).