

Registered number: 02073564

Q8 Oils

Kuwait Petroleum International Lubricants (UK) Ltd
(Formerly Herts & Beds Petroleum Limited)

Annual Report & Financial Statements

For the year ended 31 March 2005



Kuwait Petroleum International Lubricants (UK) Limited
(Formerly Herts & Beds Petroleum Limited)

DIRECTORS

Mr A Gilotti
Mr M Dudley
Mr S Dron
Miss J Swales
Mrs A Thomson
Mr G Ruitinga

SECRETARY

Miss J Swales

AUDITORS

Deloitte & Touche LLP
Chartered accountants
London

REGISTERED OFFICE

Knowsthorpe Gate
Cross Green Industrial Estate
Leeds
LS9 0NP

Tel : 0113 2350555
Fax: 0113 2485026
Web: www.q8oils.co.uk



Directors' report

For the year ended 31 March 2005

The directors present their annual report on the affairs of the Company together with the audited financial statements and auditors' report for the year ended 31 March 2005.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

During the course of 2004 the Kuwait Petroleum Group elected to sell its UK based subsidiary, Kuwait Petroleum (GB) Limited. Certain business activities, such as the Leeds based Lubricants business, were excluded from the sale. A dormant Company owned by the Kuwait Petroleum Group was renamed Kuwait Petroleum International Lubricants (UK) Limited ("the Company") and all assets pertaining to the running of the lubricants business were transferred from Kuwait Petroleum (GB) Limited to this Company with effect from 1 August 2004. Kuwait Petroleum (GB) Limited was subsequently sold via a share sale on 30 September 2004.

The principal activities of the Company during the trading period were the manufacture and sale of lubricating oils and greases for automotive and industrial purposes, in the UK and Ireland in addition to exporting to numerous other countries.

The Company was refinanced during the year with the issue of 2,400,000 £1 shares to Kuwait Petroleum (UK Holdings) Ltd for a cash consideration.

The lubricants market in the UK remains highly competitive but despite this the Company has successfully continued with its strategy of finished lubricants growth and intends to continue this activity in the coming year.

RESULTS AND DIVIDENDS

The audited financial statements for the year ended 31 March 2005 are set out on pages 7 to 21. The results represent an 8-month trading period commencing 1 August 2004 and show a loss of £360,000.

The second half of this financial year has seen substantial increases in costs of raw materials and transport reflecting the Worldwide rise in crude oil prices offset only by the US\$/£sterling exchange rate. The market has not enabled these cost increases to be passed on resulting in reduced operating margins.

However the operating result for the full year exceeded internal budgets with only a number of non-operating items additionally charged and reported in these statutory accounts; some reflect the start-up costs of the new Company.

No dividend will be paid or proposed.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year (except as noted), and following the year end, were as follows:

Mr G Ruitinga	
Mr A Gilotti	(appointed 2 August 2004)
Mrs A Thomson	
Mr M Dudley	(appointed 2 August 2004)
Mr S Dron	(appointed 2 August 2004)

Kuwait Petroleum International Lubricants (UK) Limited
(Formerly Herts & Beds Petroleum Limited)

Directors' report (continued)

For the year ended 31 March 2005

DIRECTORS AND THEIR INTERESTS (continued)

Ms J Swales (appointed 2 August 2004)

No director has, or has had during the year, or since the year end, any interests in the Company, or any other group Company, that is required to be disclosed under Schedule 7 of the Companies Act 1985.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the Company made charitable donations amounting to £230 (2004 - Nil). No political contributions were made (2004 - Nil).

EMPLOYMENT POLICIES

Kuwait Petroleum International Lubricants will conduct its business so that the Safety, Health and Environmental of its employees, its contractors and the public are protected in line with the overall Kuwait Petroleum International Safety, Health and Environmental Policy.

The Company in an equal opportunities employer, and provides facilities for the disabled where appropriate.

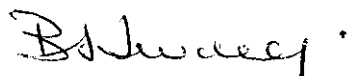
AUDITORS

Deloitte & Touche LLP were appointed as auditors for the financial year ended 31 March 2005.

The directors will place a resolution before the Annual General Meeting to reappoint Deloitte & Touche LLP as the Company's auditors for the ensuing year.

Knowsthorpe Gate
Cross Green Industrial Estate
Leeds
LS9 0NP

By order of the Board



J Swales
Company Secretary

12 December 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 as at the end of the financial year and of the profit or loss of the Company for that period.

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

- Select suitable accounting policies and 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 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 SHAREHOLDER OF KUWAIT PETROLEUM INTERNATIONAL LUBRICANTS (UK) LIMITED (FORMERLY HERTS & BEDS PETROLEUM LIMITED)

We have audited the financial statements of Kuwait Petroleum International Lubricants (UK) Limited (formerly Herts & Beds Petroleum Limited) for the year ended 31 March 2005, which comprise the profit and loss account, balance sheet and the related notes number 1 to 19. 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 have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements given a true and fair view of the state of the Company's affairs as at 31 March 2005 and its loss 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

12 December 2005

Kuwait Petroleum International Lubricants (UK) Limited
(Formerly Herts & Beds Petroleum Limited)

Profit and Loss Account

For the year ended 31 March 2005

	Notes	Year to 31 March 2005 £'000	Year to 31 March 2004 £'000
Turnover	2	13,301	-
Cost of sales		<u>(8,973)</u>	<u>-</u>
Gross Profit		4,328	-
Other operating income	3	260	-
Distribution costs		(588)	-
Administration expenses		<u>(4,288)</u>	<u>-</u>
Operating loss		(288)	-
Interest receivable	4(a)	71	-
Interest payable	4(b)	<u>(143)</u>	<u>-</u>
Loss on ordinary activities before taxation	5	(360)	-
Taxation	7	<u>-</u>	<u>-</u>
Retained loss on ordinary activities after taxation for the financial year	15	<u>(360)</u>	<u>-</u>

There are no recognised gains or losses in either year, other than the result for each year. Consequently no Statement of Total Recognised Gains and Losses is presented. All activities in the current year relate to the acquisition of the trade and assets of Kuwait Petroleum GB Limited's lubricants business on 1 August 2004.

During the prior year the Company did not trade.

Balance Sheet

As at 31 March 2005

	Notes	31 March 2005 £'000	31 March 2004 £'000
Fixed Assets			
Tangible fixed assets	8	<u>3,760</u>	<u>-</u>
Current Assets			
Stocks	9	1,333	-
Debtors	10	2,720	-
Cash at bank and in hand		<u>1,044</u>	<u>-</u>
		5,097	-
Creditors: Amounts falling due within one year	11	<u>(4,542)</u>	<u>-</u>
Net current assets		<u>555</u>	<u>-</u>
Total assets less current liabilities		4,315	-
Creditors: amounts falling due after more than one year	12	<u>(2,275)</u>	<u>-</u>
Net assets		<u>2,040</u>	<u>-</u>
Capital and reserves			
Called-up equity share capital	13	2,400	-
Profit and loss account	14	<u>(360)</u>	<u>-</u>
Equity shareholders' funds	15	<u>2,040</u>	<u>-</u>

These financial statements were approved by the board and signed on their behalf


Mr S Dron

Director

12 December 2005

Kuwait Petroleum International Lubricants (UK) Limited
(Formerly Herts & Beds Petroleum Limited)

Notes to the financial statements

1. Accounting Policies

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

a) Basis of accounting

These financial statements are prepared under the historic cost convention, and in accordance with applicable United Kingdom law and accounting standards.

b) Turnover

Turnover, which is stated net of value added tax and excise duty, represents amounts invoiced to third parties, net of rebates.

c) Tangible fixed assets

Tangible fixed assets are stated at cost less provision for impairment and depreciation. Freehold land is not depreciated. Other tangible assets are depreciated on the straight line method at rates designed to write off costs, less residual value, over the estimated useful lives, as follows:

Freehold buildings	-	up to 40 years
Vehicles, plant and equipment	-	3 to 20 years

d) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Stocks of oils and lubricants are valued on a weighted average cost basis where appropriate.

Notes to the financial statements (continued)

1. Accounting Policies (continued)

e) Taxation

Corporation tax payable is provided for on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains or losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded 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.

f) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

g) Leasing and hire purchase contracts

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Notes to the financial statements (continued)

1. Accounting Policies (continued)

h) Pensions

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 difference 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.

No separate disclosures are required under the provisions of FRS 17 "Retirement Benefits", as the Company participates in a group pension scheme and the net assets of this scheme relating to individual companies cannot be separately identified. The latest actuarial valuation of the scheme, prepared for the purposes of making the transitional disclosures in accordance with FRS 17 in the consolidated accounts of the immediate parent Company, shows a deficit position. Further details can be found in the annual report of Kuwait Petroleum (U.K. Holdings) Limited.

i) Cash flow statement

Under the provision of Financial Reporting Standard No 1 (revised), the Company has not prepared a cash flow statement because its ultimate parent Company, The Kuwait Petroleum Corporation, which is incorporated in Kuwait, has prepared consolidated accounts, which include the results of the Company and which are publicly available.

Notes to the financial statements (continued)

2. Segmental Analysis

The turnover and loss is attributable to one activity, the marketing and distribution of lubricating oils and greases. In both periods the net assets relate to trade in the United Kingdom. An analysis of turnover by geographical market is given below.

	Year to 31 March 2005 £'000	Year to 31 March 2004 £'000
United Kingdom	11,232	-
Rest of World	<u>2,069</u>	<u>-</u>
	<u>13,301</u>	<u>-</u>

3. Other Operating Income

Other operating income principally consists of third party rental income and service charges made to other group undertakings.

4a. Interest Receivable

	Year to 31 March 2005 £'000	Year to 31 March 2004 £'000
Interest Receivable from other group undertakings	27	-
Interest receivable from banks	<u>44</u>	<u>-</u>
	<u>71</u>	<u>-</u>

4b. Interest Payable

	Year to 31 March 2005 £'000	Year to 31 March 2004 £'000
Interest payable to immediate parent Company (see note 12)	124	-
Interest payable to other group undertakings	<u>19</u>	<u>-</u>
	<u>143</u>	<u>-</u>

Notes to the financial statements (continued)

5. Loss on ordinary activities before taxation

This is stated after charging/(crediting):

	Year to 31 March 2005 £'000	Year to 31 March 2004 £'000
Auditors' remuneration		
- audit services	20	-
Depreciation of tangible fixed assets	187	-
Operating lease costs		
- land and buildings	153	-
- plant and machinery	9	-
Rent receivable	(247)	-
Foreign exchange losses	72	-
	<hr/>	<hr/>

6. Staff costs

Staff costs, including directors' emoluments, during the year amounted to:

	Year to 31 March 2005 £'000	Year to 31 March 2004 £'000
Wages and salaries	982	-
Social security costs	98	-
Other pension costs (see note 16)	534	-
	<hr/>	<hr/>
	1,614	-
	<hr/>	<hr/>

Notes to the financial statements (continued)

6. Staff costs (continued)

The average monthly number of employees including directors was:

	Year to 31 March 2005 £'000	Year to 31 March 2004 £'000
Sales	18	-
Administration	<u>57</u>	<u>-</u>
	<u>75</u>	<u>-</u>

Directors' remuneration

	Year to 31 March 2005 £'000	Year to 31 March 2004 £'000
Emoluments (excluding pension contributions)	<u>102</u>	<u>-</u>

The emoluments attributable to the highest paid director were as follows:

Emoluments (excluding pension contributions)	<u>59</u>	<u>-</u>
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Two directors (2004 – none) were members of a defined benefit pension scheme. No directors were members of a defined contribution pension scheme (2004 – none). Pension details are shown in note 16.

Notes to the financial statements (continued)

7. Taxation

There is no provision for current or deferred tax at 31 March 2005 (2004 – £nil). The differences between the current tax charge and the amount calculated by applying the standard rate of UK Corporation tax to the profit before tax is as follows:

	Year to 31 March 2005 £'000	Year to 31 March 2004 £'000
Loss on ordinary activities before taxation	(360)	-
Corporation tax credit at 30% (2004 : 30%)	(108)	-
Effects of:		
Capital allowances in excess of depreciation	(47)	-
Expense not deductible for tax purposes	30	-
Transfer of group losses	125	-
Current tax charge for year	-	-

A deferred tax asset of £1,686,000 (2004 - £nil) has not been recognised on the grounds that the directors do not expect there to be any taxable profits available in the foreseeable future against which it will reverse.

Notes to the financial statements (continued)

8. Tangible fixed assets

	Land and buildings		Vehicles, plant & equipment	Total
	Freehold £'000	Leasehold £'000	£'000	£'000
Cost				
As 1 April 2004	-	-	-	-
Additions	<u>2,978</u>	<u>-</u>	<u>969</u>	<u>3,947</u>
At 31 March 2005	<u>2,978</u>	<u>-</u>	<u>969</u>	<u>3,947</u>
Depreciation				
At 1 April 2004	-	-	-	-
Charge for year	<u>(116)</u>	<u>-</u>	<u>(71)</u>	<u>(187)</u>
At 31 March 2005	<u>(116)</u>	<u>-</u>	<u>(71)</u>	<u>(187)</u>
Net book value				
At 1 April 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2005	<u>2,862</u>	<u>-</u>	<u>898</u>	<u>3,760</u>

Included in the net book value above is £375,000 (2004 – Nil) of freehold land that is not being depreciated.

Additions includes £2,400,000 which was acquired from Kuwait Petroleum (GB) Limited on 1 August 2004.

Notes to the financial statements (continued)

9. Stocks

	2005 £'000	2004 £'000
Stocks consist of:		
Raw Materials and consumables	847	-
Finished Goods	<u>486</u>	<u>-</u>
	<u>1,333</u>	<u>-</u>

There is no material difference between the book value of stocks and their replacement cost.

10. Debtors: Amounts falling due within one year

	2005 £'000	2004 £'000
Trade Debtors	2,600	-
Prepayments	86	-
Customer loans	<u>34</u>	<u>-</u>
Total debtors	<u>2,720</u>	<u>-</u>

Notes to the financial statements (continued)

11. Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Trade creditors	879	-
Amounts owed to other group undertakings	2,377	-
VAT	429	-
Other creditors	149	-
Accruals and deferred income	708	-
	<u>4,542</u>	<u>-</u>

12. Creditors: amounts falling due after more than one year

	2005 £'000	2004 £'000
Loans from immediate parent company	<u>2,275</u>	<u>-</u>
	<u>2,275</u>	<u>-</u>

The loans from the immediate parent company at 31 March 2005 are made up as follows:

Amount of Loan	Repayment Due Date	Interest Rate
£2,275,000	31 March 2014	12 month LIBOR plus 0.75 per cent

All loans may be repaid earlier at the borrower's option and are unsecured.

The interest payment payable for the year was £124,000.

Notes to the financial statements (continued)

13. Equity share capital

	2005 £	2004 £
Authorised		
2,500,000 ordinary shares of £1 each	<u>2,500,000</u>	<u>100</u>
Allotted, called-up and fully paid		
2,400,000 ordinary shares of £1 each	<u>2,400,000</u>	<u>100</u>

During the year the Company issued 2,399,900 shares at par for the purpose of capitalising intercompany funding.

14. Reserves

	2005 £'000	2004 £'000
As at 1 April	-	-
Loss for the year	<u>(360)</u>	<u>-</u>
As at 31 March	<u>(360)</u>	<u>-</u>

15. Reconciliation of movements in equity shareholders' funds

	31 March 2005 £	31 March 2004 £
Loss for the financial year	(360,000)	-
Share Issue	2,399,900	-
Opening equity shareholders' funds	<u>100</u>	<u>100</u>
Closing equity shareholders' funds	<u>2,040,000</u>	<u>100</u>

Notes to the financial statements (continued)

16. Pension commitments

The group headed by Kuwait Petroleum (UK Holdings) Limited operates a funded defined benefit pension scheme in the UK, the assets of which are held in a separate trustee administered fund.

The total pension cost for the Company was £534,000 (2004 – Nil). The pension cost has been assessed in accordance with the advice of qualified actuaries using the projected unit method and assumptions as set out in the financial statements of the Company's immediate parent undertaking, Kuwait Petroleum International (UK Holdings) Limited. At the end of the year there was no accrual or prepayment (2004 – nil).

The most recent formal actuarial valuation of the defined benefit scheme for SSAP 24 purposes took place on 1 July 2003. 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 Group has agreed to eliminate the deficit by August 2006.

The accrued pension entitlement under the Company's defined benefit scheme of the highest paid director at 31 March 2005 was £nil (2004 – nil). Two directors (2004 – nil) were members of the scheme.

Notes to the financial statements (continued)

17. Other financial commitments

The Company has annual commitments under non-cancellable operating leases as set out below:

	Land and Buildings	Other Operating Leases	Land and Buildings	Other Operating Leases
	31 March 2005 £'000	31 March 2005 £'000	31 March 2004 £'000	31 March 2004 £'000
Expiry date:				
- within one year	-	7	-	-
- between two and five years	-	4	-	-
- after 5 years	230	-	-	-
	<u>230</u>	<u>11</u>	<u>-</u>	<u>-</u>

18. Related party transactions

The Company has taken advantage of the exemption available under Financial Reporting Standard 8 and has not disclosed details of transactions with other group undertakings as it is a wholly owned subsidiary of Kuwait Petroleum Corporation, which prepares consolidated accounts which are publicly available.

19. Ultimate parent company and controlling party

The Company is a wholly owned subsidiary undertaking of Kuwait Petroleum (U.K. Holdings) Limited, registered in England and Wales. The ultimate parent Company is The Kuwait Petroleum Corporation, which is incorporated in Kuwait.

The ultimate parent company of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member is Kuwait Petroleum Corporation. The parent company of the smallest such group is Kuwait Petroleum (U.K. Holdings) Limited.

Copies of the Kuwait Petroleum (U.K. Holdings) Limited's accounts are available to the public and may be obtained from Duke's Court, Dukes Street, Woking Surrey, GU21 5BH.

