



**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2006**

BUNDUQ COMPANY LTD

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BUNDUQ COMPANY LIMITED

(Registered in England No 985387)

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR 2006

Board of Directors -

Eiji Okuyama	(Chairman)
Mohammed Butti Al-Qubaisi	
Said Mubarak Al-Muhannadi	
Gautier Chatelus	
Graham Day	
Michel Hourcard	
Philippe Roy	
David Dalton	
Sadayuki Togashi	
Seiji Koya	
Shunsuke Ubukata	
Philippe Guys	(Alternate to Michel Hourcard)

DIRECTORS' REPORT

The directors submit their report and the financial statements for the year ended 31 December 2006

Principal activity and review of the business: The Company is engaged in the production and export of crude oil from El-Bunduq field. Production was at the rate of approximately 18,293 barrels per day for the year and currently is at 17,227 barrels per day. The average daily production for the year ending on 31 December 2007 is expected to decrease to 14,891 barrels and total for 2007 to approximately 5 435 million barrels.

Results and dividends: The profit for the year ended 31 December 2006 amounted to \$28,196 (2005 \$ 67,196). The profit has been deducted from accumulated losses, which at 31 December 2006 totalled \$ 12,348,014 (2005 \$ 12,376,210).

The directors do not recommend the payment of a dividend.

Delivery risks:

Major project delivery

Poor delivery of any major project that underpins production growth and / or a major programme designed to enhance shareholder value.

BUNDUQ COMPANY LIMITED

DIRECTORS' REPORT (Contd.)

Enduring risks:

Drilling and production risk

Exploration and production require high levels of investment and have particular economic risks and opportunities and may often involve innovative technologies. They are subject to natural hazards and other uncertainties, including those relating to the physical characteristics of an oil or natural gas field. The cost of drilling, completing or operating wells is often uncertain. The company may be required to curtail, delay or cancel drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions and compliance with governmental requirements.

Security risk

Acts of terrorism that threaten our plants and offices, pipelines, transportation or computer systems would severely disrupt business and operations.

Directors and their interests: The present directors of the Company are listed on previous page.

BUNDUQ COMPANY LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2006

Directors and their interests Changes in office since 1 January 2006 are as follows

	Appointed	Resigned
Mrs Julia Bell		20 October 2006
Gautier Chatelus	20 October 2006	
Tetsuro Hanada		01 November 2006
Shunsuke Ubukata	01 November 2006	
Nobuyuki Kitamura		02 April 2007
Eiji Okuyama	02 April 2007	
Tim Alcock		01 January 2007
Graham Day	01 January 2007	

All other directors served throughout the year

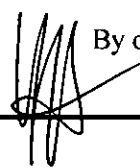
No director had any interest in the shares or debentures of subsidiary undertakings of the Company at 31 December 2006

Auditors: Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting

Directors' statement as to the disclosure of information to the auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made inquiries of fellow directors and of the company's auditors, each of these directors confirm that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information


 By order of the Board

 Yasin S. Ali
 Secretary

Building G
 Chertsey Road
 Sunbury on Thames
 Middlesex TW16 7BP

Date: 13 June 2007

**BUNDUQ COMPANY LIMITED
AT 31 DECEMBER 2006**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT
OF THE FINANCIAL STATEMENTS**

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 of its profit 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 all applicable accounting standards have been followed, subject to any material departures discussed and explained in the financial statements, and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with these requirements and, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUNDUQ COMPANY LIMITED

We have audited the Company's financial statements for the year ended 31 December 2006, which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement, Statement of Total Recognised Gains and Losses and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act, 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP
Ernst & Young LLP
Registered Auditor
London

15 June 2007

BUNDUQ COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2006

	<u>NOTES</u>	<u>2006</u> US \$	<u>2005</u> US \$
Turnover	2	131,805,482	124,861,708
Cost of sales		<u>131,725,138</u>	<u>124,711,857</u>
Gross profit		80,344	149,851
Administrative expenses		(105,725)	(95,512)
Other operating income		<u>81,287</u>	<u>6,072</u>
Operating profit before interest and taxation	5	55,906	60,411
Bank interest received		<u>24,505</u>	<u>20,652</u>
Profit on ordinary activities before taxation		80,411	81,063
Tax on profit on ordinary activities	9	<u>(52,215)</u>	<u>(13,867)</u>
Profit retained for the financial year	18	<u><u>28,196</u></u>	<u><u>67,196</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 DECEMBER 2006

There were no recognised gains or losses other than the profit of \$ 28,196 for the year ended 31 December 2006 (2005 profit of \$67,196)

BUNDUQ COMPANY LIMITED
BALANCE SHEET
AT 31 DECEMBER 2006

	<u>NOTES</u>	<u>2006</u> <u>US \$</u>	<u>2005</u> <u>US \$</u>
Fixed assets			
Tangible assets	10	<u>169,571,066</u>	<u>186,028,519</u>
Current assets			
Stocks	11	6,941,543	5,639,646
Debtors	12	15,424,474	17,176,710
Cash at bank and in hand	20(c)	<u>1,905,902</u>	<u>4,511,016</u>
		<u>24,271,919</u>	<u>27,327,372</u>
Creditors - amounts falling due within one year	13	<u>45,395,451</u>	<u>63,893,222</u>
Net current liabilities		<u>(21,123,532)</u>	<u>(36,565,850)</u>
Total assets less current liabilities		<u>148,447,534</u>	<u>149,462,669</u>
Creditors - amounts falling due after more than one year	14	<u>144,309,285</u>	<u>145,559,978</u>
Provisions for liabilities and charges	16	<u>2,168,566</u>	<u>1,961,204</u>
Net assets		<u><u>1,969,683</u></u>	<u><u>1,941,487</u></u>
Capital and reserves			
Called up share capital	17	142,995	142,995
Share premium account	18	14,157,649	14,157,649
Exchange reserve	18	17,053	17,053
Profit and loss account	18	<u>(12,348,014)</u>	<u>(12,376,210)</u>
Equity shareholders' funds		<u><u>1,969,683</u></u>	<u><u>1,941,487</u></u>

The financial statements were approved by the Board of Directors on 13 June 2007 and signed on their behalf by

 E. Okuyama, Chairman

BUNDUQ COMPANY LIMITED
CASH FLOW STATEMENT
AT 31 DECEMBER 2006

	<u>NOTES</u>	<u>2006</u> US \$	<u>2005</u> US \$
Net cash (outflow)/inflow from operating activities	20(A)	(16,312,717)	15,487,116
Returns on investment & servicing of finance :			
Interest received		24,505	20,652
Capital Expenditure			
Acquisition of tangible assets			
Production & development assets		(18,481,509)	(70,888,356)
Other assets		(43,875)	(13,457)
Receipts from sale of tangible assets		<u>8,482</u>	<u>-</u>
Net cash used in investing activities		<u>(18,516,902)</u>	<u>(70,901,813)</u>
Net cash outflow before financing activity		<u>(34,805,114)</u>	<u>(55,394,045)</u>
Financing activity			
Shareholders' advances received	15	<u>32,200,000</u>	<u>58,200,000</u>
(Decrease)/Increase in cash	20(B)	<u><u>(2,605,114)</u></u>	<u><u>2,805,955</u></u>

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2006

1. Accounting policies

The principal accounting policies of the Company are set out below. The policies are consistent with those adopted in previous years.

(a) Basis of preparation

These accounts are prepared under the historical cost convention and in accordance with applicable UK accounting standards. In addition to the requirements of accounting standards, the accounting for exploration and production activities is governed by the Statement of Recommended Practice ('SORP') 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' issued by the UK Oil Industry Accounting Committee on 7 June 2001. These accounts have been prepared in accordance with the provisions of the SORP.

The directors consider it appropriate to prepare the accounts on a going concern basis, since the parent undertaking agreed to provide sufficient finance, whether directly or through one of its subsidiaries, to enable the company to meet its liabilities as they fall due for the foreseeable future.

(b) Tangible Assets :

(i) Production assets

The accumulated capital costs of production facilities including the cost of development drilling are depreciated on the unit of production basis. Depreciation is calculated using the ratio of production during the year to the sum of the estimated quantity of commercially producible reserves at the end of the year and production during the year. Depreciation is calculated taking into account future development costs.

(ii) Exploration expenditure

The Company follows the 'successful efforts' method in accounting for exploration costs. As a result, exploration costs are initially included in intangible assets pending determination of commercial reserves. Should the efforts be determined unsuccessful, the costs are then charged to income.

(iii) Other assets

Furniture and fittings are depreciated on a straight line basis over their expected useful lives, estimated to be 10 years.

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2006

(c) Foreign currencies

Expenditure in currencies other than US Dollars is recorded in US Dollars at the exchange rate ruling at the date the expenditure is incurred. Assets and liabilities in currencies other than US Dollars have been translated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the profit & loss account.

(d) Stocks

Stocks are stated at the lower of cost and net realisable value. Stocks of crude oil are valued at the average cost of production. Stocks of drilling materials, equipment and spare parts are valued on a basis which approximates to value based on the first in first out method, after making due allowance for any obsolete or slow moving items.

(e) Oil reserves

Proved developed and undeveloped reserves are estimated quantities of commercially producible oil which existing geological, geophysical and engineering data show to be recoverable in future years from known reservoirs.

(f) Effect of changes in estimates

The effect of revisions of previous estimates of proved developed and undeveloped oil reserves is taken up prospectively in unit of production calculations.

(g) Employees' end of service benefits

Provision is made in accordance with Company's personnel policy for the cost of employees' end of service benefits to cover liabilities under the United Arab Emirates Labour Law for locally engaged employees of non UAE nationality for services up to the balance sheet date.

(h) Accounting convention

The accounts are prepared under the historical cost convention.

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2006

2. Turnover

Turnover comprises gross proceeds from sales of crude oil effected in Abu Dhabi

All of the Company's turnover is receivable from United Petroleum Development Co Ltd and BP Exploration Company Ltd, as shareholders in Bunduq Company Ltd. Prices and terms of settlement for these transactions are in accordance with an agreement between the shareholders dated 18th December, 1970.

3. Segmental information

For the purpose of the Companies Act 1985, the operations of the Company constitute one continuing class of business, the exploration for and production of oil, offshore in the Middle East.

4. Royalty

Royalty is calculated at 12.5% (2005: 12.5%) of gross sales at posted prices, the royalty amount of \$ 59,059,768 (2005: \$ 48,832,751) is included in cost of sales.

5. Operating profit

This is stated after charging

	<u>2006</u> <u>US \$</u>	<u>2005</u> <u>US \$</u>
Depreciation of owned tangible assets	34,963,213	33,730,952
Auditors' remuneration (note 6)	71,074	62,995

6. Auditors' remuneration

	<u>2006</u> <u>US \$</u>	<u>2005</u> <u>US \$</u>
Audit services	53,498	43,796
Other fees	17,576	19,199
	<u>71,074</u>	<u>62,995</u>

7. Directors' emoluments

Two directors received fees totaling £ 15,000 (\$ 27,933) (2005 - two directors £ 15,000 (\$ 27,109)).

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2006

8. Employees	2006	2005
	US \$	US \$
(a) Employee costs		
Wages and salaries	5,911,949	5,784,411
Social security costs	146,344	133,041
Employees' end of service benefits	704,866	222,473
	<u>6,763,159</u>	<u>6,139,925</u>
(b) Average number of employees (non UK)	2006	2005
Administration	29	29
Development	11	11
Production	45	51
Health, safety and environment (HSE)	4	4
Trainees	2	3
	<u>91</u>	<u>98</u>

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2006

9. TAXATION

Tax on profit on Ordinary activities

	<u>2006</u>	<u>2005</u>
	US \$	US \$
Current tax		
UK corporation tax on profit for the year	52,215	13,867
 Tax on profit on ordinary activities	<u>52,215</u>	<u>13,867</u>

The potential amount of deferred taxation at
31 December 2006 is \$ Nil (2005 \$ Nil)

Factors affecting tax charge for the periods:

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below

	<u>2006</u>	<u>2005</u>
	US \$	US \$
Profit on ordinary activities before tax	<u>80,411</u>	<u>81,063</u>
 Profit on ordinary activities multiplied by standard rate in the UK (30%) (2005 30%)	24,123	24,319
 Effects of		
Profit not chargeable to UK tax	7,609	(16,207)
Mark-up on costs	6,278	4,390
Expenses not deductible for tax purposes	<u>14,205</u>	<u>1,365</u>
	<u>52,215</u>	<u>13,867</u>

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2006

10. Tangible assets

<u>Cost:</u>	<u>Furniture & Fittings</u> US \$	<u>Production Facilities Completed & Under Construction</u> US \$	<u>Total</u> US \$
At 1 January 2006	1,326,250	734,754,623	736,080,873
Additions	43,875	18,481,509	18,525,384
Disposals	<u>(149,883)</u>	<u>(52,197)</u>	<u>(202,080)</u>
At 31 December 2006	<u>1,220,242</u>	<u>753,183,935</u>	<u>754,404,177</u>
<u>Depreciation:</u>			
At 1 January 2006	971,615	549,080,739	550,052,354
Provided during the year	79,141	34,884,072	34,963,213
Disposals	<u>(133,475)</u>	<u>(48,981)</u>	<u>(182,456)</u>
At 31 December 2006	<u>917,281</u>	<u>583,915,830</u>	<u>584,833,111</u>
<u>Net book value:</u>			
At 31 December 2006	<u>302,961</u>	<u>169,268,105</u>	<u>169,571,066</u>
At 31 December 2005	<u>354,635</u>	<u>185,673,884</u>	<u>186,028,519</u>

11. Stocks

	<u>2006</u> US \$	<u>2005</u> US \$
Crude oil	1,383,232	2,095,643
Drilling materials, equipment & spare parts, net of provisions	<u>5,558,311</u>	<u>3,544,003</u>
	<u>6,941,543</u>	<u>5,639,646</u>

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2006

	<u>2006</u>	<u>2005</u>
	US \$	US \$
12. Debtors		
Trade debtors	13,726,549	15,450,306
Other debtors	442,944	562,057
Prepayments	<u>1,254,981</u>	<u>1,164,347</u>
	<u>15,424,474</u>	<u>17,176,710</u>

Included in trade debtors is US \$ 1,720,989 which is receivable after more than one year (2005 US \$ 1,640,578)

13. Creditors - amounts falling due within one year

	<u>2006</u>	<u>2005</u>
	US \$	US \$
Shareholders' advances (note 15)	28,569,375	30,346,180
Trade creditors	7,980,009	24,987,903
Royalties due to Governments of Abu Dhabi & Qatar	8,265,560	8,057,533
Taxation	52,215	13,867
Other creditors	348,818	329,990
Accruals and provisions	<u>179,474</u>	<u>157,749</u>
	<u>45,395,451</u>	<u>63,893,222</u>

14. Creditors - amounts falling due after more than one year

	<u>2006</u>	<u>2005</u>
	US \$	US \$
Shareholders' advances (note 15)	<u>144,309,285</u>	<u>145,559,978</u>

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2006

15. Shareholders' advances	United Petroleum Development Co Ltd (Japan) US \$	BP Exploration Company Ltd US \$	Total US \$
At 1 January 2006	170,510,125	5,396,033	175,906,158
Advances	31,234,000	966,000	32,200,000
Reduction in shareholders' advances through offset against oil sales debtors	(34,154,401)	(1,073,097)	(35,227,498)
At 31 December 2006	167,589,724	5,288,936	172,878,660
Analysed as follows		2006 US \$	2005 US \$
Due in one year or less (note 13)		28,569,375	30,346,180
Due in more than one year but not more than two years		28,459,630	29,423,681
Due in more than two years but not more than five years		66,706,456	77,044,041
Due in more than five years		49,143,199	39,092,256
		172,878,660	175,906,158

The advances, on which no interest is payable, are called in accordance with the Company's requirements and repaid according to an agreement between the shareholders dated 18 December 1970

The amount due in one year or less represents the estimated balance of the shareholders' advances which will be settled by way of offset against the receivable arising from the proportion of the turnover which represents the depreciation charge for the following year. No cash transaction arises as a result of the settlement of this balance.

16. Provision for liabilities and charges	2006 US \$	2005 US \$
Employees' end of service benefits		
At 1 January	1,961,204	2,288,623
Profit & Loss account charge for the year	704,866	222,473
Paid	(497,504)	(549,892)
At 31 December	2,168,566	1,961,204

Provision is made in accordance with Company's personnel policy for the cost of employees' end of service benefits to cover liabilities under the United Arab Emirates Labor Law for locally engaged employees of non UAE nationality for services up to the balance sheet date.

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2006

17. Share capital

Authorised, allotted, called up and fully paid	£	<u>2006</u> <u>US \$</u>	<u>2005</u> <u>US \$</u>
50,000 'A' shares of £ 1 each	50,000	95,330	95,330
25,000 'B' shares of £ 1 each	25,000	47,665	47,665
	<u>75,000</u>	<u>142,995</u>	<u>142,995</u>

Except in so far as the holders of the "A" and "B" shares constitute separate groups of shareholders, the "A" and "B" shares rank pari passu in all respects

18. Movement on reserves and reconciliation of movements in shareholders' funds

	<u>Share</u> <u>Capital</u> <u>US \$</u>	<u>Share</u> <u>Premium</u> <u>US \$</u>	<u>Exchange</u> <u>Reserve</u> <u>US \$</u>	<u>Profit & Loss</u> <u>account</u> <u>US \$</u>	<u>Total</u> <u>US \$</u>
At 1 January 2006	142,995	14,157,649	17,053	(12,376,210)	1,941,487
Profit for the year	-	-	-	28,196	28,196
At 31 December 2006	<u>142,995</u>	<u>14,157,649</u>	<u>17,053</u>	<u>(12,348,014)</u>	<u>1,969,683</u>

The exchange reserve arises from the restatement of balances from Sterling to US Dollars at 31 December 1976 and is not distributable

19. Financial commitments

The estimated amount of future capital expenditure contracted but not provided for is \$3,619,953 (2005 \$ 5,346,872)

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2006

20. NOTES TO THE CASH FLOW STATEMENT

(A) RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	<u>2006</u> <u>US \$</u>	<u>2005</u> <u>US \$</u>
Operating profit before interest and taxation	55,906	60,411
Depreciation	34,963,213	33,730,952
Loss on sale of tangible assets	11,142	-
Adjustment		
Increase in Stocks	(1,301,897)	(1,715,695)
Decrease in Debtors	1,752,236	1,409,642
(Decrease)/Increase in creditors	(16,773,181)	15,825,185
Reduction in shareholders' advances through offset against oil sales debtors	(35,227,498)	(33,495,960)
Increase/(Decrease) in provision for liabilities and charges	<u>207,362</u>	<u>(327,419)</u>
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	<u>(16,312,717)</u>	<u>15,487,116</u>

(B) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<u>2006</u> <u>US \$</u>	<u>2005</u> <u>US \$</u>
(Decrease)/Increase in cash in the year	(2,605,114)	2,805,955
Increase in shareholders' advances	<u>(32,200,000)</u>	<u>(58,200,000)</u>
Changes in net debt resulting from cash flows	(34,805,114)	(55,394,045)
Other changes in debt	<u>35,227,498</u>	<u>33,495,960</u>
Movement in net debt	422,384	(21,898,085)
Net debt at 1 January	<u>(171,395,142)</u>	<u>(149,497,057)</u>
Net debt at 31 December	<u>(170,972,758)</u>	<u>(171,395,142)</u>

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
AT 31 DECEMBER 2006

20. NOTES TO THE CASH FLOW STATEMENT (continued)

(C) ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2006	Cash flows	Other Changes	At 31 December 2006
Cash at bank and in hand	4,511,016	(2,605,114)		1,905,902
Debt due within 1 year (note 15)	(30,346,180)	-	1,776,805	(28,569,375)
Debt due after 1 year (note 14)	(145,559,978)	(32,200,000)	33,450,693	(144,309,285)
Total	<u>(171,395,142)</u>	<u>(34,805,114)</u>	<u>35,227,498</u>	<u>(170,972,758)</u>

(D) Debt comprises Shareholders' advances (note 15)

(E) Other changes in debt comprise the reduction in shareholders' advances through the offset against oil sales debtors

BUNDUQ COMPANY LIMITED
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21. RELATED PARTIES

Details of the related party transactions during 2006 and outstanding balances at 31 December 2006 are set out below

	United Petroleum Development Co. Ltd (Japan)	BP Exploration Company Ltd	BP Abu Dhabi Ltd	BP Exploration (Middle East) Ltd
A TRANSACTIONS DURING THE YEAR	<u>US \$</u>	<u>US \$</u>	<u>US \$</u>	<u>US \$</u>
Turnover (a)	127,851,322	-	1,977,080	1,977,080
Administration expenses (b)	1,360,246	-	-	-
B AMOUNTS DUE FROM/(TO)				
Trade debtors - oil sales (a)	13,314,789	-	205,880	205,880
Trade creditors (b)	(362,451)	(2,120)	-	-
Shareholders' advances (c)	(167,589,724)	(5,288,936)	-	-

- a) The Company's turnover is entirely derived from the sales of crude oil to its shareholders or their wholly owned subsidiary companies. The invoiced sales are in proportion to the quantity of crude oil lifted. The oil sales to United Petroleum Development Co. Ltd (Japan) ("UPD") are split equally between the Qatar and Abu Dhabi branch.
- b) UPD, through its Head Office in Tokyo, second staff and provide technical support to the Company. The related costs are included in administrative expenses.
- c) The shareholders' advances are used to fund the Company's operations - refer note 15.

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**ESTIMATED NET PROVED DEVELOPED AND UNDEVELOPED
RESERVES OF CRUDE OIL**

	<u>2006</u> <u>mml barrels</u>	<u>2005</u> <u>mml barrels</u>
At the beginning of the year	49 3	56 3
Change in the year attributable to		
revision of estimate	0 0	(0 1)
production	<u>(6 7)</u>	<u>(6 9)</u>
Total change	<u>(6 7)</u>	<u>(7 0)</u>
At the end of the year	<u>42 6</u>	<u>49 3</u>

The associated gas reserves are not disclosed because they are not owned by the Company