



Registered No: 985387

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2008

BUNDUQ COMPANY LTD

BUNDUQ COMPANY LIMITED

(Registered in England No. 985387)

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR 2008

Board of Directors:-

Eiji Okuyama	(Chairman)
Mohammed Butti Al-Qubaisi	
Said Mubarak Al-Muhannadi	
Jean-Luc Guiziou	
Paul Hughes	
Philippe Roy	
Jay Pearson	
Yuji Shiozawa	
Hirosugu Kamobayashi	
Shunsuke Ubukata	
Massimo de Mauro	

DIRECTORS' REPORT

The directors submit their report and the financial statements for the year ended 31 December 2008.

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 14,167 barrels per day for the year. The average daily production for the year ending on 31 December 2009 is expected to decrease to 13,507 barrels per day and the total for 2009 to approximately 4.930 million barrels.

Results and dividends: The profit for the year ended 31 December 2008 amounted to \$24,349 (2007 - \$ 48,617). The profit has been deducted from accumulated losses, which at 31 December 2008 totalled \$ 12,275,048 (2007 - \$ 12,299,397).

The directors do not recommend the payment of a dividend.

Future developments: The directors aim to maintain the management policies which have resulted in the Company's performance in recent years. No significant business developments are expected in the foreseeable future.

Company risks have been identified as follows:

Major project delivery

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

Drilling and production risks

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 operations.

Key performance indicators: The directors conduct regular review and evaluation of the Company's performance and focus on areas including capital expenditure levels against target, estimates of crude oil reserves and crude oil petroleum reserves. Reserves and production related matters are addressed on a regular basis in meetings of the Company's Technical Committee.

**BUNDUQ COMPANY LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2008**

Directors and their interests: The present directors of the Company are listed on page 1. Changes in office since 1 January 2008 are as follows:

Resigned

David Dalton 01 January 2008
Seiji Koya 10 July 2008
Graham Day 01 September 2008
Gautier Chatelus 01 January 2009
Michel Hourcard 24 March 2009
Sadayuki Togashi 15 April 2009

Appointed

Jay Pearson 01 January 2008
Hirotsugu Kamobayashi 10 July 2008
Paul Hughes 01 September 2008
Massimo de Mauro 01 January 2009
Jean-Luc Guiziou 24 March 2009
Yuji Shiozawa 15 April 2009

There are no changes in the list of members other than those mentioned above.

All other directors served throughout the year.

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' statements as to the disclosure of information to the auditor:

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditor, each of the directors confirms that:

- (1) 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 auditor is unaware; and
- (2) each director has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board



Christopher Kuangcheng Gerald Eng
Secretary

Building G
Chertsey Road
Sunbury on Thames
Middlesex TW16 7BP

Date: 10 June 2009

BUNDUQ COMPANY LIMITED
31 DECEMBER 2008

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

The directors are responsible for preparing the report and financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

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 the profit or loss of the Company for that period. In preparing those accounts 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 financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for 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 2008, 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 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

The directors' responsibilities for preparing 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 the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

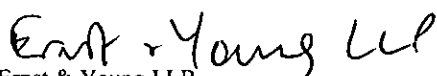
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2008 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
Registered Auditor
London
10th June 2009

BUNDUQ COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2008

	<u>NOTES</u>	<u>2008</u> US \$	<u>2007</u> US \$
Turnover	2	135,743,532	131,149,318
Cost of sales		<u>135,673,636</u>	<u>130,999,508</u>
Gross profit		69,896	149,810
Administrative expenses		(139,950)	(121,352)
Other operating income		<u>63,445</u>	<u>11,396</u>
Operating (loss)/ profit before interest and taxation	5	(6,609)	39,854
Bank interest received		<u>67,715</u>	<u>30,581</u>
Profit on ordinary activities before taxation		61,106	70,435
Tax on profit on ordinary activities	9	<u>(36,757)</u>	<u>(21,818)</u>
Profit retained for the financial year	18	<u><u>24,349</u></u>	<u><u>48,617</u></u>

All of the Company's activities during the year are in respect of continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 DECEMBER 2008

There were no recognised gains or losses other than the profit of \$ 24,349 for the year ended 31 December 2008 (2007: profit of \$ 48,617).

BUNDUQ COMPANY LIMITED
BALANCE SHEET
31 DECEMBER 2008

	<u>NOTES</u>	<u>2008</u> US \$	<u>2007</u> US \$
Fixed assets			
Tangible assets	10	<u>129,988,366</u>	<u>151,082,810</u>
Current assets			
Stocks	11	15,861,051	7,849,899
Debtors	12	15,605,326	20,828,097
Cash at bank and in hand	20(C)	<u>3,851,660</u>	<u>4,698,205</u>
		<u>35,318,037</u>	<u>33,376,201</u>
Creditors - amounts falling due within one year	13	48,861,849	50,926,596
Net current liabilities		<u>(13,543,812)</u>	<u>(17,550,395)</u>
Total assets less current liabilities		<u>116,444,554</u>	<u>133,532,415</u>
Creditors - amounts falling due after more than one year	14	111,765,595	128,907,717
Provisions for liabilities and charges	16	<u>2,636,310</u>	<u>2,606,398</u>
Net assets		<u>2,042,649</u>	<u>2,018,300</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>(12,275,048)</u>	<u>(12,299,397)</u>
Equity shareholders' funds		<u>2,042,649</u>	<u>2,018,300</u>

The financial statements were approved by the Board of Directors on 10 June 2009 and signed on their behalf by :

 E. Okuyama, Chairman

BUNDUQ COMPANY LIMITED
CASH FLOW STATEMENT
31 DECEMBER 2008

	<u>NOTES</u>	<u>2008</u> US \$	<u>2007</u> US \$
Net cash (used in)/inflow from operating activities	20(A)	(5,588,962)	521,586
Returns on investment & servicing of finance :			
Interest received		67,715	30,581
Capital Expenditure			
Acquisition of tangible assets			
Production & development assets	10	(9,223,967)	(11,896,962)
Other assets	10	(113,266)	(174,502)
Receipts from sale of tangible assets		<u>61,935</u>	<u>11,600</u>
Net cash used in investing activities		<u>(9,275,298)</u>	<u>(12,059,864)</u>
Net cash outflow before financing activities		<u>(14,796,545)</u>	<u>(11,507,697)</u>
Financing activities			
Shareholders' advances received	15	<u>13,950,000</u>	<u>14,300,000</u>
(Decrease)/increase in cash in the year	20(B)	<u><u>(846,545)</u></u>	<u><u>2,792,303</u></u>

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

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 financial statements 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 financial statements have been prepared in accordance with the provisions of the SORP.

The directors consider it appropriate to prepare the financial statements on a going concern basis, since the shareholders have agreed to provide sufficient finance as is necessary 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. 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)
31 DECEMBER 2008

(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 and 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) 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.

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2008

2. Turnover

Turnover is attributable to one continuing activity, 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% (2007: 12.5%) of gross sales at posted prices; the royalty amount of \$ 64,945,258 (2007: \$ 51,469,704) is included in cost of sales.

5. Operating (loss)/ profit

This is stated after charging:

	<u>2008</u> US \$	<u>2007</u> US \$
Depreciation of owned tangible assets	30,359,434	30,541,049
Auditors' remuneration (note 6)	159,860	81,775

6. Auditors' remuneration

	<u>2008</u> US \$	<u>2007</u> US \$
Audit services	58,408	64,456
Other fees	101,452	17,319
	<u>159,860</u>	<u>81,775</u>

7. Directors' emoluments

Two directors received fees totaling £ 22,500 (\$ 33,966) (2007 - two directors £ 15,625 (\$ 31,776)).

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2008

8. Employees	<u>2008</u>	<u>2007</u>
	US \$	US \$
(a) Employee costs :		
Wages and salaries	8,327,439	6,494,561
Social security costs	191,324	176,646
Employees end of service benefits	484,677	889,732
	<hr/>	<hr/>
	<u>9,003,440</u>	<u>7,560,939</u>
(b) Average number of employees (non UK)	<u>2008</u>	<u>2007</u>
Administration	27	28
Development	11	10
Production	61	44
Health, safety and environment (HSE)	5	4
Trainees	3	1
	<hr/>	<hr/>
	<u>107</u>	<u>87</u>

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2008

9. Taxation

Tax on profits on Ordinary activities

	<u>2008</u>	<u>2007</u>
	US \$	US \$
Current tax		
UK corporation tax on profit of the year	36,757	21,818
	<u>36,757</u>	<u>21,818</u>

The potential amount of deferred taxation at 31 December 2008 is \$ Nil (2007 : \$ Nil)

Factors affecting tax charge for the years:

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

	<u>2008</u>	<u>2007</u>
	US \$	US \$
Profit on ordinary activities before tax	<u>61,106</u>	<u>70,435</u>
Profit on ordinary activities multiplied by standard rate in the UK (28.5%) (2007:30%)	17,415	21,130
Effects of:		
Profit not chargeable to UK tax	0	(8,395)
Mark-up on costs	7,624	6,077
Expenses not deductible for tax purposes	1,678	3,006
Other income	10,040	0
	<u>36,757</u>	<u>21,818</u>

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2008

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 2008	1,367,308	765,067,818	766,435,126
Additions	113,266	9,223,967	9,337,233
Disposals	(102,173)	(4,075,247)	(4,177,420)
At 31 December 2008	1,378,401	770,216,538	771,594,939
 <u>Depreciation:</u>			
At 1 January 2008	989,925	614,362,391	615,352,316
Provided during the year	72,601	30,286,833	30,359,434
Disposals	(82,328)	(4,022,849)	(4,105,177)
At 31 December 2008	980,198	640,626,375	641,606,573
 <u>Net book value:</u>			
At 31 December 2008	398,203	129,590,163	129,988,366
At 31 December 2007	377,383	150,705,427	151,082,810

11. Stocks

	<u>2008</u> US \$	<u>2007</u> US \$
Crude oil	1,765,787	1,113,154
Drilling materials, equipment & spare parts, net of provisions	14,095,264	6,736,745
	15,861,051	7,849,899

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2008

	<u>2008</u>	<u>2007</u>
	US \$	US \$
12. Debtors		
Trade debtors	13,283,153	18,579,965
Other debtors	944,641	663,834
Prepayments	<u>1,377,532</u>	<u>1,584,298</u>
	<u>15,605,326</u>	<u>20,828,097</u>

Included in trade debtors is US \$ 1,852,530 which is receivable after more than one year
(2007: US \$ 1,791,424)

13. Creditors - amounts falling due within one year

	<u>2008</u>	<u>2007</u>
	US \$	US \$
Shareholders' advances (note 15)	28,525,947	27,483,307
Trade creditors	10,171,717	12,813,633
Royalties due to Governments of Abu Dhabi & Qatar	6,971,394	6,766,998
Taxation	36,757	48,068
Other creditors	2,974,878	3,604,410
Accruals and provisions	<u>181,156</u>	<u>210,180</u>
	<u>48,861,849</u>	<u>50,926,596</u>

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

	<u>2008</u>	<u>2007</u>
	US \$	US \$
Shareholders' advances (note 15)	<u>111,765,595</u>	<u>128,907,717</u>

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2008

15. Shareholders' advances	United Petroleum Development Co. Ltd. (Japan)	BP Exploration Company Ltd.	Total
	US \$	US \$	US \$
At 1 January 2008	151,606,745	4,784,279	156,391,024
Advances	13,531,500	418,500	13,950,000
Reduction in shareholders' advances through offset against oil sales debtors	<u>(29,137,878)</u>	<u>(911,604)</u>	<u>(30,049,482)</u>
At 31 December 2008	<u>136,000,367</u>	<u>4,291,175</u>	<u>140,291,542</u>
Analysed as follows:		<u>2008</u>	<u>2007</u>
		US \$	US \$
Due in one year or less (note 13)		28,525,947	27,483,307
Due in more than one year but not more than two years		33,542,804	34,209,451
Due in more than two years but not more than five years		78,222,791	88,155,233
Due in more than five years		<u>-</u>	<u>6,543,033</u>
		<u>140,291,542</u>	<u>156,391,024</u>

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. Provisions for liabilities and charges	<u>2008</u>	<u>2007</u>
	US \$	US \$
Employees end of service benefits:		
At 1 January	2,606,398	2,168,566
Provided during the year	484,677	889,732
Paid	<u>(454,765)</u>	<u>(451,900)</u>
At 31 December	<u>2,636,310</u>	<u>2,606,398</u>

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)
31 DECEMBER 2008

17. Share capital

Authorised, allotted, called up and fully paid	£	<u>2008</u> US \$	<u>2007</u> US \$
50,000 'A' shares of £ 1 each	50,000	95,330	95,330
25,000 'B' shares of £ 1 each	<u>25,000</u>	<u>47,665</u>	<u>47,665</u>
	<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

	2008				
	<u>Share</u> <u>Capital</u> US \$	<u>Share</u> <u>Premium</u> US \$	<u>Exchange</u> <u>Reserve</u> US \$	<u>Profit & Loss</u> <u>account</u> US \$	<u>Total</u> US \$
At 1 January 2008	142,995	14,157,649	17,053	(12,299,397)	2,018,300
Profit for the year	-	-	-	24,349	24,349
At 31 December 2008	<u>142,995</u>	<u>14,157,649</u>	<u>17,053</u>	<u>(12,275,048)</u>	<u>2,042,649</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 \$64,073,207 (2007: \$ 356,879).

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2008

20. NOTES TO THE CASH FLOW STATEMENT

(A) RECONCILIATION OF OPERATING PROFIT TO NET CASH (USED IN) / FROM OPERATING ACTIVITIES

	<u>2008</u> US \$	<u>2007</u> US \$
Operating (loss) profit before interest and taxation	(6,609)	39,854
Depreciation	30,359,434	30,541,049
Loss on sale of tangible assets	10,308	7,071
Adjustment		
(Increase) in stocks	(8,011,152)	(908,356)
Decrease/(increase) in debtors	5,222,771	(5,403,623)
(Decrease)/increase in creditors	(3,144,144)	6,595,395
Reduction in shareholders advances through offset against oil sales debtors	(30,049,482)	(30,787,636)
Increase in provisions for liabilities and charges	<u>29,912</u>	<u>437,832</u>
NET CASH (OUTFLOW)/ INFLOW FROM OPERATING ACTIVITIES	<u>(5,588,962)</u>	<u>521,586</u>

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

	<u>2008</u> US \$	<u>2007</u> US \$
(Decrease)/increase in cash in the year	(846,545)	2,792,303
Increase in shareholders' advances	(13,950,000)	(14,300,000)
Changes in net debt resulting from cash flows	(14,796,545)	(11,507,697)
Other changes in debt	<u>30,049,482</u>	<u>30,787,636</u>
Movement in net debt	15,252,937	19,279,939
Net debt at 1 January	<u>(151,692,819)</u>	<u>(170,972,758)</u>
Net debt at 31 December	<u>(136,439,882)</u>	<u>(151,692,819)</u>

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2008

20. NOTES TO THE CASH FLOW STATEMENT (continued)

(C) ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2008 US \$	Cash flows US \$	Other changes US \$	At 31 December 2008 US \$
Cash at bank and in hand	4,698,205	(846,545)		3,851,660
Debt due within 1 year (note 13)	(27,483,307)		(1,042,640)	(28,525,947)
Debt due after 1 year (note 14)	(128,907,717)	(13,950,000)	31,092,122	(111,765,595)
Total	<u>(151,692,819)</u>	<u>(14,796,545)</u>	<u>30,049,482</u>	<u>(136,439,882)</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.

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21. RELATED PARTIES

Details of the related party transactions during 2008 and outstanding balances at 31 December 2008

	TOTAL	United Petroleum Development Co. Ltd (Japan)	BP Exploration Company Ltd	BP Abu Dhabi	BP Exploration (Middle East) Ltd
	US \$	US \$	US \$	US \$	US \$
A. TRANSACTIONS DURING THE YEAR					
Turnover (a)	135,743,532	131,671,234	-	2,036,149	2,036,149
Cost of sales (b)	1,750,093	1,750,093	-	-	-
B. AMOUNTS DUE FROM/(TO)					
Trade debtors - oil sales (a)	13,283,153	12,884,711	-	199,221	199,221
Trade creditors (b)	(780,240)	(710,115)	(70,125)	-	-
Shareholders' advances (c)	(140,291,542)	(136,000,367)	(4,291,175)	-	-

- 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 cost of sales.
- 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>2008</u> <u>mml barrels</u>	<u>2007</u> <u>mml barrels</u>
At the beginning of the year	50.1	42.6
Change in the year attributable to :		
revision of estimate	(2.2)	12.9
production	<u>(5.2)</u>	<u>(5.4)</u>
Total change	<u>(7.4)</u>	<u>7.5</u>
At the end of the year	<u>42.7</u>	<u>50.1</u>

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