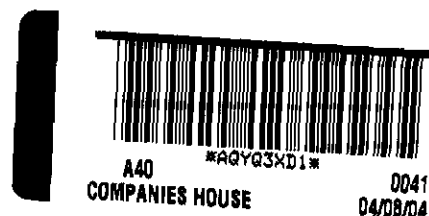




285387

**REPORT AND ACCOUNTS  
FOR THE YEAR ENDED  
31 DECEMBER 2003  
(17th APRIL 2004)**

**BUNDUQ COMPANY LTD**



# **BUNDUQ COMPANY LIMITED**

(Registered in England No. 985387)

## **ANNUAL REPORT AND ACCOUNTS FOR 2003**

### **Board of Directors:-**

N. Kitamura (Chairman)  
M. B. Al-Qubaisi  
S. M. Al-Muhannadi  
Laurent Maurel  
Tim Alcock  
J. F. Arrighi de Casanova  
Philippe Roy  
David Dalton  
C. Oishi  
Y. Oshima  
Y. Uchida  
A. Chaperon (Alternate to J.F. Arrighi de Casanova)

---

### **DIRECTORS' REPORT**

The directors submit their report and the accounts for the year ended 31 December 2003.

**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 21,200 barrels per day for the year and currently is at 21,600 barrels per day. The average daily production for the year ending on 31 December 2004 is expected to remain around 19,200 barrels.

**Results and dividends:** The profit for the year ended 31 December 2003 amounted to \$ 67,973 (2002 \$ 55,946). The profit has been deducted from accumulated losses, which at 31 December 2003 totaled \$ 12,520,014 (2002 - \$ 12,587,987).

The directors do not recommend the payment of a dividend.

**Directors and their interests:** The present directors of the company are listed above.

M. B. Al-Qubaisi, S. M. Al-Muhannadi, L. Maurel, A. Chaperon, J. F. Arrighi de Casanova, and Y. Oshima served as a Director or alternate director throughout the year. Changes in office since 1 January 2003 are as follows:

**BUNDUQ COMPANY LIMITED**  
**DIRECTORS' REPORT**  
**YEAR ENDED 31 DECEMBER 2003**

	<b>Appointed</b>	<b>Resigned</b>
T. Marchant		1 November 2003
David Dalton	1 November 2003	
Len Brown		1 November 2003
Tim Alcock	1 November 2003	
P. Delpont		14 June 2003
Philippe Roy	14 June 2003	
T. Kojima		7 April 2003
S. Kobayashi		7 April 2003
T. Negishi		7 April 2003
N. Kitamura	7 April 2003	
Y. Uchida	7 April 2003	
C. Oishi	7 April 2003	
T. Watanabe (alternate to Y. Oshima)		7 April 2003
T. Hattori (alternate to T. Negishi)		7 April 2003
M. Takahashi (alternate to T. Kojima)		7 April 2003
I. Komai (alternate to T. Kobayashi)		7 April 2003

None of the directors held an interest in the Company during the year ended 31 December 2003.

**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.

By order of the Board



Roy L. Tooley  
 Secretary

Building G  
 Chertsey Road  
 Sunbury on Thames  
 Middlesex TW16 7BP

**Date: 08 June 2004**

**BUNDUQ COMPANY LIMITED**  
**31 DECEMBER 2003**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

Company law requires the directors to prepare accounts 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 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.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUNDUQ COMPANY LIMITED

We have audited the company's financial statements for the year ended 31 December 2003, which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement, Reconciliation of Shareholders' Funds 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

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 legal and regulatory requirements and United Kingdom 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 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

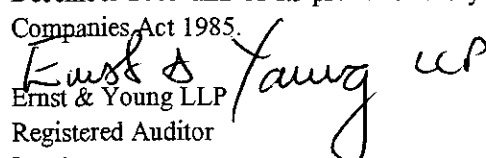
### Basis of audit opinion

We conducted our audit in accordance with 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 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 of the state of affairs of the company as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young LLP  
Registered Auditor  
London

8 June 2004

**BUNDUQ COMPANY LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2003**

	<u>NOTES</u>	<u>2003</u> US \$	<u>2002</u> US \$
Turnover	2	94,296,589	83,852,621
Cost of sales		<u>94,120,627</u>	<u>83,690,736</u>
<b>Gross profit</b>		<b>175,962</b>	<b>161,885</b>
Administrative expenses		(101,806)	(98,539)
Other operating income		<u>0</u>	<u>218</u>
<b>Operating profit</b>		<b>74,156</b>	<b>63,564</b>
Bank interest received		<u>9,690</u>	<u>7,822</u>
<b>Profit on ordinary activities before taxation</b>		<b>83,846</b>	<b>71,386</b>
Tax on profit on ordinary activities	9	<u>(15,873)</u>	<u>(15,440)</u>
<b>Profit retained for the financial year</b>	18	<u><u>67,973</u></u>	<u><u>55,946</u></u>

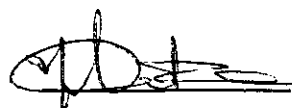
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**YEAR ENDED 31 DECEMBER 2003**

There were no recognised gains or losses other than the profit of \$ 67,973 for the year ended 31 December 2003 (2002: profit of \$55,946).

**BUNDUQ COMPANY LIMITED**  
**BALANCE SHEET**  
**31 DECEMBER 2003**

	<u>NOTES</u>	<u>2003</u> US \$	<u>2002</u> US \$
<b>Fixed assets</b>			
Tangible assets	10	<u>161,627,550</u>	<u>182,423,079</u>
<b>Current assets</b>			
Stocks	11	4,415,523	6,077,759
Debtors	12	11,735,607	10,692,405
Cash at bank and in hand	20( c )	<u>1,450,558</u>	<u>3,993,278</u>
		<u>17,601,688</u>	<u>20,763,442</u>
<b>Creditors - amount falling due within one year</b>	13	37,527,220	43,183,126
<b>Net current liabilities</b>		<u>(19,925,532)</u>	<u>(22,419,684)</u>
<b>Total assets less current liabilities</b>		<u>141,702,018</u>	<u>160,003,395</u>
<b>Creditors - amount falling due after more than one year</b>	14	137,301,847	155,973,535
<b>Provisions for liabilities and charges</b>	16	<u>2,602,488</u>	<u>2,300,150</u>
<b>Net assets</b>		<u><u>1,797,683</u></u>	<u><u>1,729,710</u></u>
<b>Capital and reserves</b>			
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>(12,520,014)</u>	<u>(12,587,987)</u>
<b>Equity shareholders' funds</b>		<u><u>1,797,683</u></u>	<u><u>1,729,710</u></u>

The Accounts were approved by the Board of Directors on 08 June 2004  
and signed on their behalf by :



N. Kitamura, Chairman

**BUNDUQ COMPANY LIMITED**  
**CASH FLOW STATEMENT**  
**31 DECEMBER 2003**

	<u>NOTES</u>	<u>2003</u> US \$	<u>2002</u> US \$
Net cash (outflow)/inflow from operating activities	20	(4,936,446)	6,613,924
<b>Returns on investment &amp; servicing of finance :</b>			
Interest received		9,690	7,822
<b>Capital Expenditure</b>			
Payments to acquire tangible fixed assets			
Production & development assets		(9,733,825)	(13,965,614)
Other assets		(94,659)	(136,023)
Receipts from sale of fixed assets		<u>12,520</u>	<u>9,617</u>
Net cash outflow from investing activities		<u>(9,815,964)</u>	<u>(14,092,020)</u>
Net cash outflow before financing		<u>(14,742,720)</u>	<u>(7,470,274)</u>
<b>Financing</b>			
Shareholders' advances received	15	<u>12,200,000</u>	<u>10,300,000</u>
<b>(Decrease)/Increase in cash</b>	20	<u>(2,542,720)</u>	<u>2,829,726</u>



**BUNDUQ COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS**  
**31 DECEMBER 2003**

**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**

The accounts have been prepared under the historical cost convention and in accordance with applicable standards as defined by the Companies Act

**(b) Fixed Assets :**

**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.

**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

**Other assets**

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

**(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. The exchange rate at 31 December 2003 was £ 1 = US \$ 1.803.

**BUNDUQ COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**31 DECEMBER 2003**

**(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) Deferred taxation**

Deferred taxation is calculated using the liability method on all timing differences which are expected to reverse in the future, without being replaced, calculated at the tax rate at which it is anticipated the timing

**(f) 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

**(g) 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

**(h) End of service benefits**

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

**BUNDUQ COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**31 DECEMBER 2003**

**2. Turnover**

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

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% (2002: 12.5%) of gross sales at posted prices; the royalty amount of \$ 30,025,717 (2002: \$ 24,188,228) is included in cost of sales.

**5. Operating profit**

This is stated after charging

	<u>2003</u> <u>US \$</u>	<u>2002</u> <u>US \$</u>
Depreciation of owned fixed assets	30,589,490	27,643,603
Auditors' remuneration	63,064	125,928

**6. Auditors' remuneration**

	<u>2003</u> <u>US \$</u>	<u>2002</u> <u>US \$</u>
Audit services	51,892	51,550
Other fees	11,172	74,378
	<u>63,064</u>	<u>125,928</u>

**7. Directors' emoluments**

Two directors received fees totaling £ 15,000 (\$ 25,621) [2002 - two directors £ 15,000 (\$ 23,399)].

**BUNDUQ COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**31 DECEMBER 2003**

<b>8 Employees</b>	<b><u>2003</u></b>	<b><u>2002</u></b>
	<b>US \$</b>	<b>US \$</b>
(a) Employee costs :		
Wages and salaries	5,281,862	4,798,270
Social security costs	49,285	35,913
End of service benefits	450,142	275,385
	<hr/>	<hr/>
	<b><u>5,781,289</u></b>	<b><u>5,109,568</u></b>
(b) Average number of employees (non UK)	<b><u>2003</u></b>	<b><u>2002</u></b>
Administration	29	27
Development	11	10
Production	56	51
Health, safety and environment (HSE)	3	2
Trainees	3	4
	<hr/>	<hr/>
	<b><u>102</u></b>	<b><u>94</u></b>

**BUNDUQ COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**31 DECEMBER 2003**

**9. TAXATION**

**Tax on profits on Ordinary activities**

	<u>2003</u>	<u>2002</u>
	US \$	US \$
<b>Current tax</b>		
UK corporation tax on profits of the year	15,873	15,440
Adjustment to tax charge in respect of previous years	Nil	Nil
Tax on profit on ordinary activities	<u>15,873</u>	<u>15,440</u>
The potential amount of deferred taxation at 31 December 2003 is \$ Nil (2002 : \$ 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>2003</u>	<u>2002</u>
	US \$	US \$
Profit on ordinary activities before tax	<u>83,846</u>	<u>71,386</u>
Profit on ordinary activities multiplied by standard rate in the UK (30%) (2002:30%)	25,154	21,416
Effects of:		
Profits/(loss) not chargeable to UK tax	(22,120)	(18,930)
Mark-up on costs	5,004	6,145
Expenses not deductible for tax purposes	7,835	6,809
Adjustment to tax charge in respect of previous periods	Nil	Nil
	<u>15,873</u>	<u>15,440</u>

**BUNDUQ COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**31 DECEMBER 2003**

**10 Fixed assets - Tangible assets**

<u>Cost:</u>	<u>Furniture &amp; Fittings</u> US \$	<u>Production Facilities Completed &amp; Under Construction</u> US \$	<u>Total</u> US \$
At 1 January 2003	1,433,562	633,687,385	635,120,947
Additions	94,659	9,733,825	9,828,484
Disposals	(94,167)	(528,032)	(622,199)
<b>At 31 December 2003</b>	<b>1,434,054</b>	<b>642,893,178</b>	<b>644,327,232</b>
<u>Depreciation:</u>			
At 1 January 2003	876,283	451,821,585	452,697,868
Provided during the year	102,150	30,487,340	30,589,490
Disposals	(65,148)	(522,528)	(587,676)
<b>At 31 December 2003</b>	<b>913,285</b>	<b>481,786,397</b>	<b>482,699,682</b>
<u>Net book amount:</u>			
<b>At 31 December 2003</b>	<b>520,769</b>	<b>161,106,781</b>	<b>161,627,550</b>
At 31 December 2002	557,279	181,865,800	182,423,079

**11 Stocks**

	<u>2003</u> US \$	<u>2002</u> US \$
Crude oil	1,506,264	2,441,412
Drilling materials, equipment & spare parts	2,909,259	3,636,347
	<b>4,415,523</b>	<b>6,077,759</b>

**BUNDUQ COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**31 DECEMBER 2003**

	<u>2003</u>	<u>2002</u>
	US \$	US \$
<b>12 Debtors</b>		
Trade debtors	10,580,402	9,484,548
Other debtors	353,104	288,998
Prepayments	802,101	918,859
	<u>11,735,607</u>	<u>10,692,405</u>

Included in trade debtors is US \$ 1,470,941 which is receivable after more than one year  
(2002: US \$ 1,387,096)

**13 Creditors - amounts falling due within one year**

	<u>2003</u>	<u>2002</u>
	US \$	US \$
Shareholders' advances (note 15)	27,750,704	27,876,147
Trade creditors	3,448,255	10,958,095
Royalties due to Governments of Abu Dhabi & Qatar	5,425,727	3,753,614
Taxation	7,856	1,302
Other creditors	765,122	434,057
Accruals and provisions	129,556	159,911
	<u>37,527,220</u>	<u>43,183,126</u>

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

	<u>2003</u>	<u>2002</u>
	US \$	US \$
Shareholders' advances (note 15)	<u>137,301,847</u>	<u>155,973,535</u>

**BUNDUQ COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**31 DECEMBER 2003**

<b>15. Shareholders' advances</b>	<b>United Petroleum Development Co. Ltd. (Japan)</b>	<b>BP Exploration Company Ltd.</b>	<b>Total</b>
	<b>US \$</b>	<b>US \$</b>	<b>US \$</b>
At 1 January 2003	178,162,286	5,687,396	183,849,682
Advances	11,834,000	366,000	12,200,000
Reduction in shareholders' advances through offset against oil sales debtors	<u>(30,048,610)</u>	<u>(948,521)</u>	<u>(30,997,131)</u>
<b>At 31 December 2003</b>	<b><u>159,947,676</u></b>	<b><u>5,104,875</u></b>	<b><u>165,052,551</u></b>
Analysed as follows:		<b><u>2003</u></b>	<b><u>2002</u></b>
		<b>US \$</b>	<b>US \$</b>
Due in one year or less (note 13)		27,750,704	27,876,147
Due in more than one year but not more than two years		25,244,992	25,381,906
Due in more than two years but not more than five years		62,062,071	70,640,425
Due in more than five years		<u>49,994,784</u>	<u>59,951,204</u>
		<b><u>165,052,551</u></b>	<b><u>183,849,682</u></b>

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.

<b>16. Provision for liabilities and charges</b>	<b><u>2003</u></b>	<b><u>2002</u></b>
	<b><u>US \$</u></b>	<b><u>US \$</u></b>
End of service benefit:		
At 1 January	2,300,150	2,000,979
Increase in provision in the year	532,972	311,404
Utilised	<u>(230,634)</u>	<u>(12,233)</u>
<b>At 31 December</b>	<b><u>2,602,488</u></b>	<b><u>2,300,150</u></b>



**BUNDUQ COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**31 DECEMBER 2003**

**17. Share capital**

Authorised, allotted, called up and fully paid	<u>£</u>	<u>2003</u> <u>US \$</u>	<u>2002</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
	75,000	142,995	142,995

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>2003</u>				
	<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 &amp; Loss</u> <u>account</u> <u>US \$</u>	<u>Total</u> <u>US \$</u>
At 1 January 2003	142,995	14,157,649	17,053	(12,587,987)	1,729,710
Profit for the year	-	-	-	67,973	67,973
At 31 December 2003	142,995	14,157,649	17,053	(12,520,014)	1,797,683

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 \$15,025,583 (2002: \$ 8,295,361).

**BUNDUQ COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**31 DECEMBER 2003**

20 NOTES TO THE STATEMENT OF CASH FLOWS

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

	<u>2003</u> <u>US \$</u>	<u>2002</u> <u>US \$</u>
Operating profit	74,156	63,564
Depreciation	30,589,490	27,643,603
Loss on sale of fixed assets	22,003	28,161
Fixed assets written off	0	1,419
Adjustment		
Decrease/(Increase) in stock	1,662,236	(932,739)
(Increase)/Decrease in debtors	(1,043,202)	(259,232)
(Decrease)/Increase in creditors	(5,546,336)	6,922,614
Reduction in shareholders advances through offset against oil sales debtors	(30,997,131)	(27,152,637)
Increase in provision for liabilities and charges	<u>302,338</u>	<u>299,171</u>
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	<u>(4,936,446)</u>	<u>6,613,924</u>

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

	<u>2003</u> <u>US \$</u>	<u>2002</u> <u>US \$</u>
(Decrease)/Increase in cash in the year	(2,542,720)	2,829,726
Increase in shareholders' advances	<u>(12,200,000)</u>	<u>(10,300,000)</u>
Changes in net debt resulting from cash flows	(14,742,720)	(7,470,274)
Other changes in debt	<u>30,997,131</u>	<u>27,152,637</u>
Movement in net debt	16,254,411	19,682,363
Net debt at 1 January	<u>(179,856,404)</u>	<u>(199,538,767)</u>
Net debt at 31 December	<u>(163,601,993)</u>	<u>(179,856,404)</u>

**BUNDUQ COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**31 DECEMBER 2003**

20. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(C) ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2003	Cash flows	Other Changes	At 31 December 2003
Cash at bank and in hand	3,993,278	(2,542,720)	-	1,450,558
Debt due within 1 year	(27,876,147)	-	125,443	(27,750,704)
Debt due after 1 year	(155,973,535)	(12,200,000)	30,871,688	(137,301,847)
Total	<u>(179,856,404)</u>	<u>(14,742,720)</u>	<u>30,997,131</u>	<u>(163,601,993)</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**  
**NOTES TO THE ACCOUNTS (continued)**  
**31 DECEMBER 2003**

**21. RELATED PARTIES**

Details of the related party transactions during 2003 and outstanding balances at 31 December 2003 are set out below:

	<b>United Petroleum Development Co. Ltd (Japan)</b>	<b>BP Exploration Company Ltd</b>	<b>BP Abu Dhabi (Middle East)</b>	<b>BP Exploration Ltd</b>
	<b><u>US \$</u></b>	<b><u>US \$</u></b>	<b><u>US \$</u></b>	<b><u>US \$</u></b>
<b>A. TRANSACTIONS DURING THE YEAR</b>				
Turnover (a)	91,467,698	-	1,414,446	1,414,446
Administration expenses (b)	1,670,820	-	-	-
<b>B. AMOUNTS DUE FROM/(TO)</b>				
Trade debtors - oil sales (a)	10,263,009	-	158,697	158,697
Trade creditors (b)	(441,530)	(2,376)	-	-
Shareholders' advances (c)	(159,947,676)	(5,104,875)	-	-

- 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 administration expenses.
- c) The shareholders' advances are used to fund the Company's operations - refer note 15.

**BUNDUQ COMPANY LIMITED**  
**SUPPLEMENTARY INFORMATION**  
**31 DECEMBER 2003**

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

	<u>2003</u> <u>mml barrels</u>	<u>2002</u> <u>mml barrels</u>
At the beginning of the year	76.8	85.2
Change in the year attributable to :		
revision of estimate	(5.4)	(1.0)
production	<u>(7.7)</u>	<u>(7.4)</u>
Total change	<u>(13.1)</u>	<u>(8.4)</u>
At the end of the year	<u>63.7</u>	<u>76.8</u>

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