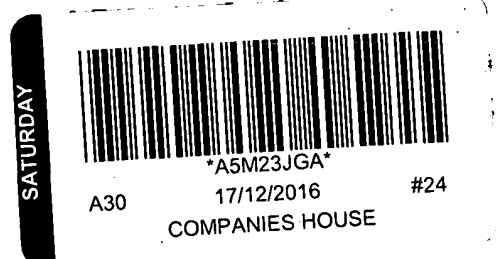


Registered number: 02073564

Kuwait Petroleum International Lubricants (UK) Limited
Annual report and financial statements
for the year ended 31 March 2016



Kuwait Petroleum International Lubricants (UK) Limited

Annual report and financial statements

for year ended 31 March 2016

Contents	Page
Directors and advisers	2
Strategic report for the year ended 31 March 2016	3
Directors' report for the year ended 31 March 2016	4
Independent auditors' report to the members of Kuwait Petroleum International Lubricants (UK) Limited	8
Statement of comprehensive income for the year ended 31 March 2016	10
Statement of financial position as at 31 March 2016	11
Statement of changes in equity for the year ended 31 March 2016	12
Notes to the financial statements for the year ended 31 March 2016	13

Kuwait Petroleum International Lubricants (UK) Limited

Directors and advisers

DIRECTORS

F Al Faraj
D Wright
N Grieve

COMPANY SECRETARY

P Coules

REGISTERED OFFICE

Marian House
Colton Mill
Bullerthorpe Lane
Leeds
LS15 9JN
Tel : 0113 2350555
Fax: 0113 2485026
Web: www.q8oils.co.uk

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
3 Forbury Place
23 Forbury Road
Reading
Berkshire
RG1 3JH

Kuwait Petroleum International Lubricants (UK) Limited

Strategic report for the year ended 31 March 2016

The directors present their strategic report on Kuwait Petroleum International Lubricants (UK) Limited for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the Company during the year were the filling and distribution of lubricating oils and greases for automotive and industrial purposes in the UK and Ireland, in addition to exporting to other countries.

A further review of the supply and logistics operation has taken place and in July 2015 the company restructured, fully integrating the supply into the overall Kuwait Petroleum International Lubricants Group, focusing on warehousing and distribution in the UK. This will enable future cost savings in the UK, whilst at the same time improve group economics.

The audited financial statements for the year ended 31 March 2016 are set out on pages 10 to 24. The results show a loss for the financial year of £1,986,000 (2015: loss of £1,033,000).

No dividend was paid during the financial year (2015: £nil).

KEY PERFORMANCE INDICATORS

	2016	2015
Growth in revenue (%)	(26%)	(11%)
Operating Loss (%)	(7%)	(3%)
Debtor days	63	54

Sales decreased from £37,300,000 in the prior financial year to £27,422,000, as a result of a reduction in product cost and competitive pricing in the market. Administrative expenses showed a 3% decrease, leading to an operating loss of £1,903,000 (2015: operating loss of £956,000).

After interest charges, the financial position of the company showed total shareholders' (deficit)/ funds at (£1,579,000), down from the previous year position of £407,000.

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive pressure in the UK is a continuing risk for the company but is managed by providing value added services to its customers, in terms of good customer relations and technical support.

The margin on contracted volume remains subject to variation in product costs. In times of rapid adverse change the achievable margin can be reduced due to time lags. This risk is managed by cost plus contract pricing with a regular review period to allow a more rapid reflection of the movement in the market prices.

Some sales and purchases are made in Euros and US Dollars, however foreign exchange exposure is managed by contract with another group company, Kuwait Petroleum International Treasury Services Limited, which performs the group treasury function.

The company is financed by fixed and variable rate loans from its parent and group treasury services and has no third party debt.

Approved by the board of directors and signed on behalf of the board by


N Grieve
Director
15 December 2016

Kuwait Petroleum International Lubricants (UK) Limited

Directors' report for the year ended 31 March 2016

The directors present their report and the audited financial statements of the company for the year ended 31 March 2016.

FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of financial risks that includes the effect of changes in price risk, credit risk and interest rate risk. The directors do not consider the effects of liquidity risk and foreign exchange risk to be material to the company. The foreign exchange risk and funding is obtained through the group treasury function and there is no outside exposure.

Price risk

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the cost of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the company.

Interest rate risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances and amounts owed by group undertakings. Interest bearing liabilities include amounts due to group undertakings. The company has a policy of maintaining debt at a variable rate. The directors will revisit this policy should the company's operations change in size or nature.

DIRECTORS

The directors, who served during the year and up to the date of signing the financial statements, were as follows:

P Furno (Resigned 1st July 2015)
A Dixon (Resigned 14th December 2015)
D Wright
F Al Faraj (Appointed 1st July 2015)
N Grieve (Appointed 14th December 2015)

EMPLOYMENT POLICIES

Kuwait Petroleum International Lubricants (UK) Limited will conduct its business so that the health and safety of its employees, contractors and the public are protected in line with the overall Kuwait Petroleum International Safety, Health and Environmental Policy. The company is an equal opportunities employer, and provides facilities for the disabled where appropriate.

Kuwait Petroleum International Lubricants (UK) Limited

Directors' report for the year ended 31 March 2016

(continued)

SLAVERY AND HUMAN TRAFFICKING STATEMENT

The company is committed to ensuring that there are no acts of modern day slavery within its own business or within its supply chains. We acknowledge our responsibility to the Modern Slavery Act 2015 and will work to ensure transparency within the organisation and with suppliers of goods and services to the organisation.

The company is part of a state owned enterprise that markets oil lubricants and greases to customers within the UK. We have business relationships with other group companies and with external businesses for supplying oil lubricants and greases. These, as well as the suppliers of various other products and services, form our supply chains.

As part of our diligence process into slavery and human trafficking, the key supplier approval process will incorporate a review of the controls undertaken by our suppliers. Included in the supplier chain are imported products from sources outside of the EU that are potentially more at risk for slavery and human trafficking issues, and therefore management resources will be especially focused on those areas.

The company will not support or deal with any business knowingly involved in slavery and human trafficking.

The senior management team has been trained in the subject of Modern Slavery and has been closely involved in the due diligence process, producing a comprehensive gap analysis and attending workshops. All other staff have been made aware of the company policy and statement.

The company's directors and senior management will take the responsibility of implementing this policy and will provide adequate resources and investment to ensure that slavery and human trafficking is not taking place within the organisation and its supply chains.

Dividends

There is no plan for payment of a dividend (2015: nil).

DIRECTORS' INDEMNITY STATEMENT

The company maintains third party indemnity insurance for its directors and officers which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

RESEARCH AND DEVELOPMENT

The company receives an allocation of the Kuwait Petroleum International Lubricants Group Research and Development expenditure. Expenditure includes the development and maintenance of product formulations, product safety support and technical advice and support.

FUTURE DEVELOPMENTS

Following the restructure of the supply and logistics operation, the company is able to take advantage of the recent investment in the Kuwait Petroleum International Lubricants Group blending plant based in Belgium. The improved capacity, productivity and service levels will give the company a competitive edge in the future to facilitate sales volume growth.

Kuwait Petroleum International Lubricants (UK) Limited

Directors' report for the year ended 31 March 2016

(continued)

GOING CONCERN

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Kuwait Petroleum Corporation. The directors have received confirmation that Kuwait Petroleum Corporation intend to support the company for at least one year after these financial statements are signed.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

Kuwait Petroleum International Lubricants (UK) Limited
Directors' report for the year ended 31 March 2016
(continued)

STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITORS

Each of the directors at the date of the approval of this report confirms that:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the board of directors and signed on behalf of the board by

A handwritten signature in black ink, appearing to read 'N Grieve', written over a horizontal line.

N Grieve
Director
15 December 2016

Kuwait Petroleum International Lubricants (UK) Limited

Independent auditors' report to the members of Kuwait Petroleum International Lubricants (UK) Limited

Report on the financial statements

Our opinion

In our opinion, Kuwait Petroleum International Lubricants (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Annual Report and financial statements (the "Annual Report"), comprise:

- Statement of financial position as at 31 March 2016;
- Statement of comprehensive income for the year then ended;
- Statement of changes in equity as at 31 March 2016; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Kuwait Petroleum International Lubricants (UK) Limited

Independent auditors' report to the members of Kuwait Petroleum International Lubricants (UK) Limited

(continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

Julian Gray (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
15 December 2016

Kuwait Petroleum International Lubricants (UK) Limited
Statement of comprehensive income
for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Revenue	5	27,422	37,300
Cost of sales		(22,202)	(31,082)
Gross profit		5,220	6,218
Distribution costs		(1,371)	(1,261)
Administrative expenses		(5,771)	(5,932)
Other income	6	19	19
Operating loss	7	(1,903)	(956)
Finance income	8	9	7
Finance costs	8	(92)	(84)
Finance costs - net	8	(83)	(77)
Loss on ordinary activities before taxation		(1,986)	(1,033)
Tax on loss on ordinary activities	10	-	-
Loss and total comprehensive expense for the financial year		(1,986)	(1,033)

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of recognised gains and losses has been presented.

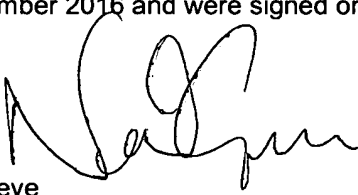
All results derive from continuing operations.

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial years stated above and their historical cost equivalents.

Kuwait Petroleum International Lubricants (UK) Limited
Statement of financial position
as at 31 March 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Property, plant and equipment	11	71	120
Current assets			
Inventory	12	3,563	3,589
Trade and other receivables	13	4,728	5,491
Cash and cash equivalents		1,444	4,336
		9,735	13,416
Creditors: Amounts falling due within one year	14	(9,110)	(10,854)
Net current assets		625	2,562
Total assets less current liabilities		696	2,682
Creditors: Amounts falling due after more than one year	15	(2,275)	(2,275)
Net (liabilities) / assets		(1,579)	407
Capital and reserves			
Called up share capital	16	4,400	4,400
Accumulated losses		(5,979)	(3,993)
Total equity		(1,579)	407

The financial statements on pages 10 to 24 were approved by the board of directors on 15 December 2016 and were signed on its behalf by:



N Grieve

Director

Registered number: 02073564

Kuwait Petroleum International Lubricants (UK) Limited
Statement of changes in equity
for the year ended 31 March 2016

	Called-up share capital	Profit and loss account	Total equity
	£'000	£'000	£'000
Balance as at 1 April 2014	4,400	(2,960)	1,440
Loss for the financial year	-	(1,033)	(1,033)
Total comprehensive expense for the year	-	(1,033)	(1,033)
Balance at 31 March 2015	4,400	(3,993)	407
Balance at 1 April 2015	4,400	(3,993)	407
Loss for the financial year	-	(1,986)	(1,986)
Total comprehensive expense for the year	-	(1,986)	(1,986)
Balance at 31 March 2016	4,400	(5,979)	(1,579)

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

1 General information

The principal activities of the company during the year were the filling and distribution of lubricating oils and greases for automotive and industrial purposes in the UK and Ireland, in addition to exporting to other countries. The company is a private company and is incorporated and domiciled in the UK. The address of its registered office is Marian House, Colton Mill, Bullerthorpe Lane, Leeds, LS15 9JN.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of accounting

The financial statements of Kuwait Petroleum International Lubricants (UK) Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared on the going concern basis, under historical cost convention and in accordance with the Companies Act 2006.

Information on the first-time adoption of FRS 101 is given in note 20. The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

In the current year the Company has adopted FRS 101. In previous years the financial statements were prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). This change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with UK GAAP. Consequently, the principal accounting policies are unchanged from the prior year. The change in basis of preparation has enabled the Company to take advantage of some of the available disclosure exemptions permitted by FRS 101 in the financial statements, the most significant of which are summarised below. There have been no other material amendments to the disclosure requirements previously applied in accordance with UK GAAP.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The requirements of IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - i. paragraph 79(a)(iv) of IAS 1;
 - ii. paragraph 73(e) of IAS 16 Property, plant and equipment;
 - iii. paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

2 Summary of significant accounting policies (continued)

Basis of Accounting (continued)

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows)
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group

3 Principal accounting policies

Foreign currencies

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

Leases

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

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

3 Principal accounting policies (continued)

Property, Plant and Equipment

Property, plant and equipment are stated at cost less provision for impairment and accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The cost of the asset, less their estimated residual values, is written off on a straight line basis at rates designed to write off costs, less residual value, over the estimated useful lives.

Property, plant and equipment is depreciated over a term of 2 to 20 years.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis. Net realisable value is the price at which inventory can be sold in the normal course of business after allowing for the costs of realisation. Where necessary, provision is made for obsolete, slow moving and defective inventory.

Research and development

Research and development expenditure is written off as it is incurred.

Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Share capital

Ordinary shares are classified as equity.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

3 Principal accounting policies (continued)

Current and deferred income tax (continued)

returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Revenue recognition

Revenue from the sale of lubricating oils and greases is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the company's activities, as described below. The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Financial Instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

4 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates could, by definition, seldom equal the related actual results. There are no estimates or assumptions that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Kuwait Petroleum International Lubricants (UK) Limited
Notes to the financial statements for the year ended 31
March 2016 (continued)

5 Segmental information

Revenue is derived entirely from the company's principal activity.

The geographical analysis of revenue by destination is as follows:

	2016 £'000	2015 £'000
United Kingdom	25,859	34,899
Rest of Europe	1,563	2,368
Africa	-	3
Asia	-	6
Rest of the world	-	24
	27,422	37,300

The net assets and operating losses are derived entirely from the sale of lubricating oils.

Analysis of revenue by origin

	2016 £'000	2015 £'000
United Kingdom	27,422	37,300

Analysis of operating loss by origin

	2016 £'000	2015 £'000
United Kingdom	(1,986)	(1,033)

Analysis of net operating (liabilities)/assets by origin

	2016 £'000	2015 £'000
United Kingdom	(1,579)	407

6 Other operating income

Other operating income in the year principally consists of proceeds from the sale of fixed assets.

Kuwait Petroleum International Lubricants (UK) Limited
Notes to the financial statements for the year ended 31
March 2016 (continued)

7 Operating Loss

Operating loss is stated after charging / (crediting):

	2016 £'000	2015 £'000
Reorganisation expense	-	1,704
Services provided by the company's auditor		
- Fees payable for the audit	20	31
Depreciation on property, plant and equipment (note 11)	67	159
Gain on disposal of property, plant and equipment	(8)	(10)
Impairment of property, plant and equipment	-	462
Impairment of inventory	210	351
Impairment of trade receivables	1	1
Inventory recognised as an expense	22,202	31,082
Operating lease charges		
- Plant and Machinery	123	150
- Other	249	257
Research and development	429	428
Foreign exchange (gain)/ loss	454	(797)

8 Finance income and costs

	2016 £'000	2015 £'000
Interest receivable and similar income		
Interest receivable on cash balances	9	7
Total finance income	9	7
Interest payable and similar charges		
Interest payable to immediate parent company (see note 15)	(33)	(38)
Interest payable to other group companies	(59)	(46)
Total finance expense	(92)	(84)
Net finance cost	(83)	(77)

Kuwait Petroleum International Lubricants (UK) Limited
Notes to the financial statements for the year ended 31
March 2016 (continued)

9 Employee information

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

	2016 £'000	2015 £'000
Wages and salaries	1,257	1,836
Social security costs	121	153
Other pension costs (note 17)	533	172
Total Employee Costs	1,911	2,161

The average monthly number of employees including directors was:

By activity	2016 Number	2015 Number
Production	4	14
Administration and sales	31	37
Total average head count	35	51

Directors' remuneration:

	2016 £'000	2015 £'000
Aggregate emoluments (excluding pension contributions)	159	120

The above details of directors' emoluments do not include the emoluments of P Furno, D Wright and F Al Faraj, which are paid by a fellow subsidiary (Kuwait Petroleum (Belgium) N.V.) and recharged to the company as part of a management charge. This management charge, which in 2016 amounted to £361,000 (2015: £611,000), also includes a recharge of administration costs borne by the fellow subsidiary on behalf of the company.

Company contributions to pension schemes on behalf of 2 (2015:1) directors were £42,074 (2015: £42,420).

Emoluments payable to the highest paid director are as follows:

	2016 £'000	2015 £'000
Aggregate emoluments	131	120

Company contributions to pension schemes for this director were £32,334 (2015: £42,420).

Pension details are shown in note 17.

In addition to the above aggregate emoluments, compensation for loss of office of £238,000 was paid during the year.

Kuwait Petroleum International Lubricants (UK) Limited
Notes to the financial statements for the year ended 31
March 2016 (continued)

10 Tax on profit/ (loss) on ordinary activities

	2016 £'000	2015 £'000
UK Corporation Tax	-	-
UK Deferred Tax	-	-
Taxation charge for the year	-	-

The tax assessed for the year is equal to (2015: higher than) the standard rate of corporation tax in the UK (20%). The differences are explained below:

	2016 £'000	2015 £'000
Loss on ordinary activities before taxation	(1,986)	(1,033)
UK corporation tax rate of 20% (2015: 21%)	(397)	(217)
Effects of:		
Permanent differences'	5	1
Expenses not deductible for tax purposes	5	96
Changes in unrecognised deferred tax (liability)/ asset	(87)	11
Effect of change in deferred tax rates	57	106
Other adjustments	-	3
Surrendered for group relief	417	-
Current tax charge for year	-	-

The company has trading losses estimated at £4,614,000 (2015: £5,246,000) available to carry forward for offset against future trading profits.

Deferred tax

A deferred tax asset has not been recognised on the grounds that there is insufficient evidence of future taxable profits to enable the asset to be recovered.

The unrecognized deferred tax asset (2015: asset) is made up as follows:

	2016 £'000	2015 £'000
Tax losses	923	1,049
Accelerated capital allowances	152	184
Other timing differences	26	26
	1,100	1,259

Kuwait Petroleum International Lubricants (UK) Limited
Notes to the financial statements for the year ended 31
March 2016 (continued)

11 Property, Plant and Equipment

	Freehold land and buildings £'000	Vehicles, plant and equipment £'000	Total £'000
Cost			
At 1 April 2015	100	1,923	2,023
Additions	-	34	34
Disposals	(100)	(1,772)	(1,872)
At 31 March 2016	-	185	185
Accumulated depreciation			
At 1 April 2015	(97)	(1,806)	(1,903)
Charge for the financial year	(2)	(65)	(67)
Disposal	99	1,757	1,856
At 31 March 2016	-	(114)	(114)
Net book amount			
At 31 March 2016	-	71	71
At 31 March 2015	3	117	120

12 Inventory

	2016 £'000	2015 £'000
Raw materials and consumables	-	1,985
Finished goods	3,563	1,604
	3,563	3,589

There is no material difference between the statement of financial position value of stock and its replacement cost.

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £22,202,000 (2015: £31,082).

The provision for impairment of inventories recognised is £210,000 (2015: £351,000).

Kuwait Petroleum International Lubricants (UK) Limited
Notes to the financial statements for the year ended 31
March 2016 (continued)

13 Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	4,423	4,864
Other receivables	249	512
Prepayments and accrued income	56	115
	4,728	5,491

The provision for impairment of trade receivables recognised is £122,000 (2015: £123,000).

14 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	582	819
Amounts owed to group undertakings	6,545	7,146
Taxation and social security	437	887
Accruals and deferred income	1,546	2,002
	9,110	10,854

Amounts owed to group undertakings are unsecured, repayable on demand and bear interest at floating rates linked to LIBOR.

15 Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Amounts owed to group undertakings	2,275	2,275

The loans from the immediate parent company at 31 March 2016 are made up as follows:

Amount of Loan	Repayment Due Date	Interest Rate
£2,275,000	31 March 2024	12 month LIBOR plus 0.75 per centum

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

The interest payment payable for the financial year was £33,000 (2015: £38,000).

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

16 Called up share capital

	2016 £'000	2015 £'000
Authorised		
4,500,000 (2015: 4,500,000) ordinary shares of £1 each	4,500	4,500
Allotted and fully paid		
4,400,000 (2015: 4,400,000) ordinary shares of £1 each	4,400	4,400

17 Pension costs

Kuwait Petroleum International Lubricants (UK) Limited participates in a funded, defined benefit pension plan called the KPC UK Group Retirement Plan (the "Scheme"). This Scheme is closed to new members.

The assets and liabilities of the scheme are recognised in full in the financial statements of Kuwait Petroleum International Limited. Kuwait Petroleum International Limited bears the majority of the risks and rewards of the Scheme and as such, in accordance with IAS19R which was adopted in the financial year, it is appropriate to recognise the full defined benefit deficit in this entity. Full disclosures regarding the Scheme are included in the financial statements of Kuwait Petroleum International Limited, which are publicly available from Companies House.

The group also operates a defined contribution pension scheme in the UK, the assets of which are held in separate trustee administered funds.

The total pension costs for the company for the financial year was £533,000 (2015: £172,000). Of this £495,000 (2015: £141,000) relates to a recharge from Kuwait Petroleum International Limited in respect of the defined benefit scheme. This includes the annual cost of service and finance costs of £213,000 and £159,000 relating to 31 March 2016 and 31 March 2015 respectively. The costs relating to the UK defined contribution scheme was £38,000 (2015: £31,000).

The UK group had agreed a recovery plan for the pension scheme deficit with the Scheme Trustees - £3,850k per annum payable over a period of 10 years with the first payment paid in June 2010 and subsequent payments due on 31 March 2011 and each 31 March thereafter. This year it was agreed to increase the payment to £5,000k on 31 March 2016 and each 31 March thereafter. The total additional contributions paid by the UK group for the year ended 31 March 2016 were therefore £5,000k (2015: £3,850k).

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

18 Capital and other commitments

The company has the following future minimum lease payments under non-cancellable operating leases as set out below:

	2016		2015	
	Land and Buildings £'000	Others £'000	Land and Buildings £'000	Others £'000
Not later than one year	53	3	193	3
Later than one year and not later than five years	66	8	-	11
	119	11	193	14

19 Controlling parties

The parent company of the largest group of undertakings for which group financial statements are drawn up, and of which the company is a member, is Kuwait Petroleum Corporation (the company's ultimate parent), a company incorporated in Kuwait. Kuwait Petroleum Corporation is owned by the government of Kuwait, who represent the ultimate controlling party. Kuwait Petroleum Corporation financial statements can be obtained from P.O. Box 26565, 13126 Safat, Kuwait. The immediate parent company of the smallest such group is KPC Holdings (Aruba) A.E.C., incorporated in Aruba. Copies of the consolidated financial statements of KPC Holdings (Aruba) A.E.C. can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

20 Transition to FRS 101

This is the first year that the company has presented its results under FRS 101. The last financial statements under UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 101 was 1 April 2014. The changes in accounting policies did not impact the profit of the financial year 31st March 2015, or equity at 1 April 2014 and 31 March 2015.