

Registered number: 02073564

Kuwait Petroleum International Lubricants (UK) Limited
Annual report and financial statements
for the year ended 31 March 2019



Kuwait Petroleum International Lubricants (UK) Limited

Annual report and financial statements

for year ended 31 March 2019

Contents	Page
- Directors and advisors	2
Strategic report for the year ended 31 March 2019	3
Directors' report for the year ended 31 March 2019	4
Independent auditor's report to the members of Kuwait Petroleum International Lubricants (UK) Limited	8
Statement of comprehensive income for the year ended 31 March 2019	11
Statement of financial position as at 31 March 2019	12
Statement of changes in equity for the year ended 31 March 2019	13
Notes to the financial statements for the year ended 31 March 2019	14

Kuwait Petroleum International Lubricants (UK) Limited

Directors and advisors

DIRECTORS

D Wright
N Grieve
C Macklam

COMPANY SECRETARY

P Coules

REGISTERED OFFICE

Second Floor
3 Colton Mill
Bullerthorpe Lane
Leeds
England
LS15 9JN

INDEPENDENT AUDITORS

Deloitte LLP
Statutory Auditor
1 New Street Square
London
United Kingdom
EC4A 3HQ

Kuwait Petroleum International Lubricants (UK) Limited

Strategic report for the year ended 31 March 2019

The directors present their strategic report on Kuwait Petroleum International Lubricants (UK) Limited (the 'company') for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

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

The audited financial statements for the year ended 31 March 2019 are set out on pages 11 to 23. The results show a loss for the financial year of £685,000 (2018: loss of £1,303,000).

No dividend was paid during the financial year (2018: £nil).

KEY PERFORMANCE INDICATORS

	2019	2018
Growth in revenue (%)	8%	8%
Debtor days	70	63

Sales increased from £27,108,000 in the prior financial year to £29,200,000. The growth in revenue was driven by an increase in volume and selling price. Cost of product has remained high during the financial year, maintaining pressure on unit margins.

Administrative expenses showed a 6% decrease compared to prior year due to continued cost saving initiatives. This led to an operating loss of £578,000 (2018: operating loss of £1,223,000).

The financial position of the company showed total shareholders' deficit at £3,103,000 (2018: deficit of £2,418,000).

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, however foreign exchange exposure is managed by contract with a sister company, Kuwait Petroleum International Treasury Services Limited, which performs the group treasury function for Kuwait Petroleum Corporation Group.

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

Brexit has the potential to temporarily restrict supply and increase the cost of the company's products purchased from suppliers in the European Union. Limited availability could impact the range and volume of products the company can offer. Extensive work with suppliers has been undertaken to mitigate these risks.

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



C Macklam
Director
29 January 2020

Kuwait Petroleum International Lubricants (UK) Limited

Directors' report for the year ended 31 March 2019

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2019.

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. 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:

D Wright

F Al Faraj – resigned 5 November 2018

N Grieve

C Macklam – appointed 5 November 2018

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.

MODERN SLAVERY STATEMENT

The information in this statement is made pursuant to the UK Modern Slavery Act 2015 and relates to the financial year ended 31 March 2019.

About us

The company is a subsidiary of Q8Oils. Q8Oils develops, blends and supplies lubricants and other petroleum derivatives globally mainly for automotive and industrial sectors. Q8Oils is a specialised subsidiary of the KPI Group of companies, which in turn is embedded within Kuwait Petroleum Corporation, Kuwait's oil conglomerate ("KPC").

Kuwait Petroleum International Lubricants (UK) Limited

Directors' report for the year ended 31 March 2019

(continued)

MODERN SLAVERY STATEMENT (continued)

Structure and supply chains

This Statement covers our direct operations and supply chains. All group companies must comply with local legislation and regulations, and must conduct their activities in line with the KPC Code of Conduct, and our core values including integrity. We expect our contractors and suppliers to comply with applicable laws and the principles of the Code of Conduct. Some of our suppliers may have their own supply chain and we encourage them to follow our expectations in relation to ethical business conduct.

Policies on modern slavery

In our Code of Conduct and related ethical business policies (including an anti-bribery policy, travel policy, employee handbook and others), and as further described in our sustainability report and CSR guidelines, the Company ensures that it provides a safe place to work. The Company will not support, condone or deal with any business knowingly involved in practices such as slavery and/or human trafficking.

Due diligence processes

As part of our supplier due diligence, the Company has established supplier approval processes and procurement related processes which include a review of the policies undertaken by our suppliers. Contractual templates with suppliers have been updated to include robust Modern Slavery provisions. We are also undertaking to update our safety walk checklists to cover identification of Modern Slavery risks. We have identified that products and services procured outside of the EU pose a higher risk for slavery and human trafficking issues. Senior management are aware of such risks and take greater care and scrutiny in relation to approving such suppliers.

Risk assessment

We will continue to assess and monitor the risk; however, the nature of our business means forced or involuntary labour is unlikely to occur within our own or our associates' operations. In relation to our supply chains, we have identified that suppliers providing products or services from outside the EU present a higher risk. Moreover, we have identified an increased risk when we face challenges to obtain copies of supplier's compliance procedures, and their willingness to provide contractual assurances.

Monitoring our effectiveness

The Group's Compliance Committee reporting directly to the CEO is responsible for the various compliance and regulatory risks facing the Company. This team actively monitors, provides guidance and shares advice on a variety of topics including compliance with the Act. The Company's directors and senior management will take the responsibility of implementing our policies and principles, and they will provide adequate resources and investment to ensure that slavery and human trafficking is not taking place within the organisation and its supply chains.

We will regularly review the effectiveness of our policies and processes, and will continue increasing the awareness of our personnel.

Kuwait Petroleum International Lubricants (UK) Limited

Directors' report for the year ended 31 March 2019

(continued)

MODERN SLAVERY STATEMENT (continued)

Training

It is vital that employees are made aware of the scale of modern slavery and the risks attached to it. Senior managers have been trained in the subject of Modern Slavery and have been involved in the due diligence process and attending workshops. From this training, it was identified that an industry specific training would be more beneficial. Subsequently a new bespoke training has been developed for all staff members in order to increase awareness specifically within the aviation business. High-risk areas have been identified and employees are made aware on how to deal with potential labour rights and other modern slavery issues. All new joiners are required to complete an online training course, which includes modules that introduce what Modern Slavery is, as well as more specific modules to the risks of modern slavery within the aviation business. All other staff have been made aware of the relevant Company policies and Statement.

DIVIDENDS

There is no plan for payment of a dividend (2018: 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

The UK lubricants market remains extremely competitive however volume and revenue grew compared to the previous year and fixed costs reduced. There are plans to drive forward further initiatives in the coming year to continue growth and reduce costs.

GOING CONCERN

The financial statements have been prepared on the going concern basis for the foreseeable future for a period of at least 12 months from the date of signing the financial statements. With the confirmed continuing financial support from the intermediate holding corporation KPC Holdings (Aruba) A.E.C. (which has provided a confirmation of financial support, should it be required for the Company to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements), the Company will be able to pay its debts as and when they fall due.

Kuwait Petroleum International Lubricants (UK) Limited

Directors' report for the year ended 31 March 2019

(continued)

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the 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, comprising FRS 101, have been followed, subject to any material departures disclosed 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT ON INFORMATION GIVEN 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 (2) of the Companies Act 2006.

The auditors, Deloitte LLP, have indicated their willingness to continue in office and are deemed to be reappointed.

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



C Macklam
Director
29 January 2020

Kuwait Petroleum International Lubricants (UK) Limited

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Kuwait Petroleum International Lubricants (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Kuwait Petroleum International Lubricants (UK) Limited

Report on the audit of the financial statements (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Kuwait Petroleum International Lubricants (UK) Limited

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.



David Paterson, ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29 January 2020

Kuwait Petroleum International Lubricants (UK) Limited
Statement of comprehensive income
for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Revenue	5	29,200	27,108
Cost of sales		(24,432)	(22,921)
Gross profit		4,768	4,187
Distribution costs		(1,229)	(1,042)
Administrative expenses		(4,117)	(4,368)
Operating loss	6	(578)	(1,223)
Finance income	7	-	2
Finance costs	7	(107)	(82)
Finance costs - net	7	(107)	(80)
Loss before taxation		(685)	(1,303)
Tax charge for the year	9	-	-
Loss and total comprehensive loss for the financial year		(685)	(1,303)

The results for the years shown above are derived entirely from continuing operations. No operations were acquired or discontinued in either financial year.

The company has no other comprehensive income/ (loss) other than those included in the results above, and therefore no separate statement of other comprehensive income has been presented.

Kuwait Petroleum International Lubricants (UK) Limited

Statement of financial position as at 31 March 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Property, plant and equipment	10	56	51
Current assets			
Inventories	11	8,547	3,390
Trade and other receivables	12	6,353	5,139
Cash and cash equivalents		37	1,536
		14,937	10,065
Creditors: amounts falling due within one year	13	(15,821)	(10,259)
Net current liabilities		(884)	(194)
Total assets less current liabilities		(828)	(143)
Creditors: amounts falling due after more than one year	14	(2,275)	(2,275)
Net liabilities		(3,103)	(2,418)
Capital and reserves			
Called up share capital	15	4,400	4,400
Accumulated losses		(7,503)	(6,818)
Total shareholders' deficit		(3,103)	(2,418)

The financial statements on pages 11 to 23 were approved by the board of directors on 29 January 2020 and were signed on its behalf by:



C Macklam
Director
Registered number: 02073564

Kuwait Petroleum International Lubricants (UK) Limited

Statement of changes in equity for the year ended 31 March 2019

	Called up share capital	Accumulated losses	Total shareholders' deficiency
	£'000	£'000	£'000
Balance as at 1 April 2017	4,400	(5,515)	(1,115)
Loss for the financial year	-	(1,303)	(1,303)
Total comprehensive loss for the year	-	(1,303)	(1,303)
Balance at 31 March 2018	4,400	(6,818)	(2,418)
Loss for the financial year	-	(685)	(685)
Total comprehensive loss for the year	-	(685)	(685)
Balance at 31 March 2019	4,400	(7,503)	(3,103)

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2019

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 limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is Second Floor, 3 Colton Mill, Bullerthorpe Lane, Leeds, England, 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.

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.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions available under that standard. Where relevant, equivalent disclosures have been given in the group accounts of KPC Holdings (Aruba) A.E.C.

- 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);
- Disclosure exemptions from the second sentence of paragraph 110, and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from contracts with customers';

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements

for the year ended 31 March 2019 (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); and
- 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

Changes in accounting policy and disclosures

There were no new accounting standards, amendments or interpretations becoming effective in 2019 (including IFRS 9, 'Financial instruments' and IFRS 15, 'Revenue from contracts with customers') that had a material impact on the company's financial statements.

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 2019 (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 are 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, 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.

Income tax

The tax expense for the period comprises current and deferred tax.

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 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.

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

3 Principal accounting policies (continued)

Income tax (continued)

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 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.

Revenue recognition

Revenue from the sales of lubricating oils and greases is measured in accordance with IFRS 15, 'Revenue from contracts with customers' and represents amounts that reflect the consideration to which the company expects to be entitled in exchange for these goods. The company recognises revenue in the period in which the transfer of control of the goods (transfer of a legal title for risks and rewards) occurs.

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. The majority of the financial assets and liabilities of the company are trade receivables, together with loans to/from other group companies.

The company's financial assets are subsequently carried at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

The company recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The company always recognises lifetime ECL (expected credit losses) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Financial assets and liabilities are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements

for the year ended 31 March 2019 (continued)

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. There were no critical accounting judgements applied in the current year.

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.

5 Revenue

Revenue, operating losses and net liabilities all originate in the UK and are derived entirely from the company's principal activity, sale of lubricating oils. Rebate agreements are in place for some customers based on purchased volume during the year and accrued when the required volume for a rebate is achieved. The geographical analysis of revenue by destination is as follows:

	2019 £'000	2018 £'000
United Kingdom	27,582	25,586
Rest of Europe	1,606	1,477
Asia	12	45
	29,200	27,108

6 Operating loss

Operating loss is stated after charging / (crediting):

	2019 £'000	2018 £'000
Inventory recognised as an expense	24,432	22,921
Staff costs (note 8)	1,671	1,798
Depreciation on property, plant and equipment (note 10)	20	19
Impairment of inventory	(80)	73
Impairment of trade receivables	(44)	-
Operating lease charges	183	194
Research and development	478	389
Foreign exchange gain	(75)	(77)
Services provided by the company's auditor		
- Fees payable for the audit	18	28

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

7 Finance income and costs

	2019 £'000	2018 £'000
Interest receivable and similar income		
Interest receivable on cash balances	-	2
Total finance income	-	2
Interest payable and similar charges		
Interest payable to immediate parent company	(40)	(34)
Interest payable to other group companies	(67)	(48)
Total finance expense	(107)	(82)
Net finance cost	(107)	(80)

8 Employee information

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

	2019 £'000	2018 £'000
Wages and salaries	1,116	1,226
Social security costs	141	146
Other pension costs (note 16)	414	426
Total employee costs	1,671	1,798

The average monthly number of employees including directors was:

By activity	2019 Number	2018 Number
Administration and sales	26	28
Total average head count	26	28

Directors' remuneration:

	2019 £'000	2018 £'000
Aggregate emoluments (excluding pension contributions)	74	100

The above details of directors' emoluments do not include the emoluments of 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 2019 amounted to £387,000 (2018: £453,000), also includes a recharge of administration costs borne by the fellow subsidiary on behalf of the company.

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

8 Employee information (continued)

Company contributions to pension schemes on behalf of 2 (2018:1) directors were £14,000 (2018: £28,000). Pension details are shown in note 16.

Emoluments payable to the highest paid director are as follows:

	2019 £'000	2018 £'000
Aggregate emoluments	44	100

Company contributions to pension schemes for this director were £12,000 (2018: £28,000).

9 Tax charge

	2019 £'000	2018 £'000
Current tax	-	-
Deferred tax	-	-
Tax charge for the year	-	-

The standard rate of corporation tax in the UK for the years ended 31 March 2019 and 2018 was 19%. The differences between the tax charged and tax on loss at the standard rate are explained below:

	2019 £'000	2018 £'000
Loss on ordinary activities before tax	(685)	(1,303)
Tax on loss on ordinary activities at standard rate of 19%	(130)	(248)
Effects of:		
Expenses not deductible for tax purposes	1	-
Effect of deferred tax not recognised	(30)	(23)
Group relief surrendered to other undertakings for nil consideration	159	271
Total tax charge	-	-

The company has a deferred tax asset of approximately £838,000 (2018: £864,000) which has not been recognised as there is insufficient evidence of future taxable profits for the Kuwait Petroleum UK Group against which the deferred tax asset can be realised.

The unrecognised deferred tax asset (determined at 17% rate) is made up as follows:

	2019 £'000	2018 £'000
Losses (no expiry date)	745	745
Accelerated capital allowances	89	108
Other	4	11
Unrecognised deferred tax asset	838	864

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements

for the year ended 31 March 2019 (continued)

10 Property, plant and equipment

	£'000
Cost	
At 1 April 2018	170
Additions	25
At 31 March 2019	195
Accumulated depreciation	
At 1 April 2018	(119)
Charge for the financial year	(20)
At 31 March 2019	(139)
Net book amount	
At 31 March 2019	56
At 31 March 2018	51

11 Inventories

	2019 £'000	2018 £'000
Finished goods	8,547	3,390

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

The write-down of inventories' balance to net realisable value as of 31 March 2019 is £123,000 (2018: £203,000).

12 Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	5,612	4,712
Amounts owed by group undertakings	624	283
Other receivables	95	97
Prepayments and accrued income	22	47
	6,353	5,139

The provision for impairment of trade receivables as at March 31 2019 is £18,000 (2018: £62,000).

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

13 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	1,502	504
Amounts owed to group undertakings	12,765	8,372
Taxation and social security	798	844
Accruals and deferred income	756	539
	15,821	10,259

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

14 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Amounts owed to the immediate parent company	2,275	2,275

The loan to the immediate parent is due on 31 March 2024. The interest rate is 12 month LIBOR plus 0.75%. The loan may be repaid earlier at the borrower's option and is unsecured.

15 Called up share capital

	2019 £'000	2018 £'000
Authorised		
4,500,000 (2017: 4,500,000) ordinary shares of £1 each	4,500	4,500
Allotted and fully paid		
4,400,000 (2017: 4,400,000) ordinary shares of £1 each	4,400	4,400

16 Pension costs

The company participates in a funded, defined benefit pension plan called the KPC UK Group Retirement Plan. The plan is closed to new members. The assets and liabilities of the plan are recognised in full in the financial statements of Kuwait Petroleum International Limited (KPI Ltd.), a fellow subsidiary. KPI Ltd. bears the majority of the risks and rewards of the plan and as such, in accordance with IAS19R, it is appropriate to recognise the full defined benefit plan deficit in that entity. Full disclosures regarding the plan are included in the financial statements of KPI Ltd, 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 cost for the company for the financial year was £414,000 (2018: £426,000). Of this £348,000 (2018: £369,000) relates to a recharge from KPI Ltd. in respect of the defined benefit scheme. The cost relating to the UK defined contribution scheme was £66,000 (2018: £57,000).

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2019 (continued)

17 Capital and other commitments

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

	2019 Land and buildings £'000	Other £'000	2018 Land and buildings £'000	Other £'000
Not later than one year	53	19	53	26
Later than one year and not later than five years	66	-	119	6
	119	19	172	32

The company leases land and buildings for its office space.

18 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 the registered address P.O. Box 26565, 13126 Safat, Kuwait. The immediate parent company of the smallest such group is KPC Holdings (Aruba) A.E.C. (the registered address Lloyd G. Smith Blvd. 62, Suite 301, Oranjestad, Aruba) incorporated in Aruba. Copies of the consolidated financial statements of KPC Holdings (Aruba) A.E.C. can be obtained from Dukes Court, Duke Street, Woking, Surrey, GU21 5BH.