

Registered number: 02073564

Kuwait Petroleum International Lubricants (UK) Limited

Annual report and financial statements

for the year ended 31 March 2018



# **Kuwait Petroleum International Lubricants (UK) Limited**

## **Annual report and financial statements**

### **for year ended 31 March 2018**

<b>Contents</b>	<b>Page</b>
Directors and advisors	2
Strategic report for the year ended 31 March 2018	3
Directors' report for the year ended 31 March 2018	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 2018	10
Statement of financial position as at 31 March 2018	11
Statement of changes in equity for the year ended 31 March 2018	12
Notes to the financial statements for the year ended 31 March 2018	13

# **Kuwait Petroleum International Lubricants (UK) Limited**

## **Directors and advisors**

### **DIRECTORS**

D Wright  
N Grieve  
C Macklam

### **COMPANY SECRETARY**

P Coules

### **REGISTERED OFFICE**

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3 Colton Mill  
Bullerthorpe Lane  
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England  
LS15 9JN  
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Web: [www.q8oils.co.uk](http://www.q8oils.co.uk)

### **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 2018**

The directors present their strategic report on Kuwait Petroleum International Lubricants (UK) Limited for the year ended 31 March 2018.

### **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 2018 are set out on pages 10 to 25. The results show a loss for the financial year of £1,303,000 (2017: profit of £464,000).

No dividend was paid during the financial year (2017: £nil).

### **KEY PERFORMANCE INDICATORS**

	2018	2017
Growth/ (decline) in revenue (%)	8%	(9%)
Debtor days	63	69

Sales increased from £24,987,000 in the prior financial year to £27,108,000. The growth in revenue was driven by an increase in selling price. Cost of product has remained high during the financial year, maintaining pressure on unit margins.

Distribution expenses showed an improvement in unit cost, as a result of cost saving efficiencies in the logistics process. Administrative expenses showed a 41% increase due to a pension credit in the prior year. This led to an operating loss of £1,223,000 (2017: operating profit of £544,000).

The financial position of the company showed total equity at £2,418,000 deficit, down from the previous year position of £1,115,000 deficit.

### **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 another group company, Kuwait Petroleum International Treasury Services Limited, which performs the group treasury function.

The company is financed by 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



C Macklam

**Director**

20 December 2018

# **Kuwait Petroleum International Lubricants (UK) Limited**

## **Directors' report for the year ended 31 March 2018**

The directors present their report and the audited financial statements of the company for the year ended 31 March 2018.

### **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.

# **Kuwait Petroleum International Lubricants (UK) Limited**

## **Directors' report for the year ended 31 March 2018**

### **(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 (2017: 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**

Although the UK lubricants market remains extremely competitive, the business achieved the budget set by the parent company. Like-for-like sales volumes grew compared to the previous year. Good progress was made in reducing fixed and variable costs and more efficiency gains are planned in the coming year.

# **Kuwait Petroleum International Lubricants (UK) Limited**

## **Directors' report for the year ended 31 March 2018**

### **(continued)**

#### **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 18 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.

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

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 including comprising FRS 101 "Reduced Disclosure Framework"). 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.

**Kuwait Petroleum International Lubricants (UK) Limited**  
**Directors' report for the year ended 31 March 2018**  
**(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.

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 behalf of the board by



C Macklam  
**Director**  
20 December 2018



# 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 2018 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.

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.

# Kuwait Petroleum International Lubricants (UK) Limited

## Report on the audit of the financial statements (continued)

### 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](http://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.

### Matters on which we are required to report by exception

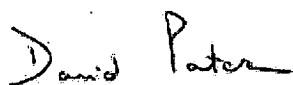
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
20 December 2018

**Kuwait Petroleum International Lubricants (UK) Limited**  
**Statement of comprehensive income**  
**for the year ended 31 March 2018**

	Note	2018 £'000	2017 £'000
Revenue	5	27,108	24,987
Cost of sales		(22,921)	(20,140)
<b>Gross profit</b>		<b>4,187</b>	<b>4,847</b>
Distribution costs		(1,042)	(1,210)
Administrative expenses		(4,368)	(3,102)
Other operating income		-	9
<b>Operating (loss) /profit</b>	6	<b>(1,223)</b>	<b>544</b>
Finance income	7	2	4
Finance costs	7	(82)	(84)
Finance costs - net	7	(80)	(80)
<b>(Loss)/profit before taxation</b>		<b>(1,303)</b>	<b>464</b>
Tax on (Loss)/profit	9	-	-
<b>(Loss)/profit and total comprehensive (Loss)/income for the financial year</b>		<b>(1,303)</b>	<b>464</b>

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 2018**

	Note	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Property, plant and equipment	10	51	70
<b>Current assets</b>			
Inventories	11	3,390	3,218
Trade and other receivables	12	5,139	5,412
Cash and cash equivalents		1,536	2,127
		10,065	10,757
<b>Creditors: amounts falling due within one year</b>	13	(10,259)	(9,667)
<b>Net current (liabilities)/assets</b>		(194)	1,090
<b>Total assets less current liabilities</b>		(143)	1,160
<b>Creditors: amounts falling due after more than one year</b>	14	(2,275)	(2,275)
<b>Net liabilities</b>		(2,418)	(1,115)
<b>Capital and reserves</b>			
Called up share capital	15	4,400	4,400
Accumulated losses		(6,818)	(5,515)
<b>Total equity</b>		(2,418)	(1,115)

The financial statements on pages 10 to 25 were approved by the board of directors on 20 December 2018 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 2018**

	Called up share capital	Accumulated losses	Total equity
	£'000	£'000	£'000
<b>Balance as at 1 April 2016</b>	<b>4,400</b>	<b>(5,979)</b>	<b>(1,579)</b>
Profit for the financial year	-	464	464
Total comprehensive income for the year	-	464	464
<b>Balance at 31 March 2017</b>	<b>4,400</b>	<b>(5,515)</b>	<b>(1,115)</b>
Balance 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)
<b>Balance at 31 March 2018</b>	<b>4,400</b>	<b>(6,818)</b>	<b>(2,418)</b>

# **Kuwait Petroleum International Lubricants (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2018**

### **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 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)

**Kuwait Petroleum International Lubricants (UK) Limited**  
**Notes to the financial statements for the year ended 31**  
**March 2018 (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**

**Changes in accounting policy and disclosures**

There were no new accounting standards, amendments or interpretations effective 1 April 2017 that impacted 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 2018 (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.

#### **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 2018 (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.

#### **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.

#### **Classification**

The Company classifies its financial assets and liabilities in the following categories: at fair value through profit or loss, and loans and receivables.

##### **(a) Financial assets and liabilities at fair value through profit or loss**

Financial assets and liabilities at fair value through profit or loss are financial assets and liabilities held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets and liabilities in this category are classified as current if expected to be settled within 12 months, otherwise they are classified as non-current.

##### **(b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market. 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's loans and receivables comprise receivables and cash in the balance sheet.

**Kuwait Petroleum International Lubricants (UK) Limited**  
**Notes to the financial statements for the year ended 31**  
**March 2018 (continued)**

**3 Principal accounting policies (continued)**

**Financial Instruments (continued)**

**Recognition and measurement**

Financial assets and liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. 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. Financial assets and liabilities at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets and liabilities at fair value through profit or loss' category are presented in the income statement within interest income or expenses in the period in which they arise.

**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.

**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 2018 (continued)**

**5 Revenue**

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

The geographical analysis of revenue by destination is as follows:

	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
United Kingdom	<b>25,586</b>	23,490
Rest of Europe	<b>1,477</b>	1,467
Asia	<b>45</b>	30
	<b>27,108</b>	<b>24,987</b>

The net liabilities and operating (losses)/profit are derived entirely from the sale of lubricating oils.

Analysis of revenue by origin

	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
United Kingdom	<b>27,108</b>	<b>24,987</b>

Analysis of operating (loss)/profit by origin

	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
United Kingdom	<b>(1,223)</b>	544

Analysis of net liabilities by origin

	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
United Kingdom	<b>(2,418)</b>	<b>(1,115)</b>

**Kuwait Petroleum International Lubricants (UK) Limited**  
**Notes to the financial statements for the year ended 31**  
**March 2018 (continued)**

**6 Operating (loss)/profit**

Operating (loss)/profit is stated after charging / (crediting):

	2018 £'000	2017 £'000
Services provided by the company's auditor		
- Fees payable for the audit	28	25
Depreciation on property, plant and equipment (note 10)	19	20
Gain on disposal of property, plant and equipment	-	(9)
Staff costs (note 8)	1,798	497
Impairment of inventory	73	(69)
Impairment of trade receivables	-	(60)
Inventory recognised as an expense	22,921	20,140
Operating lease charges		
- Plant and machinery	138	143
- Other	56	55
Research and development	389	281
Foreign exchange (gain)/loss	(77)	140

**7 Finance income and costs**

	2018 £'000	2017 £'000
<b>Interest receivable and similar income</b>		
Interest receivable on cash balances	2	4
<b>Total finance income</b>	2	4
<b>Interest payable and similar charges</b>		
Interest payable to immediate parent company (see note 14)	(34)	(40)
Interest payable to other group companies	(48)	(44)
<b>Total finance expense</b>	(82)	(84)
<b>Net finance cost</b>	(80)	(80)

**Kuwait Petroleum International Lubricants (UK) Limited**  
**Notes to the financial statements for the year ended 31**  
**March 2018 (continued)**

**8 Employee information**

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

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	<b>1,226</b>	1,206
Social security costs	<b>146</b>	140
Other pension costs (note 16)	<b>426</b>	(849)
<b>Total employee costs</b>	<b>1,798</b>	497

The average monthly number of employees including directors was:

<b>By activity</b>	<b>2018</b>	<b>2017</b>
	<b>Number</b>	<b>Number</b>
Administration and sales	<b>28</b>	30
<b>Total average head count</b>	<b>28</b>	30

**Directors' remuneration:**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments (excluding pension contributions)	<b>100</b>	85

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 2018 amounted to £453,000 (2017: £373,000), 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 1 (2017:1) director were £28,000 (2017: £29,030).

Pension details are shown in note 16.

**Kuwait Petroleum International Lubricants (UK) Limited**  
**Notes to the financial statements for the year ended 31**  
**March 2018 (continued)**

**9 Tax on (loss)/profit**

	2018 £'000	2017 £'000
Current tax	-	-
Deferred tax	-	-
<b>Taxation charge for the year</b>	<b>-</b>	<b>-</b>

The standard rate of corporation tax in the UK for the year ended 31 March 2018 is 19% (2017: 20%). The differences between tax assessed for the year and the tax calculated at the standard rate are explained below:

	2018 £'000	2017 £'000
<b>(Loss)/profit before taxation</b>	<b>(1,303)</b>	<b>464</b>
UK corporation tax rate of 19% (2017: 20%)	<b>(248)</b>	<b>93</b>
Effects of:		
Other adjustments	<b>(23)</b>	<b>(93)</b>
Surrendered for group relief at nil consideration	<b>271</b>	<b>-</b>
<b>Total tax charge for year</b>	<b>-</b>	<b>-</b>

**Deferred tax**

The company has a deferred tax asset of approximately £864,000 (2017: £886,000) 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 is made up as follows:

	2018 £'000	2017 £'000
Tax losses (no expiry date)	<b>745</b>	<b>744</b>
Accelerated capital allowances	<b>108</b>	<b>130</b>
Short term timing differences	<b>11</b>	<b>12</b>
<b>Net deferred tax asset at 17%</b>	<b>864</b>	<b>886</b>

**Kuwait Petroleum International Lubricants (UK) Limited**  
**Notes to the financial statements for the year ended 31**  
**March 2018 (continued)**

**10 Property, plant and equipment**

	<b>£'000</b>
<b>Cost</b>	
At 1 April 2017	170
Additions	-
Disposals	-
<b>At 31 March 2018</b>	<b>170</b>
<b>Accumulated depreciation</b>	
At 1 April 2017	(100)
Charge for the financial year	(19)
Disposals	-
<b>At 31 March 2018</b>	<b>(119)</b>
<b>Net book amount</b>	
<b>At 31 March 2018</b>	<b>51</b>
At 31 March 2017	70

**11 Inventories**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Finished goods	<b>3,390</b>	<b>3,218</b>

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

The write-down of inventories' balance to net realisable value as of 31 March 2018 is £203,000 (2017: £130,000).

**Kuwait Petroleum International Lubricants (UK) Limited**  
**Notes to the financial statements for the year ended 31**  
**March 2018 (continued)**

**12 Trade and other receivables**

	2018 £'000	2017 £'000
Trade receivables	4,712	4,719
Amounts owed by group undertakings	283	473
Other receivables	97	173
Prepayments and accrued income	47	47
	<b>5,139</b>	<b>5,412</b>

The provision for impairment of trade receivables as at March 31, 2018 is £62,000 (2017: £62,000).

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

	2018 £'000	2017 £'000
Trade creditors	504	507
Amounts owed to group undertakings	8,372	8,025
Taxation and social security	844	626
Accruals and deferred income	539	509
	<b>10,259</b>	<b>9,667</b>

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**

	2018 £'00	2017 £'000
Amounts owed to group undertakings	2,275	2,275

The loans from the immediate parent company at 31 March 2018 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%

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

The interest expense on the loan from the parent company for the financial year was £34,000 (2017: £40,000).



**Kuwait Petroleum International Lubricants (UK) Limited**  
**Notes to the financial statements for the year ended 31**  
**March 2018 (continued)**

**15 Called up share capital**

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

**16 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, 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 cost for the company for the financial year was £426,000 (2017: credit of £849,000). Of this £369,000 (2017: credit of £892,000) relates to a recharge from Kuwait Petroleum International Limited in respect of the defined benefit scheme. The cost relating to the UK defined contribution scheme was £57,000 (2017: £43,000).

# Kuwait Petroleum International Lubricants (UK) Limited

## Notes to the financial statements for the year ended 31 March 2018 (continued)

### 17 Capital and other commitments

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

	2018	Others	2017	Others
	Land and Buildings £'000	£'000	Land and Buildings £'000	£'000
Not later than one year	53	26	53	26
Later than one year and not later than five years	119	6	172	32
	172	32	225	58

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 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 Dukes Court, Duke Street, Woking, Surrey, GU21 5BH.