

Company number: 01734259

Kuwait Petroleum International Limited

Directors' report and financial statements

for the year ended 31 March 2014

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Kuwait Petroleum International Limited

Directors' report and financial statements for the year ended 31 March 2014

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Kuwait Petroleum International Limited

Directors and advisers

Directors

A Saunders
B Al-Rashidi (appointed 3 June 2013)
K Al-Musaileh (appointed 13 May 2013)

Company secretary

Peter Coules

Registered office

6th Floor
Dukes Court
Duke Street
Woking
Surrey
GU21 5BH

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Reading Central
23 Forbury Road
Reading
Berkshire
RG1 1JG

Kuwait Petroleum International Limited

Strategic report for the year ended 31 March 2014

The directors present their strategic report of the company for the year ended 31 March 2014.

Review of the business

Principal activities

The principal activity of the company during the financial year was the provision of promotional, administrative and advisory services to subsidiary undertakings of its ultimate parent company, Kuwait Petroleum Corporation. The majority of costs incurred by the company in providing such services are charged to fellow subsidiary undertakings at a mark up. The company's costs are incurred in three locations UK, Kuwait and Netherlands.

Key performance indicators

Due to the ad-hoc nature of costs incurred by the company, the directors manage the group's operations on a divisional basis. For this reason, they believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business.

The company made a profit for the financial year totalling £4,122,000 (2013: profit £4,264,000). The company is the principal employer of the UK Group defined benefit scheme. Full FRS 17 disclosure can be found in note 15.

During the current financial year the company also made additional payments totalling £5,000,000 (2013: £5,000,000) that being £3,850,000 (2013: £3,850,000) to the KPC UK Group defined benefit scheme and £1,150,000 (2013: £1,150,000) in respect of the Executive and Overseas Pension Scheme (see note 15). In contrast to other administrative expenses, the relevant proportion of the payments which are made on behalf of other group companies within the Kuwait Petroleum Corporation organisation have not been charged on at a mark up.

The company currently has negative equity of £27,347,000 (2013: negative equity of £25,825,000) following recognition in the financial year ended 31 March 2011 of the full pension liability of the KPC UK Group Retirement Plan (see note 15). 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.

Future developments

Kuwait Petroleum International Limited occasionally undertakes coordination and control of projects on behalf of the wider KPI group companies. It is likely therefore that there will be some future projects of this type in the next few years. The nature and scope of these projects is unknown at the present time.

Dividend

No dividend was declared during the financial year (2013: £nil).

Principal risks, uncertainties and financial risks

The directors do not believe the company has any significant exposure to price, credit, liquidity or cash flow risk. Its major costs consist of wages and professional fees, all of which are recharged to other group related undertakings. Although it has a significant debtor balance the majority is made up of monies owed by other group related undertakings. Further the intermediate parent company KPC Holdings (Aruba) A.E.C. has provided confirmation of on-going financial support to all subsidiary companies, and therefore the directors feel there is no risk of the balances not being settled. In addition there is an exposure to the valuation of the pension liability £24,617,000 (2013: £22,711,000).

By order of the Board of Directors and signed on behalf of the Board by



A Saunders
Director

30 December 2014

Kuwait Petroleum International Limited

Directors' report for the year ended 31 March 2014

The directors present their report and the audited financial statements of the company for the year ended 31 March 2014.

The principal activity, review of business, principal risks, financial risks, future developments and dividends, required to be included in the Directors' Report are addressed in the strategic report which is incorporated by reference.

Directors

The directors of the company who were in office during the financial year and up to the date of signing the financial statements were as follows:

H Esmail (resigned 11 June 2013)
A Saunders
B Al-Rashidi (appointed 3 June 2013)
K Al-Musaileh (appointed 13 May 2013)
Y Al-Yateem (resigned 28 August 2013)
A I Behbehani (resigned 15 May 2013)

Directors' indemnity statement

At the time the report is approved and at any time during the financial year there were no qualifying third party indemnity provisions and/or qualifying pensions scheme indemnity provisions (whether made by the company or otherwise) in place for the benefit of one or more of the directors or one or more directors of an associated company.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Kuwait Petroleum International Limited

Directors' report for the year ended 31 March 2014 (continued)

Statement on disclosure of information to auditors

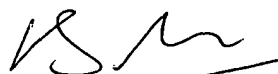
In accordance with section 418, of the Companies Act 2006, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

- (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.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment was proposed and accepted at the annual general meeting.

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



A Saunders

Director

30 December 2014

Kuwait Petroleum International Limited

Independent auditors' report to the members of Kuwait Petroleum International Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Kuwait Petroleum International Limited, comprise:

- the balance sheet as at 31 March 2014;
- the profit and loss account and statement of total recognised gains and losses for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

What an audit of financial statements involves

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

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

In addition, we read all the financial and non-financial information in the Directors' Report and financial statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Kuwait Petroleum International Limited

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

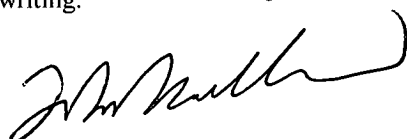
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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



John Maitland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
30 December 2014

Kuwait Petroleum International Limited

Profit and loss account for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Turnover	2	73,880	57,464
Administrative expenses		(73,930)	(54,340)
Other operating income	3	4,073	1,630
Operating profit	3	4,023	4,754
Interest receivable and similar income	4	11	18
Interest payable and similar charges	5	(58)	(62)
Other finance income/(cost)	15	146	(446)
Profit on ordinary activities before taxation		4,122	4,264
Tax on profit on ordinary activities	7	-	-
Profit for the financial year	12, 13	4,122	4,264

All operations of the company were continuing throughout both financial years. No operations were acquired or discontinued.

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

Statement of total recognised gains and losses for the year ended 31 March 2014

		2014 £'000	2013 £'000
Profit for the financial year		4,122	4,264
Actuarial loss on pension scheme	15	(5,644)	(6,684)
Total recognised losses relating to the year	13	(1,522)	(2,420)

Kuwait Petroleum International Limited

Balance sheet as at 31 March 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	8	<u>204</u>	<u>346</u>
Current assets			
Debtors	9	35,954	27,860
Cash at bank and in hand		<u>2,080</u>	<u>3,228</u>
		38,034	31,088
Creditors: amounts falling due within one year	10	<u>(40,968)</u>	<u>(34,548)</u>
Net current liabilities		<u>(2,934)</u>	<u>(3,460)</u>
Total assets less current liabilities		<u>(2,730)</u>	<u>(3,114)</u>
Pension deficit	15	<u>(24,617)</u>	<u>(22,711)</u>
Net liabilities including pension deficit		<u>(27,347)</u>	<u>(25,825)</u>
Capital and reserves			
Called up share capital	11	5,500	5,500
Profit and loss account	12	<u>(32,847)</u>	<u>(31,325)</u>
Total shareholders' deficit	13	<u>(27,347)</u>	<u>(25,825)</u>

The financial statements on pages 7 to 22 were approved by the Board of Directors on 30 December 2014 and signed on its behalf by:



A Saunders
Director
Company number: 01734259

Kuwait Petroleum International Limited

Notes to the financial statements for the year ended 31 March 2014

1. Accounting policies

A summary of the company's principal accounting policies which have all been applied consistently throughout the current and preceding year, is set out below.

Basis of preparation

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards.

The intermediate holding corporation KPC Holdings (Aruba) A.E.C. has provided a confirmation of financial support to the company to enable it to meet its liabilities as they fall due for at least 18 months from the date of approval of these financial statements. Accordingly the financial statements have been prepared on the going concern basis.

Turnover

Turnover represents amounts invoiced (exclusive of value added tax) in respect of promotional, administrative and advisory services provided to fellow subsidiary undertakings and other group and related group undertakings. Revenue is recognised upon delivery of service.

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost, net of accumulated depreciation and any provision for impairment. 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. Depreciation is provided on a straight line basis on all tangible assets at rates designed to write off costs, less residual values, over their estimated useful lives, as follows:

Furniture and office equipment	3 to 10 years
Data processing equipment	3 to 4 years
Building fixtures and fittings	3 to 10 years
Assets under construction	Not depreciated.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the financial year end.

Transactions denominated in foreign currencies are translated into sterling at the average exchange rate for the month in which the transaction occurred. The Kuwait branch costs are translated into sterling on a monthly basis using the average exchange rate for the month.

All exchange differences are taken to the profit and loss account.

Pension costs

The company participates in a group defined benefit scheme. Under FRS 17 the assets and liabilities of the scheme have been recognised in full in the financial statements from 2 June 2010. The retirement benefit obligation recognised on the balance sheet represent the difference between the fair value of the scheme assets and the present value of the scheme defined benefit obligations measured at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the defined benefit obligations using interest rates of high quality corporate bonds denominated in the currency in which the benefits will be paid and with terms to maturity comparable with the terms of the related defined benefit obligations. Current and past service costs, to the extent they have vested, are recognised in operating costs in the profit and loss account together with interest costs on plan liabilities and the expected return on plan assets. Cumulative actuarial gains and losses are recognised in the year in which they arise in the statement of total recognised gains and losses.

Kuwait Petroleum International Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

1. Accounting policies (continued)

Pension costs (continued)

The company also makes contributions to a defined benefit scheme for which the ultimate responsibility for funding this scheme resides with a company exterior to the group headed by Kuwait Petroleum (U.K.) Holdings Limited – the company accounts for its contributions in respect of this scheme on a defined contribution basis.

For defined contribution schemes in the UK and Kuwait, payments are recognised in the profit and loss account when they fall due.

Other operating income

The company is the principal employer of the UK defined benefit pension scheme and recognises the full scheme deficit in its balance sheet in accordance with FRS 17. Although the company pays the full employer contributions to the scheme (as shown in note 15), certain of the contributions are paid on behalf of other group companies who are participating employers. Following the adoption of full defined benefit accounting, these recharges are shown as other operating income companies (with the other group companies recognising the recharge within their own operating costs).

Taxation

Corporation tax payable is provided on taxable profits at tax rates which have been enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted.

Leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term, even if the payments are not made on the same basis.

Cash flow statement

In accordance with the exemption allowed by paragraph 5(a) of Financial Reporting Standard (FRS) 1 'Cash flow statements' (revised 1996) a cash flow statement for the company has not been provided, on the grounds that it is a wholly owned subsidiary company of a group headed by KPC Holdings (Aruba) A.E.C. and is included in the consolidated financial statements of that company, which are publicly available.

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet at amortised cost, 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 loans to/from other group companies.

Kuwait Petroleum International Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

1. Accounting policies (continued)

Related party transactions

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Kuwait Petroleum Corporation, whose financial statements are publicly available (see note 16).

2. Turnover

Turnover is considered by the directors to be from one class of business, all of which originated in the United Kingdom and is analysed by destination as follows:

	2014 £'000	2013 £'000
United Kingdom	2,896	1,853
Europe	12,789	11,320
Aruba/Netherlands Antilles	58,195	44,291
	<u>73,880</u>	<u>57,464</u>

3. Operating profit

Operating profit is stated after charging/(crediting) :

	2014 £'000	2013 £'000
Depreciation of tangible fixed assets		
- owned assets (note 8)	257	539
Loss on disposal of fixed asset	-	2
Foreign exchange loss	299	(547)
Fees payable to the company's auditor for the audit of the company financial statements	38	47
Operating lease charges		
- plant and machinery	-	-
- other	2,078	2,256
Other operating income	<u>(4,073)</u>	<u>(1,630)</u>

Other operating income

The company is the principal employer of the UK defined benefit pension scheme and recognises the full scheme deficit in its balance sheet in accordance with FRS 17. Although the company pays the full employer contributions to the scheme (as shown in note 15), certain of the contributions are paid on behalf of other group companies who are participating employers. Following the adoption of full defined benefit accounting, these recharges are shown as other operating income (with the other group companies recognising the recharge within their own operating costs).

During the financial year two formerly fellow group companies were sold out of the group and subsequently Joint Ventures were set up, KP Denmark and OKQ8, with these and the Vietnam and China projects resulted in additional operating income, £446,000, £729,000 and £1,146,000 respectively.

Kuwait Petroleum International Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

4. Interest receivable and similar income

	2014 £'000	2013 £'000
Interest receivable from group undertakings	8	11
Bank interest receivable	3	7
	<u>11</u>	<u>18</u>

5. Interest payable and similar charges

	2014 £'000	2013 £'000
Interest payable to group undertakings	58	62
	<u>58</u>	<u>62</u>

6. Employee information

Staff costs:

	2014 £'000	2013 £'000
Employees, including executive directors:		
Wages and salaries	40,763	19,499
Social security costs	4,312	5,392
Other Pension costs (note 15)	3,085	3,599
	<u>48,160</u>	<u>28,490</u>

Staff costs, including those in respect of executive directors, include a recharge of costs of £9,779,000 (2013: £7,829,000) for 66 personnel (2013: 18) employed by other group undertakings in respect of services provided to the company. The substantial increase in personnel is due to the SOJT (Structured on the job training) project which resulted in 48 additional staff commencing assignments across the group in March 14.

The average monthly number of employees during the financial year was 181 (2013: 140) including those personnel employed by related group undertakings, for whom the company bears a recharge. All staff are employed in administrative, advisory and management positions.

Kuwait Petroleum International Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

6. Employee information

Directors' remuneration:

	2014 £'000	2013 £'000
Aggregate emoluments (excluding employer's pension contributions)	1,337	1,874
	<u>1,337</u>	<u>1,874</u>

The directors' remuneration shown above, excluding pension contributions, included the emoluments of the highest paid director, of £402,000 (2013: £520,000). The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 March 2014 was £nil (2013: £nil) as he is a member of another group scheme.

No directors were members of either the money purchase or the defined benefit pension scheme in either financial year.

7. Tax on profit on ordinary activities

	2014 £'000	2013 £'000
Current tax		
UK corporation tax:		
Corporation tax current year	-	-
	<u>-</u>	<u>-</u>
Taxation	<u>-</u>	<u>-</u>

Kuwait Petroleum International Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

7. Tax on profit on ordinary activities (continued)

The tax assessed for the financial year is lower (2013: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2014 of 23% (2013: 24%) The differences are explained below:

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	4,122	4,264
Corporation tax at 23% (2013: 24%)	948	1,023
Effects of:		
Non-deductible expenditure	55	46
(Capital allowances)/depreciation in excess of depreciation/capital allowances	(30)	41
Tax losses created	1,134	(375)
Other timing differences	(1,247)	38
FRS 17 related income on defined benefit pension scheme	273	420
Pension contributions relief in excess of other pension costs charged	(1,133)	(1,193)
Total current tax charge	-	-

The company has a deferred tax asset at 31 March 2014 of £2,157,000 (2013: £2,595,000) 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 unrecognized deferred tax asset (2013: asset) is made up as follows:

	2014 £'000	2013 £'000
Tax losses	986	-
Accelerated capital allowances	213	275
Other timing differences	958	2,320
Net deferred tax (asset) at 20% current year and 23% prior year	2,157	2,595

During the year, Finance Act 2013 was enacted and included legislation to reduce the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% from 1 April 2015. As this change was substantively enacted at the balance sheet date and no deferred tax asset is expected to unwind prior to 1 April 2015, the unrecognized deferred tax asset at 31 March 2014 has been calculated at 20%.

Kuwait Petroleum International Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

8. Tangible fixed assets

	Furniture and office equipment £'000	Data processing equipment £'000	Building fixtures and fittings £'000	Total £'000
Cost				
At 1 April 2013	1,143	1,150	60	2,353
Exchange adjustments	(81)	(69)	(5)	(155)
Additions	2	130	-	132
Disposals	(60)	(214)	(30)	(304)
At 31 March 2014	1,004	997	25	2,026
Accumulated depreciation				
At 1 April 2013	950	997	60	2,007
Exchange adjustments	(71)	(62)	(5)	(138)
Charge for the year	132	125	-	257
Disposals	(60)	(214)	(30)	(304)
At 31 March 2014	951	846	25	1,822
Net book value				
At 31 March 2014	53	151	-	204
At 31 March 2013	193	153	-	346

9. Debtors

	2014 £'000	2013 £'000
Amounts owed by immediate group undertakings - KPI companies	34,559	26,606
Amounts owed by other group undertakings – KPC Holdings (Aruba) companies	724	127
Other debtors	349	388
Value added tax	-	418
Prepayments and accrued income	322	321
	35,954	27,860

Amounts due from group undertakings are unsecured and have no fixed repayment date.

Kuwait Petroleum International Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

10. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	60	127
Amounts owed to immediate group undertakings	11,505	16,933
Amounts owed to other group undertakings	62	1,158
Other creditors	166	762
Value Added Tax	96	-
Accruals and deferred income	29,079	15,568
	<u>40,968</u>	<u>34,548</u>

Amounts owed to group undertakings are unsecured and have no fixed repayment date £9,022,418 of the above balance bears interest at floating daily rates linked to LIBOR, with the remainder being interest free.

11. Called up share capital

	2014 £	2013 £
Authorised 10,000,000 (2013: 10,000,000) ordinary shares of £1 each	<u>10,000,000</u>	<u>10,000,000</u>
Allotted and fully paid 5,500,100 (2013: 5,500,100) ordinary shares of £1 each	<u>5,500,100</u>	<u>5,500,100</u>

12. Profit and loss account

	£'000
At 1 April 2013	(31,325)
Profit for the financial year	4,122
Actuarial loss on pension scheme (note 15)	(5,644)
At 31 March 2014	<u><u>(32,847)</u></u>

Kuwait Petroleum International Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

13. Reconciliation of movements in total shareholders' deficit

	2014 £'000	2013 £'000
Profit for the financial year	4,122	4,264
Actuarial loss on pension scheme (note 15)	(5,644)	(6,684)
Net reduction to shareholders' funds	<u>(1,522)</u>	<u>(2,420)</u>
Opening shareholders' deficit	<u>(25,825)</u>	<u>(23,405)</u>
Closing shareholders' deficit	<u><u>(27,347)</u></u>	<u><u>(25,825)</u></u>

14. Financial commitments

At 31 March 2014, the company had annual commitments under non-cancellable operating leases, which principally relate to office leases and company cars as set out below:

	2014		2013	
	Buildings £'000	Others £'000	Buildings £'000	Others £'000
Leases expiring				
- within one year	-	-	-	-
- within two to five years	1,245	612	1,742	507
	<u>1,245</u>	<u>612</u>	<u>1,742</u>	<u>507</u>
	<u><u>1,245</u></u>	<u><u>612</u></u>	<u><u>1,742</u></u>	<u><u>507</u></u>

15. Pension costs

Kuwait Petroleum International Limited participates in a funded, defined benefit pension plan called the KPC UK Group Retirement Plan. The assets and liabilities of the scheme are recognised in full in the financial statements in accordance with FRS 17.

In addition the company makes contributions to the Executive and Overseas Pension Schemes via a recharge from the group company which operates this scheme.

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

Directors and employees seconded to the company from other group companies are not included in the above schemes.

The total pension cost included within operating profit for the company for the financial year is £3,085,000 (2013: £3,599,000). In respect of the current service cost/defined contribution cost, £1,335,000 (2013: £1,305,000) relates to the KPC UK Group defined benefit scheme, £nil (2013: £nil) relates to the UK and Kuwaiti defined contribution schemes and the remaining £1,750,000 (2013: £2,294,000) is a recharge from a related group undertaking representing contributions made to the Executive and Overseas Pension Scheme.

Kuwait Petroleum International Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

15. Pension costs (continued)

In addition to the regular contributions to the schemes, as part of the recovery plan agreed with the Trustees of the KPC UK Group defined benefit scheme the company paid an additional cash contribution £3,850,000 in 2014 (2013: £3,850,000); and in respect of the Executive and Overseas Pension Scheme the company paid additional cash contribution of £1,150,000 (2013: £1,150,000); both of which were made in order to improve the funding position of the schemes. Certain of these contributions are recharged to other group companies.

1) KPC UK Group defined benefit scheme

The March 2013 actuarial valuation has been updated to 31 March 2014 by a qualified, independent actuary, using the Projected Unit Method.

The principal assumptions used to calculate the FRS 17 liabilities were are follows:

	2014	2013
	%	%
Rate of increase in salaries	4.9	4.9
Rate of increase to pension in payment		
Pre 97 Excess Pension	2.0	3.3
Post 97 Pension	3.3	3.3
Discount rate	4.3	4.5
RPI inflation	3.4	3.4
CPI inflation	2.6	N/A

The mortality assumptions used were as follows:

	2014	2013
	years	years
Longevity at age 65 for current pensioners		
- Men	23.3	21.7
- Women	25.8	24.5

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Notes to the financial statements for the year ended 31 March 2014 (continued)

15. Pension costs (continued)

1) KPC UK Group defined benefit scheme (continued)

The bid value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

	Long term rate of return expected at 31 March 2014	(Recognised) Value at 31 March 2014	Long term rate of return expected at 31 March 2013	(Unrecognised) Value at 31 March 2013
	%pa	£'000	%pa	£'000
Equities	N/A	-	N/A	-
Diversified growth funds	7.4	64,465	7.4	59,896
Property	N/A	-	N/A	-
Bonds and gilts	3.8	32,722	3.8	33,091
Secured pensions in payment	4.3	351	4.5	404
Bank account and cash funds	0.5	4,071	0.5	3,917
Total bid value of assets		101,609		97,308
Present value of scheme Liabilities		(126,226)		(120,019)
Deficit in the scheme		(24,617)		(22,711)

The company has not recognised a deferred tax asset in respect of the net pension deficit because of insufficient evidence of suitable future taxable profit against which the asset will crystallise in the foreseeable future (see note 7).

Reconciliation of present value of scheme liabilities

	2014 £'000	2013 £'000
1 April	(120,019)	(105,444)
Current service cost	(1,335)	(1,305)
Interest cost	(5,459)	(5,194)
Employee contributions	(303)	(329)
Actuarial gains	2,716	4,135
Change in assumptions	(4,754)	(14,442)
Benefits paid	2,928	2,560
31 March	(126,226)	(120,019)

Kuwait Petroleum International Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

15. Pension costs (continued)

1) KPC UK Group defined benefit scheme (continued)

Sensitivity analysis of scheme liabilities.

The sensitivity of the present value of scheme liabilities to changes in the principal assumptions used is set out below.

	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 1%	Increase/decrease by 20.9%
Rate of increase in salaries	Increase/decrease by 1%	Increase/decrease by 3.8%
Rate of increase in pensions in payment	Increase/decrease by 1%	Increase/decrease by 12.5%
Mortality	Increase by 1 year	Increase/decrease by 2.8%

Reconciliation of bid value of assets

	2014	2013
	£'000	£'000
1 April	97,308	86,150
Expected return on plan assets	5,605	4,748
Actuarial (loss)/gain on plan assets	(3,606)	3,623
Employer contributions	4,927	5,018
Employee contributions	303	329
Benefits paid	(2,928)	(2,560)
31 March	101,609	97,308

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £1,999,000.

Analysis of the amount charged to operating loss:

	2014	2013
	£'000	£'000
Current service costs	1,335	1,305

Kuwait Petroleum International Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

15. Pension costs (continued)

1) KPC UK Group defined benefit scheme

Analysis of the amount charged to other finance costs:

	2014	2013
	£'000	£'000
Expected return on pension scheme assets	(5,605)	(4,748)
Interest on pension scheme liabilities	5,459	5,194
Net income/(costs)	(146)	446

	2014	2013
	£'000	£'000
<i>History of amounts:</i>		
Defined benefit obligation	(126,226)	(120,019)
Plan assets	101,609	97,308
Deficit	(24,617)	(22,711)
Experience adjustments on plan assets	(3,606)	3,623
Experience adjustments on plan liabilities	2,716	4,135
Total amount recognised in the statement of total recognised gains and losses	(5,644)	(6,684)

History of experience gains and losses

	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
<i>Difference between the expected and actual return on scheme assets:</i>					
Amount, £'000	(3,606)	3,623	(264)	(142)	11,176
Percentage of scheme assets	(3.5%)	3.7%	(0.3%)	(0.2%)	17.0%
<i>Experience gains and losses on scheme liabilities:</i>					
Amount, £'000	2,716	4,135	(1,276)	(1,106)	(2,983)
Percentage of the present value of scheme liabilities	2.2%	3.4%	(1.2%)	(1.2%)	(3.4%)
<i>Total actuarial gain in the statement of total recognised gains and losses:</i>					
Amount, £'000	(5,644)	(6,684)	(11,815)	1,376	(12,321)
Percentage of the present value of scheme liabilities	4.5%	(5.6%)	(11.2%)	1.5%	(14.2%)

Kuwait Petroleum International Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

15. Pension costs (continued)

1) KPC UK Group defined benefit scheme (continued)

Current company contributions are made at the rate of 28.4% of pensionable salary, which will remain unchanged. The members continued to contribute 8.0% of pensionable salary for the financial year to 31 March 2014, which will remain unchanged.

Where a deficit exists, the method of removing that deficit is determined by agreement of the participating employers. The UK group has agreed a recovery plan for the pension scheme deficit with the Scheme Trustees - £3,850,000 per annum is payable over a period of 10 years with the first payment paid in June 2010 and subsequent payments due in 31 March 2011 and each 31 March thereafter. The total additional contributions paid by the UK group for year ended 31 March 2014 were therefore £3,850,000, in addition to the regular contributions of £1,077,000 (2012: £1,168,000). Kuwait Petroleum International Limited will incur and settle 100% of the total additional contributions as the principal employer, and approximately 18.9% of this is then recharged to other group companies.

2) Executive and Overseas Pension Scheme

Although the Executive and Overseas pension scheme is a defined benefit scheme, the ultimate responsibility for funding this scheme resides with a company exterior to the group headed by Kuwait Petroleum (U.K. Holdings) Limited. The staff to which payments to this pension scheme relate are on secondment to the UK group, and once this secondment ends the UK group has no contractual responsibility to fund any future deficit in this scheme. The pension costs payable are therefore treated as if the scheme were a defined contribution scheme. The total pension cost for the company for the year was £1,194,000 (2013: £1,735,000).

A similar recovery plan has been agreed for this pension scheme - £1,150,000 per annum is payable over a period of 10 years with the first payment paid in June 2010 and subsequent payments due in 31 March 2011 and each 31 March thereafter. This scheme was closed and all active members became deferred on 31 March 2012. Therefore there are no additional contributions paid by the UK group for year ended 31 March 2014 (2013: £nil).

In addition to the above scheme, there is a further scheme where a contribution to meet fund level was paid in 2013. The contribution amount is £475,000. It has been agreed the scheme will be fully funded by February 2015.

3) Defined contribution scheme

The cost of contributions to the defined contribution scheme amounts to £545,000 (2013: £555,000).

16. Ultimate parent undertaking and controlling party

The immediate parent of the company is Kuwait Petroleum (U.K. Holdings) Ltd, incorporated in England.

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. The immediate parent company of the smallest such group is KPC Holdings (Aruba) A.E.C., incorporated in Aruba. Copies of the consolidated financial statements of KPC Holdings (Aruba) A.E.C. can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.