Company number: 01734259

Kuwait Petroleum International Limited

Directors' report and financial statements

for the year ended 31 March 2012

Kuwait Petroleum International Limited

Directors' report and financial statements for the year ended 31 March 2012

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Kuwait Petroleum International Limited

Directors and advisers

Directors

H Esmaiel
Y Al-Yateem
A I Behbehani
A Saunders

Company secretary

W T James

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Woking
Surrey
GU21 5BH

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Thames Valley Office
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Kuwait Petroleum International Limited

Directors' report for the year ended 31 March 2012

The directors present their report and the audited financial statements of the company for the year ended 31 March 2012

Principal activities, review of the business and dividend

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.

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 £2,406,000 (2011 : loss £20,441,000) The company is the principal employer of the UK Group defined benefit scheme Full FRS17 disclosure can be found in note 15.

During the current financial year the company also made additional payments totalling £5,000,000 (2011 · £10,000,000) to two pension schemes 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

There has been continued focus on developing the business in Asia Specific projects in the Far Eastern markets are still underway These have impacted on the cost base of the company in this financial year, but are ultimately of significant importance to the growth and development of our business

A new project to relocate specific functions of the head office into Europe from Kuwait resulted in additional set up costs of £4,034,000 for staff, office costs and professional fees, incurred in the year

The company currently has negative equity of £23,405,000 (2011· negative equity of £13,996,000) following recognition in the prior year 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.

No dividend was declared during the financial year (2011 £nil)

Principal risks and uncertainties

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

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 Esmaiel
Y Al-Yateem
A I Behbehani
A Saunders

Kuwait Petroleum International Limited

Directors' report for the year ended 31 March 2012 (continued)

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

Post balance sheet events

In addition to the changes in rates of Corporation tax disclosed within the note on taxation (note 7) a number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement Legislation to reduce the main rate of corporation tax from 26% to 24% from 1 April 2012 was substantively enacted in March 2012. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

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.

Statement of directors' responsibilities

The directors are responsible for preparing the 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 judgments 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.

Kuwait Petroleum International Limited

Directors' report for the year ended 31 March 2012 (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
19th December 2012

Kuwait Petroleum International Limited

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

We have audited the financial statements of Kuwait Petroleum International Limited for the year ended 31 March 2012 which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Balance sheet, and the related notes 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)

Respective responsibilities of directors and auditors

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 International Standards on Auditing (UK and 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

Scope of the audit of the financial statements

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 to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in 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)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

John Maitland (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
21 th December 2012

Kuwait Petroleum International Limited

Profit and loss account
for the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Turnover	2	51,094	38,083
Administrative expenses before exceptional items		(47,077)	(39,442)
Exceptional administrative expenses	3, 15	(4,034)	(20,695)
Total administrative expenses		(51,111)	(60,137)
Other operating income	3	2,578	2,344
Operating profit/(loss)	3	2,561	(19,710)
Interest receivable and similar income	4	24	34
Interest payable and similar charges	5	(110)	(108)
Other finance cost	15	(69)	(604)
Profit/(loss) on ordinary activities before taxation		2,406	(20,388)
Tax on profit/(loss) on ordinary activities	7	-	(53)
Profit/(loss) for the financial year	12	2,406	(20,441)

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/(loss) on ordinary activities before taxation and the profit/(loss) for the financial years stated above and their historical cost equivalents.

Statement of total recognised gains and losses
for the year ended 31 March 2012

		2012 £'000	2011 £'000
Profit/(loss) for the financial year		2,406	(20,441)
Actuarial (loss)/gains on pension scheme	15	(11,815)	1,376
Total recognised losses relating to the year		(9,409)	(19,065)

Kuwait Petroleum International Limited

Balance sheet
as at 31 March 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	8	849	929
Current assets			
Debtors	9	35,434	15,629
Cash at bank and in hand		2,696	3,304
		38,130	18,933
Creditors: amounts falling due within one year	10	(43,090)	(21,649)
Net current liabilities		(4,960)	(2,716)
Total assets less current liabilities		(4,111)	(1,787)
Pension deficit	15	(19,294)	(12,209)
Net liabilities including pension deficit		(23,405)	(13,996)
Capital and reserves			
Called up share capital	11	5,500	5,500
Profit and loss account	12	(28,905)	(19,496)
Total shareholders' deficit	13	(23,405)	(13,996)

The financial statements on pages 7 to 22 were approved by the Board of Directors on 19th December 2012 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 2012

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 period in which they arise in the statement of total recognised gains and losses.

Notes to the financial statements for the year ended 31 March 2012 (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 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

Notes to the financial statements for the year ended 31 March 2012 (continued)

1. Accounting policies (continued)

Related party transactions

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, '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:

	2012 £'000	2011 £'000
United Kingdom	1,647	1,287
Europe	9,202	8,149
Aruba/Netherlands Antilles	40,245	28,647
	51,094	38,083

3. Operating profit/(loss)

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

	2012 £'000	2011 £'000
Depreciation of tangible fixed assets		
- owned assets (note 8)	538	535
Profit on disposal of fixed asset	-	(9)
Exceptional item: 2012 reallocation of service costs from Kuwait to Europe. (2011 defined benefit past service cost (see note 15))	4,034	20,695
Foreign exchange loss	1,007	358
- Fees payable to the company's auditor for the audit of the company financial statements	64	43
Operating lease charges		
- plant and machinery	2	4
- other	2,253	2,201
Other operating income	(2,578)	(2,344)

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)

Notes to the financial statements for the year ended 31 March 2012 (continued)

4. Interest receivable and similar income

	2012 £'000	2011 £'000
Interest receivable from group undertakings	15	23
Bank interest receivable	9	11
	24	34

5. Interest payable and similar charges

	2012 £'000	2011 £'000
Interest payable to group undertakings	110	107
Interest paid other	-	1
	110	108

6. Employee information

Staff costs

	2012 £'000	2011 £'000
Employees, including executive directors:		
Wages and salaries	20,609	14,473
Social security costs	4,682	3,615
Pension costs (note 15)	3,003	24,843
	28,294	42,931

Staff costs, including those in respect of executive directors, include a recharge of costs of £6,230,000 (2011 £6,775,000) for 18 personnel (2011· 18) employed by other group undertakings in respect of services provided to the company

The average monthly number of employees during the financial year was 147 (2011. 120) 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 2012 (continued)

6. Employee information (continued)

Directors' remuneration:

	2012 £'000	2011 £'000
Aggregate emoluments (excluding employer's pension contributions)	2,057	1,633
	2,057	1,633

The directors' remuneration shown above, excluding pension contributions, included the emoluments of the highest paid director, of £771,000 (2011: £554,000) The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 March 2012 was £nil (2011 £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/(loss) on ordinary activities

The tax assessed for the financial year is lower (2011 higher) than the standard rate of corporation tax in the UK for the year ended 31 March 2012 of 26% (2011 28%) The differences are explained below:

	2012 £'000	2011 £'000
Current tax		
UK corporation tax:		
Adjustments in respect of previous years	-	-
		-
Foreign tax		
Current tax on profit/(loss) for the financial year	-	53
Tax on profit/(loss) on ordinary activities	-	53

Kuwait Petroleum International Limited

Notes to the financial statements for the year ended 31 March 2012 (continued)

7. Tax on profit/(loss) on ordinary activities (continued)

Factors affecting current tax charge	**2012 £'000**	**2011 £'000**
Profit/(loss) on ordinary activities before taxation	**2,406**	(20,388)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate in the UK of 26% (2011: 28%)	**626**	(5,709)
Effects of:		
Non-deductible expenditure	**88**	-
Permanent differences	**-**	53
Capital allowances in excess of depreciation	**(30)**	(30)
Other timing differences	**134**	361
Adjustments in respect of previous years	**-**	-
Group relief losses surrendered/(claimed) for nil consideration	**412**	-
FRS 17 related costs on defined benefit pension scheme	**(229)**	5,627
Pension contributions relief in excess of other pension cost charges	**-**	(287)
Other tax adjustments (2012 largely pension contributions claimable but not expensed)	**(1,001)**	38
Total current tax charge	**-**	53

The company has a potential deferred tax asset at 31 March 2012 of £3,040,000 (2011 £3,165,000) which has not been recognized as there is insufficient evidence of suitable future taxable profits

The main rate of corporation tax reduced from 26% to 24% with effect from 1 April 2012. This change was substantively enacted on 26 March 2012, hence the unrecognised deferred tax asset at 31 March 2012 has been calculated at 24%

Further reductions of 1% per annum have been announced for the next three years, reducing to 22% with effect from 1 April 2014

Notes to the financial statements for the year ended 31 March 2012 (continued)

8. Tangible fixed assets

	Furniture and office equipment £'000	Data processing equipment £'000	Building fixtures and fittings £'000	Assets under construction £'000	Total £'000
Cost					
At 1 April 2011	1,357	1,999	277	-	3,633
Exchange adjustments	2	3	-	-	5
Additions	201	256	-	-	457
Disposals	(468)	(348)	(219)	-	(1,035)
At 31 March 2012	**1,092**	**1,910**	**58**	-	**3,060**
Accumulated depreciation					
At 1 April 2011	893	1,534	277	-	2,704
Exchange adjustments	1	3	-	-	4
Charge for the year	237	301	-	-	538
Disposals	(468)	(348)	(219)	-	(1,035)
At 31 March 2012	**663**	**1,490**	**58**	-	**2,211**
Net book value					
At 31 March 2012	**429**	**420**	-	-	**849**
At 31 March 2011	464	465	-	-	929

9. Debtors

	2012 £'000	2011 £'000
Amounts owed by immediate group undertakings	34,250	14,462
Amounts owed by other group undertakings	118	512
Corporation tax	-	23
Other debtors	544	446
Value added tax	9	-
Prepayments and accrued income	513	186
	35,434	15,629

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

Notes to the financial statements for the year ended 31 March 2012 (continued)

10. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	431	210
Amounts owed to immediate group undertakings	29,007	10,051
Amounts owed to other group undertakings	35	223
Other creditors	28	83
Value added tax	-	79
Other taxation and social security	-	124
Accruals and deferred income	13,589	10,879
	43,090	21,649

Amounts owed to group undertakings are unsecured and have no fixed repayment date £17,100,000 of the above balance bears interest at floating daily rates linked to LIBOR, with the remainder being interest free.

11. Called up share capital

	2012 £	2011 £
Authorised		
10,000,000 (2011: 10,000,000) ordinary shares of £1 each	10,000,000	10,000,000
Called up, allotted and fully paid		
5,500,100 (2011. 5,500,100) ordinary shares of £1 each	5,500,100	5,500,100

12. Profit and loss account

	£'000
At 1 April 2011	(19,496)
Profit for the financial year	2,406
Actuarial loss on pension scheme (note 15)	(11,815)
At 31 March 2012	(28,905)

13. Reconciliation of movements in total shareholders' (deficit)/funds

	2012 £'000	2011 £'000
Profit/(loss) for the financial year	2,406	(20,441)
Actuarial (loss)/gain on pension scheme (note 15)	(11,815)	1,376
Net reduction to shareholders' funds	(9,409)	(19,065)
Opening shareholders' (deficit)/funds	(13,996)	5,069
Closing shareholders' deficit	(23,405)	(13,996)

14. Financial commitments

At 31 March 2012, the company had annual commitments under non-cancellable operating leases, which principally relate to office leases and company cars as set out below.

	2012		2011	
	Buildings £'000	Others £'000	Buildings £'000	Others £'000
Leases expiring				
- within one year	-	-	-	-
- within two to five years	1,711	602	1,696	515
	1,711	602	1,696	515

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 Scheme 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

Kuwait Petroleum International Limited

Notes to the financial statements for the year ended 31 March 2012 (continued)

15. Pension costs (continued)

The total pension cost included within operating loss for the company for the financial year is £3,003,000 (2011· £24,843,000). This consists of a past service cost of £ nil (2011. £20,695,000) and a current service cost/defined contribution cost of £3,003,000 (2011· £4,148,000). In respect of the current service cost/defined contribution cost, £1,100,000 (2011: £1,169,000) relates to the KPC UK Group defined benefit scheme, £449,000 (2011. £466,000) relates to the UK and Kuwaiti defined contribution schemes and the remaining £1,454,000 (2011 £2,513,000) is a recharge from a related group undertaking representing contributions made to the Executive and Overseas Pension Scheme

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 2012 (2011 £7,700,000), and in respect of the Executive and Overseas Pension Scheme the company paid additional cash contribution of £1,150,000 (2011 £2,300,000), 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 2009 actuarial valuation has been updated to 31 March 2012 by a qualified, independent actuary, using the Projected Unit Method.

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

	2012 %	2011 %
Rate of increase in salaries	4.7	5 0
Rate of increase to pension in payment	3.1	3 4
Discount rate	4.9	5 7
Rate of inflation	3.2	3.5

The mortality assumptions used were as follows.

	2012 years	2011 years
Longevity at age 65 for current pensioners		
- Men	21.5	21.5
- Women	24.4	24.4

Notes to the financial statements for the year ended 31 March 2012 (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 2012	(Recognised) Value at 31 March 2012	Long term rate of return expected at 31 March 2011	(Unrecognised) Value at 31 March 2011
	%pa	£'000	%pa	£'000
Equities	N/A	-	N/A	-
Diversified growth funds	7.2	55,615	7 5	49,736
Property	N/A	-	N/A	-
Bonds and gilts	4.0	29,992	4.2	23,299
Secured pensions in payment	4.9	314	5 7	311
Bank account and cash funds	0.5	229	0.5	3,948
Total bid value of assets		86,150		77,294
Present value of scheme Liabilities		(105,444)		(89,503)
Deficit in the scheme		(19,294)		(12,209)

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

	2012	2011
	£'000	£'000
1 April	(89,503)	(86,541)
Recognised upon adoption of full defined benefit accounting		
Current service cost	(1,100)	(1,169)
Interest cost	(5,066)	(4,981)
Employee contributions	(334)	(335)
Actuarial losses	(1,276)	(1,106)
Change in assumptions	(10,275)	2,624
Benefits paid	2,110	2,005
31 March	(105,444)	(89,503)

Notes to the financial statements
for the year ended 31 March 2012 (continued)

15. Pension costs (continued)

1) KPC UK Group defined benefit scheme (continued)

Reconciliation of bid value of assets

	2012	2011
	£'000	£'000
1 April	77,294	65,846
Recognised upon adoption of full defined benefit accounting		
Expected return on plan assets	4,997	4,377
Actuarial loss on plan assets	(264)	(142)
Employer contributions	5,899	8,883
Employee contributions	334	335
Benefits paid	(2,110)	(2,005)
31 March	86,150	77,294

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 £4,733,000.

Analysis of the amount charged to operating loss:

	2012	2011
	£'000	£'000
Past service cost	-	20,695
Current service costs	1,100	1,169
	1,100	21,864

Analysis of the amount charged to other finance costs·

	2012	2011
	£'000	£'000
Expected return on pension scheme assets	(4,997)	(4,377)
Interest on pension scheme liabilities	5,066	4,981
Net costs	69	604

Notes to the financial statements for the year ended 31 March 2012 (continued)

15. Pension costs (continued)

1) KPC UK Group defined benefit scheme

	2012	2011
History of amounts	£'000	£'000
Defined benefit obligation	(105,444)	(89,503)
Plan assets	86,150	77,294
Deficit	(19,294)	(12,209)
Experience adjustments on plan assets	(264)	(142)
Experience adjustments on plan liabilities	(1,276)	(1,106)
Total amount recognised in the statement of total recognised gains and losses	(11,815)	1,376

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 2012, 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 2012 were therefore £3,850,000, in addition to the regular contributions of £2,049,000 including £473,000 Section 75 payment for a member company of the scheme and £390,000 expenses (2011: £1,183,000) Kuwait Petroleum International Limited will incur and settle 100% of the total additional contributions as the principal employer, and approximately 15% 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 £1,454,000 (2011 £2,513,000)

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. The total additional contributions paid by the UK group for year ended 31 March 2012 were therefore £1,150,000, in addition to the regular contributions of £144,000 (2011 £354,000) Although it paid the full amount, Kuwait Petroleum International Limited has incurred approximately 94% of the total additional contributions, with the remainder being recharged out to other group companies.

3) Defined contribution scheme

The cost of contributions to the defined contribution scheme amounts to £449,000 (2011: £466,000)

16. Ultimate parent undertaking and controlling party

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.

17. Post balance sheet events

In addition to the changes in rates of Corporation tax disclosed within the note on taxation (note 7) a number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement Legislation to reduce the main rate of corporation tax from 26% to 24% from 1 April 2012 was substantively enacted in March 12 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements