

Registered Number 00886981

**Kuwait Petroleum International Treasury Services  
Limited**  
**Annual report and financial statements**  
**For the year ended 31 March 2016**

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# **Kuwait Petroleum International Treasury Services Limited**

## **Annual report and financial statements for the year ended 31 March 2016**

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# **Kuwait Petroleum International Treasury Services Limited**

## **Directors and advisors**

### **Directors**

B Al Rashidi  
K Al Mushaileh  
S Hakim  
A Saunders

### **Company secretary**

P Coules

### **Registered office**

Duke's Court  
Duke Street  
Woking  
Surrey  
GU21 5BH

### **Bankers**

The Royal Bank of Scotland plc  
250 Bishopsgate  
London  
EC2M 4AA  
Account closed 7 April 2015

### **Independent auditors**

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

# **Kuwait Petroleum International Treasury Services Limited**

## **Directors' report for the year ended 31 March 2016**

The directors present their report together with the audited financial statements of Kuwait Petroleum International Treasury Services Limited (the "Company") for the year ended 31 March 2016.

### **Principal activities**

Kuwait Petroleum International Treasury Services Limited is a private company incorporated in the United Kingdom. The principal activity of the company was curtailed in the financial year ending 31 March 2015. Previously, the principal activity was to act as a treasury company providing treasury services to its ultimate parent company KPC Holdings (Aruba) AEC and its subsidiaries.

Curtailment of the principal activity was a result of a review into improving the service provided and it was agreed to relocate closer to the European businesses. There was no new business in Kuwait Petroleum International Treasury Services Limited (KPITS Ltd) from 9 November 2014. Although there are no plans to trade in the coming year management also currently do not have plan to liquidate the company.

### **Financial risk management**

Previously, the main finance risk faced by the company through its normal business activities were foreign exchange risk, interest rate risk, counterparty risk and commodity risk. These do not apply to the financial year ending 31 March 2016.

### **Results and dividends**

The loss for the financial year amounted to \$99,682 (2015: \$2,430,308 profit). As shown in the company's income statement on page 7, the company's overall financial performance is not consistent with the prior financial year due to no new business from 9 November 2014. The transition to FRS 101 effective 1 April 2014 has not impacted the prior financial year as the effects of fair value accounting were previously under FRS26.

The statement of financial position on page 8 of the financial statements shows that the company's overall financial position at the year end has declined, with net assets reducing from \$5,282,510 to \$182,828. This is a direct result of reduction in share capital.

### **Dividends**

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

### **Directors**

The directors, who held office during the year and up to the date of signing the financial statements, unless otherwise indicated, were:

B Al Rashidi  
K Al Mushaileh  
S Hakim  
A Saunders

No directors had any interest in the share capital of the company or any group company at this time.

# **Kuwait Petroleum International Treasury Services Limited**

## **Directors' report for the year ended 31 March 2016 (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 pension 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 of the directors of an associated company.

### **Directors' responsibilities statement**

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Statement of disclosure of information to auditors**

So far as each person currently serving as a director of the company at the date this report is approved is aware, there is no relevant audit information of which the company's auditors are unaware and each director hereby confirms that he has taken all 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**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

# Kuwait Petroleum International Treasury Services Limited

## Directors' report for the year ended 31 March 2016 (continued)

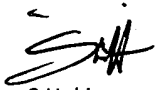
### Small companies' exemptions

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 and section 415A of the Companies Act 2006.

### Strategic report

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 and section 414B of the Companies Act 2006 and a strategic report is not required.

Approved by the Board of Directors and signed on its behalf by



S Hakim  
Director

16 December 2016

# Kuwait Petroleum International Treasury Services Limited

## *Independent auditors' report to the members of Kuwait Petroleum International Treasury Services Limited*

### Report on the financial statements

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#### Our opinion

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

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

#### What we have audited

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

- the statement of financial position as at 31 March 2016;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity 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 the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

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### Opinion on other matter prescribed by the Companies Act 2006

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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.

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### Other matters on which we are required to report by exception

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#### Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

## Kuwait Petroleum International Treasury Services Limited

### ***Independent auditors' report to the members of Kuwait Petroleum International Treasury Services Limited (continued)***

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#### **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.

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#### **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

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### **Responsibilities for the financial statements and the audit**

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#### **Our responsibilities and those of the 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.

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

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

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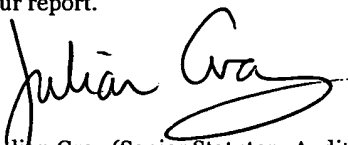
#### **What an audit of financial statements involves**

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

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements. We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

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

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



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

16 December 2016



# Kuwait Petroleum International Treasury Services Limited

## Income Statement for the year ended 31 March 2016

	Note	2016 \$	2015 \$
Administrative expenses		(21,062)	(1,120,364)
Other expense	7	(84,350)	-
<b>Operating loss</b>		<b>(105,412)</b>	<b>(1,120,364)</b>
Finance income	10	5,730	96,890,336
Finance costs	10	-	(93,339,664)
Finance costs – net	10	5,730	(3,550,672)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(99,682)</b>	<b>2,430,308</b>
Tax on (loss)/profit on ordinary activities	11	-	-
<b>(Loss)/profit for the financial year</b>		<b>(99,682)</b>	<b>2,430,308</b>

The principal activity of the company was curtailed during the financial year ending March 2015. (See directors report)

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

## Statement of comprehensive income for the year ended 31 March 2016

	2016 \$	2015 \$
<b>(Loss)/profit for the financial year</b>	<b>(99,682)</b>	<b>2,430,308</b>
<b>Other comprehensive expense: Items that will not be reclassified to profit or loss</b>		
Dividend payment	-	(7,100,142)
<b>Other comprehensive expense for the year, net of tax</b>	<b>-</b>	<b>(7,100,142)</b>
<b>Total comprehensive (expense)/income for the year</b>	<b>(99,682)</b>	<b>(4,669,834)</b>

# Kuwait Petroleum International Treasury Services Limited

## Statement of financial position as at the year ended 31 March 2016

	Note	2016 \$	2015 \$
<b>Current assets</b>			
Trade and other receivables: amounts due within one year	13	182,828	5,255,302
Cash		-	27,208
<b>Net current assets</b>		<b>182,828</b>	<b>5,282,510</b>
<b>Equity</b>			
Called up share capital	15	150	5,000,150
Capital redemption reserve		212,961	212,961
Accumulated (losses)/Retained earnings		(30,283)	69,399
<b>Total shareholders' funds</b>		<b>182,828</b>	<b>5,282,510</b>

The financial statements on pages 7 to 18 were approved by the board of directors on 10 December 2016 and were signed on its behalf by:



S Hakim  
Director

Company number: 00886981

## Kuwait Petroleum International Treasury Services Limited

### Statement of changes in equity for the year ended 31 March 2016

	Called up share capital	Capital redemption reserve	Retained earnings/(Accum- ulated losses)	Total reserves	Total shareholders' funds
	\$	\$	\$	\$	\$
At 1 April 2014 (as previously reported)	5,000,150	212,961	4,739,233	4,952,194	9,952,344
Effects of changes in accounting policies	-	-	-	-	-
<b>Balance as at 1 April 2014</b>	<b>5,000,150</b>	<b>212,961</b>	<b>4,739,233</b>	<b>4,952,194</b>	<b>9,952,344</b>
Profit for the financial year	-	-	2,430,308	2,430,308	2,430,308
Dividend payment	-	-	(7,100,142)	(7,100,142)	(7,100,142)
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>-</b>	<b>(4,669,834)</b>	<b>(4,669,834)</b>	<b>(4,669,834)</b>
Balance at 31 March 2015	5,000,150	212,961	69,399	282,360	5,282,510
Balance at 1 April 2015	5,000,150	212,961	69,399	282,360	5,282,510
Loss for the financial year	-	-	(99,682)	(99,682)	(99,682)
Total comprehensive expense for the year	-	-	(99,682)	(99,682)	(99,682)
Capital reduction	(5,000,000)	-	-	-	(5,000,000)
<b>Balance at 31 March 2016</b>	<b>150</b>	<b>212,961</b>	<b>(30,283)</b>	<b>182,678</b>	<b>182,828</b>

The capital redemption reserve is an alternative to the requirement to either replenish capital by issuing fresh shares in lieu of redeemed or bought back shares by transferring their funds to this reserve.

# Kuwait Petroleum International Treasury Services Limited

## Notes to the financial statements for the year ended

31 March 2016

### 1 General information

The principal activity of the company was curtailed in the financial year ending March 2015. Previously, the principal activity was to act as a treasury company providing treasury services to its ultimate parent company KPC Holdings (Aruba) AEC and its subsidiaries. During this financial year the bank account was closed and the intercompany balance between the new group treasury function KPITS B.V. and the company was settled, which in turn allowed a reduction in capital. The address of its registered office is Duke's Court, Duke Street, Woking, Surrey, GU21 5BH.

### 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 Treasury Services 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 the historical cost convention.

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.

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

- 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;
- 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)

# Kuwait Petroleum International Treasury Services Limited

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

### 2 Summary of significant accounting policies (continued)

- 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

New and amended standards adopted by the company.

The following standards have been adopted by the company for the first time for the financial year beginning on 1 April 2014 and have not had an impact on the company:

#### Consolidated financial statements.

No group financial statements are prepared, in accordance with section 401 of the Companies Act 2006, since the ultimate holding company, Kuwait Petroleum Corporation (Aruba) AEC, prepares consolidated financial statements in accordance with the provisions of the seventh directive. Therefore, these financial statements present information as an individual company and not about the group.

#### Foreign currencies

The financial statements are presented in US dollars which is the functional currency of the company.

Monetary assets and liabilities denominated in foreign currencies were translated into US dollars at the year end foreign exchange rates. All forward foreign exchange contracts which were open at the year end 31 March 2016 were revalued at rates of exchange derived from observable market information applicable to those contracts.

Profits and losses arising on the translation or revaluation of foreign currency assets, liabilities and forward foreign exchange contracts were recognised immediately in the profit and loss account. Gains and losses arising from the use of hedging instruments were recorded in the profit and loss account concurrently with losses and gains arising from the underlying hedged investments.

The net gains and losses on foreign currency trading activities accounted for on a mark-to-market basis, and the foreign exchange gains and losses on foreign currency trading activities in relation to money market borrowing and deposits were recognised within interest receivable and similar income/interest payable and similar charges.

The exchange rate for Pounds Sterling/US\$ at 31 March 2016 was 1.4383 (2015: 1.4793). The exchange rate for Euro/US\$ at 31 March 2016 was 1.3850 (2015: 1.0759).

# **Kuwait Petroleum International Treasury Services Limited**

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

### **3 Principal accounting policies (continued)**

#### **Financial instruments**

The company entered into various types of transactions that involved derivative financial instruments. Derivative financial instruments include forwards, futures, swaps and options.

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 company took out external forward exchange contracts, with high credit rating institutions, on behalf of group companies on which the exposure is passed onto the individual business via intercompany forward exchange contracts.

Short term money market deposits and borrowings were measured at fair value at initial recognition and at amortised cost subsequently.

The Company has prepared its financial statements in accordance with IAS 19 'Financial Instruments: Recognition and Measurement'.

Derivative financial instruments were recorded at trade date at fair value. The fair value of a derivative is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Derivatives with positive market values (unrealised gains) are included in current assets and derivatives with negative market values (unrealised losses) are included in current creditors in the balance sheet. The resultant gains and losses from derivatives are included within interest receivable and similar income/interest payable and similar charges.

#### **Pensions**

The company participated in a group defined benefit scheme. The assets and liabilities of the scheme are recognised in full in the financial statements of Kuwait Petroleum International Limited. The company accounts for its obligations in respect of the defined benefit scheme on a defined contribution basis. The latest actuarial valuation of the defined benefit scheme, prepared in accordance with IAS19R, shows a deficit position.

Contributions are also made to the personal plans of certain employees. The expenditure is charged to the income statement in the period to which it relates.

Further information on pension costs is provided in note 16.

#### **Share capital**

Ordinary shares are classified as equity.

#### **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 date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

# Kuwait Petroleum International Treasury Services Limited

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

### 3 Principal accounting policies (continued)

#### Current and deferred income tax (continued)

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.

### 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.

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

### 5 Segmental information

#### Analysis of operating (loss)/profit by origin

	2016	2015
	\$	\$
United Kingdom	(19,365)	186,614
Rest of Europe	(80,317)	2,245,963
Middle East	-	10,192
Asia	-	(1,765)
Rest of the world	-	(10,696)
	<b>(99,682)</b>	<b>2,430,308</b>

#### Analysis of net operating assets by origin

	2016	2015
	\$	\$
United Kingdom	<b>182,828</b>	169,365
Rest of Europe	-	5,113,145
	<b>182,828</b>	<b>5,282,510</b>

# Kuwait Petroleum International Treasury Services Limited

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

### 6 Operating (loss)/profit

	2016	2015
	\$	\$
<b>Operating (loss)/profit is stated after charging</b>		
Foreign exchange loss	<b>18,707</b>	753,347
Services provided by the company's auditors		
Fees payable for the audit	-	17

Audit fees will be borne by the remaining shareholder Kuwait Petroleum (U.K. Holdings) Ltd. Other than its directors, the company had no employees in either year. The directors did not receive any remuneration in relation to services to the company in either year.

### 7 Other expense

There is an exceptional and non-recurring cost of \$84,350 for a payment made to Kuwait Petroleum Slovenia regarding outstanding withholding tax for 2014 \$77,366 and 2015 \$6,984 on interest payments for the relevant years.

### 8 Directors' emoluments

No director (2015: one) was remunerated by the company. The remuneration of the director: was as follows:

	2016	2015
	\$	\$
Aggregate emoluments	-	88,972

Personal pension contributions for this director were \$ nil (2015:\$22,350).

No other directors received or were due any remuneration relating to services provided to the company in either year. No directors held shares options in the company during the current or prior years. One director (2015: one) was a member of a defined benefit pension scheme contributions were made by another company for which he is a director.



# Kuwait Petroleum International Treasury Services Limited

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

### 9 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was nil (2015: three). Employees were transferred in November 2014 within the group. All three employees in 2015 were employed in trading activities.

	2016 Number	2015 Number
Trading	-	3

Further analysis of employee by category during the year was:

	2016 Number	2015 Number
Full time	-	3

Employment costs of all employees included above:

	2016 \$	2015 \$
Wages and salaries	-	542,814
Social security costs	-	3,713
Other pension costs	-	86,503

### 10 Interest payable and similar charges

#### Finance income

	2016 \$	2015 \$
Intercompany interest receivable loan	-	5,371,325
Intercompany interest receivable deposit	5,730	-
Interest receivable money market deposits	-	719,458
Net currency receivable	-	90,799,553
<b>Total finance income</b>	<b>5,730</b>	<b>96,890,336</b>

#### Finance expense

	2016 \$	2015 \$
Intercompany interest payable - Loan	-	(1,114,743)
Interest payable on bank loans and overdrafts	-	(18,458)
Interest payable on money market borrowings	-	(916,949)
Net currency payable	-	(91,289,514)
<b>Net finance expense</b>	<b>-</b>	<b>(93,339,664)</b>

#### Net finance cost

	2016 \$	2015 \$
Interest income	5,730	96,890,336
Interest expense	-	(93,339,664)
<b>Net finance (cost)/income</b>	<b>5,730</b>	<b>3,550,672</b>

Interest is payable on one day overdrafts occurring occasionally during the course of normal business operations.

# Kuwait Petroleum International Treasury Services Limited

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

### 11 Tax on (loss)/profit on ordinary activities

The tax assessed for the year is lower (2015: lower) than the effective rate of corporation tax in the UK 20% (2015: 21%). The differences are explained below:

	2016	2015
	\$	\$
<b>(Loss)/profit on ordinary activities before taxation</b>	<b>(99,682)</b>	<b>2,430,308</b>
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015:21%)	<b>(19,936)</b>	<b>510,365</b>
Effects of:		
Group relief claimed for nil consideration	<b>3,066</b>	<b>(510,089)</b>
Permanent difference non deductible expense	<b>16,870</b>	<b>(276)</b>
<b>Total current tax charge</b>	<b>-</b>	<b>-</b>

During the financial year Finance (No.2) Act 2015 was enacted and included legislation to reduce the main rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020.

There are no material amounts of deferred tax at either year end.

### 12 Dividends

Dividends paid on equity shares:

	2016	2015
	\$	\$
Interim paid for 2015 of US\$1.42 (2014 US\$0.60) per ordinary US\$1 share	-	7,100,000
Interim paid for 2015 of US\$1.42 (2014 US\$0.60) per ordinary £1 share	-	142
	-	7,100,142

### 13 Trade and other receivables

	2016	2015
	\$	\$
<b>Amounts falling due within one year</b>		
Amounts owed by group undertakings	<b>182,828</b>	<b>5,085,937</b>
Other debtors	-	169,365
	<b>182,828</b>	<b>5,255,302</b>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand or to terms.

# **Kuwait Petroleum International Treasury Services Limited**

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

### **14 Derivative financial instruments and risk management**

The fair value of external derivatives included in the financial statements for the current year end are nil (2015: nil)

Fair value of the derivative financial instruments represents the fair value of open foreign currency forward exchange contracts at the balance sheet date. During the year ended 31 March 2016, the movement in fair value of \$ nil (2015: \$442,266) arose from the settlement of derivatives closed out in the financial year.

#### **Derivative financial instruments**

The group for which the company acted as a treasury company operates internationally in commodity-based markets. As a result, it can be affected by changes in crude oil and petroleum product prices, exchange rates, and interest rates. In the areas described below, the company seeks to manage the risks arising from these external factors using a number of methods, some of which involve derivative instruments. The company does not use derivatives for speculative purposes. The risk in relation to interest rates is limited as the company was in a net deposit position in the year. The risk in relation to commodities is limited as the company undertakes very few commodity transactions.

#### **Foreign exchange risk management**

The company seeks to identify and measure all risks arising from movements in foreign exchange rates. Such risks are routinely hedged using a variety of methods, including derivatives such as forward currency contracts and swaps.

The principal source of foreign currency risk within the group which is hedged routinely by the company relates to other group companies' outstanding product supply accounts payable, which are mainly expressed in US dollars. These exposures, along with other transaction risks related to currency movements between commitment or billing and payment, are hedged by the company using derivative instruments such as forward currency contracts or, particularly in the case of uncertain exposures, swaps. All significant group foreign currency transactions, including those involving derivative instruments, were conducted through the company.

All foreign currency derivative instruments are marked to market at the end of each month. The balances at 31 March 2016 relating to forward exchange contracts were nil in Euro/US\$ and Pounds Sterling/US\$.

#### **Counter party risk management**

The company controlled counter party risks in relation to its cash, short-term deposits and derivative instruments by rigorous screening and credit assessment of all proposed trading counter parties and limits on total financial exposure with each counter-party individually. As a general rule, the company only dealt with banks with the highest national or international standing and also limits its credit risk exposure and its daily settlement risk with any single bank to certain specified amounts. Both such exposures were further reduced by having standardised ISDA (International Swaps and Derivatives Association) Master Agreements, including set-off provisions, with each counter party.

# Kuwait Petroleum International Treasury Services Limited

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

### 15 Called up share capital

	2016	2015
	\$	\$
<b>Allotted and fully paid</b>		
5,000,000 Ordinary shares of \$1 each	-	5,000,000
100 Ordinary shares of £1 each	150	150
	<b>150</b>	<b>5,000,150</b>

### 16 Pension costs

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

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

The total pension costs for the company for the financial year was \$ nil (2015:\$ 86,503).

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

### 17 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 state of Kuwait, who represent the ultimate controlling party. The immediate parent company of the smallest such group is KPC Holdings (Aruba) AEC, incorporated in Aruba. Copies of the consolidated financial statements of KPC Holdings (Aruba) AEC can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

### 18 Transition to FRS 101

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