

**Company number: 01734259**

**Kuwait Petroleum International Limited**

**Directors' report and financial statements**

**for the year ended 31 March 2011**

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# **Kuwait Petroleum International Limited**

## **Directors' report and financial statements for the year ended 31 March 2011**

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# **Kuwait Petroleum International Limited**

## **Directors and advisers**

### **Directors**

H Esmail  
Y Al-Yateem  
A I Behbehani  
A Saunders

### **Company secretary**

W T James

### **Registered office**

6<sup>th</sup> Floor  
Dukes Court  
Duke Street  
Woking  
Surrey  
GU21 5BH

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Thames Valley Office  
9 Greyfriars Road  
Reading  
Berkshire  
RG1 1JG

# **Kuwait Petroleum International Limited**

## **Directors' report for the year ended 31 March 2011**

The directors present their report and the audited financial statements of the company for the year ended 31 March 2011

### **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.

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 loss for the financial year totalling £20,441,000 (2010 profit - £806,000). Previously the company took the FRS 17 multi-employer exemption for the UK Group defined benefit scheme but from 2 June 2010 the company has used full defined benefit accounting (as required by FRS 17) following the change in circumstances arising from the recovery plan for the pension scheme deficit agreed with the Scheme Trustees. This has resulted in a past service cost of £20,695,000 following the recognition of the scheme deficit on the balance sheet during the year. Excluding the past service cost this treatment has also increased the cost of UK Group scheme charged to the profit and loss account to £1,773,000 (2010 £514,000), being a current service cost of £1,169,000 and net other finance costs of £604,000.

During the current financial year the company also made additional payments totalling £10,000,000 (2010 - £817,000) 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.

The company currently has negative equity of £13,996,000 (2010 net assets of £5,069,000) following recognition in the 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 (2010 £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 a financial guarantee 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 Esmat  
Y Al-Yateem  
A I Behbehani  
A Saunders

# **Kuwait Petroleum International Limited**

## **Directors' report for the year ended 31 March 2011 (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 2011 UK Budget Statement Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 was included in the Finance Act 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% 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 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 to 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 2011 (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



Y Al-Yateem

Director

Date

21/12/2011

# **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 2011 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 directors' responsibilities statement 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 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 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 report 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 2011 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

### **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  
Date



## Kuwait Petroleum International Limited

### Profit and loss account for the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
Turnover	2	38,083	36,275
Administrative expenses before exceptional items		(39,442)	(35,336)
Exceptional administrative expenses		(20,695)	-
Total administrative expenses	15	<u>(60,137)</u>	<u>(35,336)</u>
Other operating income	3	2,344	-
Operating (loss)/profit	3	<u>(19,710)</u>	<u>939</u>
Interest receivable and similar income	4	34	9
Interest payable and similar charges	5	(108)	(91)
Other finance cost	15	(604)	-
(Loss)/profit on ordinary activities before taxation		<u>(20,388)</u>	<u>857</u>
Tax on (loss)/profit on ordinary activities	7	(53)	(51)
(Loss)/profit for the financial year	12	<u>(20,441)</u>	<u>806</u>

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

There is no material difference between the (loss)/profit on ordinary activities before taxation and the (loss)/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 2011

		2011 £'000	2010 £'000
(Loss)/profit for the financial year		(20,441)	806
Actuarial gains on pension scheme	15	1,376	-
Total recognised gains and losses relating to the year		<u>(19,065)</u>	<u>806</u>

# Kuwait Petroleum International Limited

## Balance sheet as at 31 March 2011

	Note	2011 £'000	2010 £'000
<b>Fixed assets</b>			
Tangible assets	8	<u>929</u>	<u>880</u>
<b>Current assets</b>			
Debtors	9	15,629	26,780
Cash at bank and in hand		<u>3,304</u>	<u>2,200</u>
		18,933	28,980
<b>Creditors: amounts falling due within one year</b>	10	<u>(21,649)</u>	<u>(24,791)</u>
<b>Net current (liabilities)/assets</b>		<u>(2,716)</u>	<u>4,189</u>
<b>Total assets less current liabilities</b>		<u>(1,787)</u>	<u>5,069</u>
Pension deficit	15	<u>(12,209)</u>	-
<b>Net (liabilities)/assets including pension deficit</b>		<u>(13,996)</u>	<u>5,069</u>
<b>Capital and reserves</b>			
Called up share capital	11	5,500	5,500
Profit and loss account	12	<u>(19,496)</u>	<u>(431)</u>
<b>Total shareholders' (deficit)/funds</b>	13	<u>(13,996)</u>	<u>5,069</u>

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



Y Al-Yateem  
Director 21/12/2011  
Company number Q1734259

# Kuwait Petroleum International Limited

## Notes to the financial statements for the year ended 31 March 2011

### 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

# **Kuwait Petroleum International Limited**

## **Notes to the financial statements for the year ended 31 March 2011 (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 accounts of that company, which are publicly available

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument . The majority of the financial assets and liabilities of the company are loans to/from other group companies

# Kuwait Petroleum International Limited

## Notes to the financial statements for the year ended 31 March 2011 (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 accounts are publicly available (see note 17)

### 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

	2011 £'000	2010 £'000
United Kingdom	1,287	1,494
Europe	8,149	6,456
Aruba/Netherlands Antilles	28,647	28,325
	<u>38,083</u>	<u>36,275</u>

### 3. Operating (loss)/profit

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

	2011 £'000	2010 £'000
Depreciation of tangible fixed assets		
- owned assets (note 8)	535	415
Profit on disposal of fixed asset	(9)	-
Exceptional item defined benefit past service cost (see note 15)	20,695	-
Foreign exchange loss/(gain)	358	(154)
- Fees payable to the company's auditor for the audit of the company financial statements	43	37
- The audit of the company's associates, pursuant to legislation	-	81
Operating lease charges		
- plant and machinery	4	2
- other	2,201	1,846
Other operating income	2,344	-
	<u>2,344</u>	<u>-</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)

# Kuwait Petroleum International Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 4 Interest receivable and similar income

	2011 £'000	2010 £'000
Interest receivable from group undertakings	23	2
Bank interest receivable	11	7
	<u>34</u>	<u>9</u>

### 5. Interest payable and similar charges

	2011 £'000	2010 £'000
Interest payable to group undertakings	107	90
Interest paid other	1	1
	<u>108</u>	<u>91</u>

### 6 Employee information

#### *Staff costs*

	2011 £'000	2010 £'000
Employees, including executive directors		
Wages and salaries	14,473	12,622
Social security costs	3,615	3,073
Pension costs (note 15)	24,843	1,701
	<u>42,931</u>	<u>17,396</u>

During the year the company recognised the full deficit of the KPC UK Group Retirement Plan in accordance with FRS17, resulting in a past service cost of £20,695,000 (see note 15)

Staff costs, including those in respect of executive directors, include a recharge of costs of £6,775,000 (2010 £5,217,000) for 18 personnel (2010 22) employed by other group undertakings in respect of services provided to the company

The average monthly number of employees during the financial year was 120 (2010 125) 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 2011 (continued)

### 6. Employee information (continued)

#### *Directors' remuneration*

	2011 £'000	2010 £'000
Aggregate emoluments (excluding pension contributions)	1,633	1,502
	<u>1,633</u>	<u>1,502</u>

The directors' remuneration shown above, excluding pension contributions, included the emoluments of the highest paid director, of £554,000 (2010 £480,000). The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 March 2011 was £nil (2010 £nil) as they are 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 (loss)/profit on ordinary activities

The tax assessed for the financial year is higher (2010 lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2011 of 28% (2010 28%). The differences are explained below.

	2011 £'000	2010 £'000
<b>Current tax</b>		
UK corporation tax		
Adjustments in respect of previous years	-	17
	<u>-</u>	<u>17</u>
<b>Foreign tax</b>		
Current tax on income for the financial year	53	34
	<u>53</u>	<u>34</u>
Tax on (loss)/profit on ordinary activities	<u>53</u>	<u>51</u>

# Kuwait Petroleum International Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

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

Factors affecting current tax charge	2011 £'000	2010 £'000
(Loss)/profit on ordinary activities before taxation	(20,388)	857
(Loss)/profit on ordinary activities before taxation multiplied by standard rate in the UK of 28% (2010 28%)	(5,709)	240
Effects of		
Permanent differences	53	51
Capital allowances in excess of depreciation	(30)	(111)
Other timing differences	361	161
Adjustments in respect of previous years	-	17
Group relief claimed	-	(307)
FRS 17 related costs on defined benefit pension scheme	5,627	-
Pension contributions relief in excess of other pension cost charges	(287)	-
Other tax adjustments	38	-
Total current tax charge	<u>53</u>	<u>51</u>

The company has a potential net deferred tax asset at 31 March 2011 of £3,165,000 (2010 £1,575,000) This asset has not been recognised as there is insufficient evidence of suitable future taxable profit against which the asset will crystallise in the foreseeable future In addition no deferred tax asset has been recognized in respect of the net pension deficit (see note 15)

The main rate of corporation tax reduced from 28% to 26% with effect from 1 April 2011 This change was substantively enacted on 29 March 2011, hence the unrecognised deferred tax asset at 31 March 2011 has been calculated at 26%

Further reductions of 1% per annum have been announced for the next three years, reducing to 23% with effect from 1 April 2014



# Kuwait Petroleum International Limited

## Notes to the financial statements for the year ended 31 March 2011 (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
<b>Cost</b>					
At 1 April 2010	815	1,813	281	185	3,094
Exchange adjustments	(12)	(27)	(4)	-	(43)
Additions	579	213	-	-	792
Disposals	(25)	-	-	(185)	(210)
<b>At 31 March 2011</b>	<b>1,357</b>	<b>1,999</b>	<b>277</b>	<b>-</b>	<b>3,633</b>
<b>Accumulated depreciation</b>					
At 1 April 2010	727	1,206	281	-	2,214
Exchange adjustments	(10)	(19)	(4)	-	(33)
Charge for the year	188	347	-	-	535
Disposals	(12)	-	-	-	(12)
<b>At 31 March 2011</b>	<b>893</b>	<b>1,534</b>	<b>277</b>	<b>-</b>	<b>2,704</b>
<b>Net book value</b>					
<b>At 31 March 2011</b>	<b>464</b>	<b>465</b>	<b>-</b>	<b>-</b>	<b>929</b>
At 31 March 2010	88	607	-	185	880

### 9. Debtors

	2011 £'000	2010 £'000
Amounts owed by immediate group undertakings	14,462	26,027
Amounts owed by other group undertakings	512	224
Corporation tax	23	23
Other debtors	446	187
Prepayments and accrued income	186	319
	<b>15,629</b>	<b>26,780</b>

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 2011 (continued)

### 10. Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	210	16
Amounts owed to immediate group undertakings	10,051	15,228
Amounts owed to other group undertakings	223	417
Other creditors	83	23
Value added tax	79	3
Other taxation and social security	124	118
Accruals and deferred income	10,879	8,986
	<u>21,649</u>	<u>24,791</u>

Amounts owed to group undertakings are unsecured and have no fixed repayment date £9,400,000 of the above balance bears interest at floating daily rates linked to LIBOR, with the remainder being interest free

### 11. Called up share capital

	2011 £	2010 £
<b>Authorised</b> 10,000,000 (2010 10,000,000) ordinary shares of £1 each	<u>10,000,000</u>	<u>10,000,000</u>
<b>Called up, allotted and fully paid</b> 5,500,100 (2010 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 2010	(431)
Loss for the financial year	(20,441)
Actuarial gain on pension scheme (note 15)	1,376
<b>At 31 March 2011</b>	<u><u>(19,496)</u></u>

# Kuwait Petroleum International Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 13. Reconciliation of movements in total shareholders' funds

	2011 £'000	2010 £'000
(Loss)/profit for the financial year	(20,441)	806
Actuarial gain on pension scheme (note 15)	1,376	-
Net (reduction)/addition to shareholders' funds	<u>(19,065)</u>	<u>806</u>
Opening shareholders' funds	<u>5,069</u>	<u>4,263</u>
Closing shareholders' funds	<u><u>(13,996)</u></u>	<u><u>5,069</u></u>

### 14. Financial commitments

At 31 March 2011, the company had annual commitments under non-cancellable operating leases, which principally relate to office leases and company cars as set out below

	2011		2010	
	Buildings £'000	Others £'000	Buildings £'000	Others £'000
Leases expiring				
- within one year	-	-	-	34
- within two to five years	<u>1,696</u>	<u>515</u>	<u>1,706</u>	<u>384</u>
	<u><u>1,696</u></u>	<u><u>515</u></u>	<u><u>1,706</u></u>	<u><u>418</u></u>

### 15. Pension costs

Kuwait Petroleum International Limited participates in a funded, defined benefit pension plan called the KPC UK Group Retirement Plan. From 2 June 2010 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 2011 (continued)

### 15. Pension costs (continued)

The total pension cost included within operating (loss)/profit for the company for the financial year is £24,843,000 (2010 £1,701,000). This consists of a past service cost of £20,695,000 (2010 £nil) and a current service cost/defined contribution cost of £4,148,000 (2010 £1,701,000). In respect of the current service cost/defined contribution cost, £1,169,000 (2010 £514,000) relates to the KPC UK Group defined benefit scheme, £466,000 (2010 £645,000) relates to the UK and Kuwaiti defined contribution schemes and the remaining £2,513,000 (2010 £542,000) 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 £7,700,000 in 2011, and in respect of the Executive and Overseas Pension Scheme the company paid additional cash contribution of £2,300,000 in 2011, 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 2011 by a qualified, independent actuary, using the Projected Unit Method.

Previously the company took the FRS 17 multi-employer exemption for this scheme and therefore only certain information about the scheme was disclosed. From 2 June 2010 the company has used full defined benefit accounting (as required by FRS 17) following the change in circumstances arising from the recovery plan for the pension scheme deficit agreed with the Scheme Trustees. This has resulted in a past service cost of £20,695,000 (assets £65,846,000 of less liabilities of £86,541,000) following the recognition of the scheme deficit on the balance sheet during the year.

The principal assumptions used to calculate the FRS17 liabilities were as follows:

	2011	2010
	%	%
Rate of increase in salaries	5.0	5.2
Rate of increase to pension in payment	3.4	3.7
Discount rate	5.7	5.8
Rate of inflation	3.5	3.7

The mortality assumptions used were as follows:

	2011	2010
	years	years
Longevity at age 65 for current pensioners		
- Men	21.5	21.2
- Women	24.4	24.2

# Kuwait Petroleum International Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 15. Pension costs (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 2011	(Recognised) Value at 31 March 2011	Long term rate of return expected at 31 March 2010	(Unrecognised) Value at 31 March 2010
	%pa	£'000	%pa	£'000
Equities	N/A	-	8.7	39,617
Diversified growth funds	7.5	49,736	N/A	-
Property	N/A	-	8.2	1,236
Bonds and gilts	4.2	23,299	4.5	21,874
Secured pensions in payment	5.7	311	5.8	335
Bank account and cash funds	0.5	3,948	0.5	2,784
<b>Total bid value of assets</b>		<b>77,294</b>		<b>65,846</b>
<b>Present value of scheme liabilities</b>		<b>(89,503)</b>		<b>(86,541)</b>
<b>Deficit in the scheme</b>		<b>(12,209)</b>		<b>(20,695)</b>

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

	2011
	£'000
1 April	-
Recognised upon adoption of full defined benefit accounting	(86,541)
Current service cost	(1,169)
Interest cost	(4,981)
Employee contributions	(335)
Actuarial losses	(1,106)
Change in assumptions	2,624
Benefits paid	2,005
31 March	<b>(89,503)</b>

# Kuwait Petroleum International Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 15. Pension costs (continued)

#### *Reconciliation of bid value of assets*

	2011
	£'000
1 April	-
Recognised upon adoption of full defined benefit accounting	65,846
Expected return on plan assets	4,377
Loss on plan assets	(142)
Employer contributions	8,883
Employee contributions	335
Benefits paid	(2,005)
<b>31 March</b>	<b>77,294</b>

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 £4,235,000.

#### *Analysis of the amount charged to operating loss*

	2011
	£'000
Past service cost	20,695
Current service costs	1,169
	<b>21,864</b>

In the prior year there was no defined benefit accounting – the prior year expense in respect of the scheme under the FRS 17 multi-employer exemption was £514,000.

#### *Analysis of the amount credited to other finance costs*

	2011
	£'000
Expected return on pension scheme Assets	(4,377)
Interest on pension scheme liabilities	4,981
<b>Net costs</b>	<b>604</b>

# Kuwait Petroleum International Limited

## Notes to the financial statements for the year ended 31 March 2011 (continued)

### 15 Pension costs (continued)

	2011
	£'000
History of amounts	
Defined benefit obligation	(89,503)
Plan assets	77,294
Deficit	(12,209)
Experience adjustments on plan assets	(142)
Experience adjustments on plan liabilities	(1,106)
Total amount recognised in the statement of total recognised gains and losses	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 2011, 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 2011 were therefore £7,700,000, in addition to the regular contributions of £1,183,000 (2010 £1,444,000). 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.

On 30 November 2010 the UK Government published the Occupational Pensions (Revaluation) Order 2010 which, with effect from 1 January 2011, changed the basis of UK general statutory pension indexation from the retail price index (RPI) to the consumer price index (CPI). The benefits of the members of the KPC UK Group defined benefit scheme are defined by specific reference in the scheme rules to RPI and consequently there is currently no impact on the company.

#### 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 £2,513,000 (2010 £542,000).

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 2011 were therefore £2,300,000, in addition to the regular contributions of £354,000 (2010 £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 £466,000 (2010 £645,000).

# **Kuwait Petroleum International Limited**

## **Notes to the financial statements for the year ended 31 March 2011 (continued)**

### **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, Mandy, 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 2011 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 was included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% 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.