

Registered number: 02073564

Kuwait Petroleum International Lubricants (UK) Limited
Annual report and financial statements
for the year ended 31 March 2021



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for year ended 31 March 2021

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Kuwait Petroleum International Lubricants (UK) Limited

Directors and advisors

DIRECTORS

D Wright
F Rouwens
C Macklam

COMPANY SECRETARY

P Coules

REGISTERED OFFICE

Dukes Court
Duke Street
Woking
England
GU21 5BH

INDEPENDENT AUDITORS

Deloitte LLP
Statutory Auditor
1 New Street Square
London
United Kingdom
EC4A 3HQ

Kuwait Petroleum International Lubricants (UK) Limited

Strategic report for the year ended 31 March 2021

The directors present their strategic report on Kuwait Petroleum International Lubricants (UK) Limited (the 'company' or 'Q8Oils UK') for the year ended 31 March 2021.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the company during the year were the distribution and sales of lubricating oils and greases for automotive and industrial purposes in the UK and Ireland, in addition to exporting to other countries.

The audited financial statements for the year ended 31 March 2021 are set out on pages 11 to 25. The results show a loss for the financial year of £1,245,000 (2020: loss of £1,366,000).

No dividend was paid during the financial year (2020: £nil).

On 1 March 2021, the company has sold the Q8Oils UK branded business, including the sales, marketing and distribution activities, to a third party. Subsequent to the sale the company no longer holds any inventory and no further product trading will take place. The sale did not result in a material gain or loss. The company continues to be financially supported by its parent and will recharge any further expenses to the group.

Therefore, these financial statements have been prepared on a basis other than that of a going concern solely due to cessation of product trading after 1 March 2021. There is no other impact on the presentation of the financial statements for the year ended 31 March 2021, including classification or measurement of any assets or liabilities.

KEY PERFORMANCE INDICATORS

	2021	2020
Decrease in revenue (%)	(33%)	(2%)
Debtor days	45	54

Sales decreased from £28,477,000 in the prior financial year to £19,117,000. The reduction in revenue was driven by a decrease in volume due to Covid-19 in the first quarter of the financial year, and the loss of volume on a large contract, as well as by a cessation of product trading after 1 March 2021. Cost of product reduced in the early part of the year, resulting in higher unit margins.

Administrative expenses showed a 5% increase compared to prior year due to additional storage and warehousing costs incurred by holding contingency stock for Brexit. This led to an operating loss of £1,173,000 (2020: operating loss of £1,213,000).

The financial position of the company as at 31 March 2021 showed total shareholders' deficit at £5,714,000 (2020: deficit of £4,469,000).

PRINCIPAL RISKS AND UNCERTAINTIES PRIOR TO CESSATION OF TRADING

Competitive pressure. Competitive pressure in the UK was managed by providing value added services to its customers, in terms of good customer relations and technical support.

Kuwait Petroleum International Lubricants (UK) Limited

Strategic report for the year ended 31 March 2021

(continued)

Foreign currency and financing. Some sales and purchases were made in Euros, however foreign exchange exposure was managed by contract with a sister company, Kuwait Petroleum International Treasury Services Limited, which performs the group treasury function for Kuwait Petroleum Corporation Group.

The company is financed by variable rate loans from its parent and group treasury services and has no third party debt.

Covid-19. The UK Government introduced unprecedented 'stay at home' restrictions on 23rd March 2020 in response to the Covid-19 pandemic.

The Covid-19 pandemic outbreak has reduced sales demand by 50% year-on-year during the first quarter of financial year 2020/21. In the next three quarters (Q4 only sales in January and February) the sales volumes have recovered to approximately 75% of the prior year sales demand.

The company has taken advantage of the government VAT deferment scheme, deferring the payment of £944,000 due in the first quarter of the financial year 2020/21, to mitigate potential cash flow risk.

The company has put in place systems to allow remote working to ensure minimal disruption to operations. No employees have been furloughed.

There has been no adverse effect on outstanding accounts receivable balances and the company has not had to recognise any bad debts or write off customer specific inventory due to Covid-19.

Brexit. Extensive work with suppliers has been undertaken to mitigate risks of the UK's exit from the EU. Following the final Brexit agreement in December 2020, there has been no material impact on supply or cost of importing goods from the European Union.

FUTURE DEVELOPMENTS

On 1 March 2021, the company has sold the Q8 Oils UK branded business activities, details are set out on page 3. The company has retained six marketing and IT employees on its payroll with costs being recharged to the group as these employees are serving wider Kuwait Corporation matters.

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



F Rouwens
Director
30 November 2021

Kuwait Petroleum International Lubricants (UK) Limited

Directors' report for the year ended 31 March 2021

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2021.

FINANCIAL RISK MANAGEMENT PRIOR TO CESSATION OF TRADING

The company's operations, prior to cessation of trading, exposed it to a variety of financial risks that included the price risk, credit risk and interest rate risk. The directors have not considered the liquidity risk and foreign exchange risk to be material to the company. The foreign exchange risk and funding has been obtained through the group treasury function and there is no outside exposure.

Price risk

The company has been exposed to commodity price risk as a result of its operations. However, given the size of the company's operations prior to cessation of trading, the cost of managing exposure to commodity price risk exceeded any potential benefits.

Credit risk

The company has implemented policies that required appropriate credit checks on potential customers before sales were made. The amount of exposure to any individual counterparty is subject to a limit.

Interest rate risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances. Interest bearing liabilities include amounts due to group undertakings. The company has a policy of maintaining debt at a variable rate.

DIRECTORS

The directors, who served during the year and up to the date of signing the financial statements, were as follows:

D Wright
N Grieve (resigned on 11 March 2021)
F Rouwens (appointed from 19 March 2021)
C Macklam

GOING CONCERN

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic report on pages 3 to 4. As referenced in the Strategic report, on 1 March 2021 the company has sold the Q8 Oils UK branded business including the sales, marketing and distribution activities to a third party.

Therefore, these financial statements have been prepared on a basis other than that of a going concern solely due to cessation of product trading after 1 March 2021. There is no other impact on the presentation of the financial statements for the year ended 31 March 2021, including classification or measurement of any assets or liabilities.

EMPLOYMENT POLICIES

Kuwait Petroleum International Lubricants (UK) Limited will conduct its business so that the health and safety of its employees, contractors and the public are protected in line with the overall Kuwait Petroleum International Safety, Health and Environmental Policy. The company is an equal opportunities employer, and provides facilities for the disabled where appropriate.

Kuwait Petroleum International Lubricants (UK) Limited

Directors' report for the year ended 31 March 2021

(continued)

MODERN SLAVERY STATEMENT

The information in this statement is made pursuant to the UK Modern Slavery Act 2015 and relates to the financial year ended 31 March 2021.

Introduction

Kuwait Petroleum International Lubricants (UK) Ltd ("the Company" or "Q8Oils UK") is committed to ensuring that there are no acts of modern day slavery or human trafficking within our own operations or within our supply chains.

About us

Q8Oils UK is a subsidiary of Kuwait Petroleum International Ltd. that is in turn a subsidiary of Kuwait Petroleum Corporation ("KPC"), Kuwait's oil conglomerate. Q8Oils business develops, blends and supplies lubricants and other petroleum derivatives globally mainly for automotive and industrial sectors.

Structure and supply chains

This Statement covers our direct operations and supply chains.

All group companies must comply with local legislation and regulations, and must conduct their activities in line with the KPC Code of Conduct, and our core values including integrity. We expect our contractors and suppliers to comply with applicable laws and the principles of the Code of Conduct.

Some of our suppliers may have their own supply chain and we encourage them to follow our expectations in relation to ethical business conduct.

Policies on modern slavery

In our Code of Conduct and related ethical business policies (including an anti-bribery policy, travel policy, employee handbook and others), and as further described in our sustainability report and CSR guidelines, the Company ensures that it provides a safe place to work. The Company will not support, condone or deal with any business knowingly involved in practices such as modern slavery forced labour and / or human trafficking.

Due diligence processes

As part of our supplier due diligence, Q8Oils has established supplier approval processes and procurement related processes which include a review of the controls undertaken by our suppliers. Contractual templates with suppliers include robust Modern Slavery provisions. We are also undertaking to update our safety walk checklists to cover identification of Modern Slavery risks. We have identified that products and services procured outside of the EU pose a higher risk for slavery and human trafficking issues. Senior management are aware of such risks and take greater care and scrutiny in relation to approving such suppliers.

Risk assessment

We will continue to assess and monitor the risk; however, the nature of our business means forced or involuntary labour is unlikely to occur within our own operations.

In relation to our supply chains, we have identified certain areas where scrutiny and monitoring is needed, like suppliers providing cleaning, catering and or facilities management services to our offices, particularly branches outside the EU, as well as any manufacturing and blending external facility outside the EU. Moreover, we have identified an increased risk when we face challenges to obtain copies of supplier's compliance procedures, and their willingness to provide contractual assurances.

Kuwait Petroleum International Lubricants (UK) Limited

Directors' report for the year ended 31 March 2021

(continued)

MODERN SLAVERY STATEMENT (continued)

Monitoring our effectiveness

Q8Oils directors and senior management will take the responsibility of implementing our policies and principles, and they will provide adequate resources and investment to ensure that slavery and human trafficking is not taking place within the organisation and its supply chains.

We will regularly review the effectiveness of our policies and processes, and will continue increasing the awareness of our personnel.

Training

It is vital that employees are made aware of the scale of modern slavery and the risks attached to it. Senior managers have been trained in the subject of Modern Slavery and have been involved in the due diligence process. From this training, it was identified that an industry specific training would be more beneficial. Subsequently a new bespoke training has been developed for all staff members in order to increase awareness. High-risk areas have been identified and employees are made aware on how to deal with potential labour rights and other modern slavery issues. All new joiners are required to complete an online training course, which introduces Modern Slavery. All other staff have been made aware of the relevant Company policies and Statement.

DIVIDENDS

There is no plan for payment of a dividend (2020: nil).

DIRECTORS' INDEMNITY STATEMENT

The company maintains third party indemnity insurance for its directors and officers which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

RESEARCH AND DEVELOPMENT

The company received an allocation of the Kuwait Petroleum International Lubricants Group research and development expenditure prior to 1 March 2021. Expenditure included the development and maintenance of product formulations, product safety support and technical advice and support.

Kuwait Petroleum International Lubricants (UK) Limited

Directors' report for the year ended 31 March 2021

(continued)

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STATEMENT ON INFORMATION GIVEN TO THE AUDITORS

Each of the directors at the date of the approval of this report confirms that:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 (2) of the Companies Act 2006.

The auditors, Deloitte LLP, have indicated their willingness to continue in office and are deemed to be reappointed.

Approved by the board of directors and signed on its behalf by:



F Rouwens
Director
30 November 2021

Kuwait Petroleum International Lubricants (UK) Limited

Independent auditor's report to the members of

Kuwait Petroleum International Lubricants (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Kuwait Petroleum International Lubricants (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive loss;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – financial statements prepared other than on a going concern basis

We draw attention to note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Kuwait Petroleum International Lubricants (UK) Limited

Report on the audit of the financial statements (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the UK Bribery Act.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Kuwait Petroleum International Lubricants (UK) Limited

Report on the audit of the financial statements (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

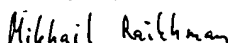
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:



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Mikhail Raikhman, CA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

30 November 2021

Kuwait Petroleum International Lubricants (UK) Limited
Statement of comprehensive loss
for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Revenue	4	19,117	28,477
Cost of sales		(15,345)	(24,163)
Gross profit		3,772	4,314
Distribution costs		(777)	(1,191)
Administrative expenses		(4,168)	(4,336)
Operating loss	5	(1,173)	(1,213)
Finance costs	6	(72)	(153)
Loss before taxation		(1,245)	(1,366)
Tax charge for the year	8	-	-
Loss and total comprehensive loss for the financial year		(1,245)	(1,366)

Kuwait Petroleum International Lubricants (UK) Limited

Statement of financial position as at 31 March 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Plant and equipment	9	-	44
Right-of-use asset	9	-	57
		-	101
Current assets			
Inventories	10	-	2,777
Trade and other receivables	11	2,382	4,493
Cash		1,065	1,530
		3,447	8,800
Creditors: amounts falling due within one year	12	(6,886)	(11,084)
Net current liabilities		(3,439)	(2,284)
Total assets less current liabilities		(3,439)	(2,183)
Creditors: amounts falling due after more than one year	13	(2,275)	(2,286)
Net liabilities		(5,714)	(4,469)
Capital and reserves			
Called-up share capital	14	4,400	4,400
Accumulated losses		(10,114)	(8,869)
Total shareholders' deficit		(5,714)	(4,469)

The financial statements on pages 12 to 25 were approved by the board of directors on 30 November 2021 and were signed on its behalf by:



F Rouwens
Director
Registered number: 02073564

Kuwait Petroleum International Lubricants (UK) Limited
Statement of changes in equity
for the year ended 31 March 2021

	Called-up share capital	Accumulated losses	Total shareholders' deficit
	£'000	£'000	£'000
Balance as at 1 April 2019	4,400	(7,503)	(3,103)
Loss for the financial year	-	(1,366)	(1,366)
Total comprehensive loss for the year	-	(1,366)	(1,366)
Balance at 31 March 2020	4,400	(8,869)	(4,469)
Loss for the financial year	-	(1,245)	(1,245)
Total comprehensive loss for the year	-	(1,245)	(1,245)
Balance at 31 March 2021	4,400	(10,114)	(5,714)

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2021

1 General information

The principal activities of the company prior to 1 March 2021 were the filling and distribution of lubricating oils and greases for automotive and industrial purposes in the UK and Ireland, in addition to exporting to other countries. From 1 March 2021 the company provides services to wider Kuwait Corporation entities. The company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is Dukes Court, Duke Street, Woking, 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 Lubricants (UK) Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under historical cost convention and in accordance with the Companies Act 2006.

On 1 March 2021, the company has sold the Q8 Oils UK branded business, including the sales, marketing and distribution activities, to a third party. The sale did not result in a material gain or loss. As part of the sale, the company realized plant and equipment with the carrying amount as at 1 March 2021 of £9,040 for £1. Inventory balance as of the same date of £1,387,000 (after a write-down to net realisable value – see Note 5) was disposed of for £1,894,000. In parallel, the company paid £507,000 to the acquirer of the business.

The company undertook to reimburse the acquirer in case of a breach of any warranties issued under the agreement. No provisions have been accrued in connection with the warranties.

Subsequent to the transaction the company no longer holds any inventory and no further product trading is taking place. The company's personnel excluding 6 employees responsible for wider support of Kuwait Petroleum International was transferred to the acquirer under The Transfer of Undertakings (Protection of Employment) Regulations 2006 with no severance and redundancy payments due. The company continues to be financially supported by its parent and will recharge any further expenses to the group.

Therefore, these financial statements have been prepared on a basis other than that of a going concern due to the sale of the core business and the resulting cessation of product trading after 1 March 2021. There is no other impact on the presentation of the financial statements for the year ended 31 March 2021, including classification or measurement of any assets or liabilities.

The financial statements are presented in pounds sterling (£), which is also the company's functional currency.

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2021

2 Summary of significant accounting policies (continued)

Basis of accounting (continued)

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions available under that standard. Where relevant, equivalent disclosures have been given in the group accounts of KPC Holdings (Aruba) A.E.C.

- IFRS 7, 'Financial instruments: disclosures';
- Paragraph 38 of IAS 1, 'Presentation of financial statements' and comparative information requirements in respect of paragraph 73(e) of IAS 16, 'Property, plant and equipment';
- Disclosure exemptions from the second sentence of paragraph 110, and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from contracts with customers';
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements

for the year ended 31 March 2021 (continued)

2 Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures

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.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. All exchange differences are charged to the profit and loss account.

Plant and equipment

Plant and equipment, prior to their disposal as a result of the sale of the core business, were stated at cost less provision for impairment and accumulated depreciation. Cost included the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The cost of the assets, less their estimated residual values, was written off on a straight-line basis at rates designed to write off costs, less residual value, over the estimated useful lives. Plant and equipment were depreciated over a term of 3 to 10 years.

Leases

Prior to their disposal as a result of the sale of the core business, all lease contracts were recognised in the financial statements by way of right-of-use assets and corresponding lease liabilities. The lease liabilities were measured at the present value of the future lease payments and discounted using incremental borrowing rates. The right-of-use-assets were recognised at the amounts equal to the initial measurement of the respective lease liabilities and depreciated on a straight-line basis over the lease term.

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

Inventories

Inventories, prior to their disposal as a result of the sale of the core business, were valued at the lower of cost and net realisable value. Cost was determined on a first in first out basis. Net realisable value is the price at which inventory can be sold in the normal course of business after allowing for the costs of realisation. Where necessary, provision was made for obsolete, slow moving and defective inventory.

Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for expected credit loss.

Cash and cash equivalents

Cash includes cash in hand and deposits held at call with banks.

Share capital

Ordinary shares are classified as equity.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Financial instruments

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

The company's financial assets are subsequently carried at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

The company recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The company always recognises lifetime ECL (expected credit losses) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Financial assets and liabilities are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

Revenue recognition

Prior to the sale of the core business, revenue from the sales of lubricating oils and greases was measured in accordance with IFRS 15, 'Revenue from contracts with customers' and represented amounts that reflect the consideration to which the company expected to be entitled in exchange for these goods. The company recognised revenue in the period in which the transfer of control of the goods (transfer of a legal title for risks and rewards) occurred.

Income tax

The tax expense for the period comprises current and deferred tax. Income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that 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.

3 Critical accounting judgements and key sources of estimation uncertainty

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 could, by definition, seldom equal the related actual results. There are no estimates or assumptions that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In the directors' opinion there are no critical accounting judgements applied or key sources of estimation uncertainty in the current year.

4 Revenue

Revenue, operating losses and net liabilities all originate in the UK and were derived entirely from the company's principal activity, sale of lubricating oils. Rebate agreements were in place for some customers based on purchased volume during the year and accrued when the required volume for a rebate was achieved. The geographical analysis of revenue by destination is as follows:

	2021 £'000	2020 £'000
United Kingdom	18,178	25,042
Rest of Europe	939	3,435
	19,117	28,477

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

5 Operating loss

Operating loss is stated after charging / (crediting):

	2021 £'000	2020 £'000
Inventory recognised as an expense	15,345	24,163
Staff costs (note 7)	1,274	1,385
Write-down of inventories to net realisable value	507	-
Research and development	459	478
Depreciation of right-of-use assets	79	-
Depreciation on plant and equipment (note 9)	19	25
Inventory write-down to net realisable value	-	22
Reversal of expected credit losses on trade receivables	(17)	(1)
Foreign exchange loss	8	20
Services provided by the company's auditor		
- Fees payable for the audit	21	19

6 Finance costs

	2021 £'000	2020 £'000
Interest payable and similar charges		
Interest payable to immediate parent company	(36)	(41)
Interest payable to other group companies	(36)	(112)
Total finance costs	(72)	(153)

7 Employee information

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

	2021 £'000	2020 £'000
Wages and salaries	944	1,018
Social security costs	124	125
Other pension costs (note 15)	206	242
Total employee costs	1,274	1,385

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

7 Employee information (continued)

The average monthly number of employees including directors was:

By activity	2021 Number	2020 Number
Administration and sales	20	24
Total average head count	20	24

Directors' remuneration:

	2021 £'000	2020 £'000
Aggregate emoluments (excluding pension contributions)	80	72

The above details of directors' emoluments do not include the emoluments of two directors, who are paid by a fellow subsidiary (Kuwait Petroleum (Belgium) N.V.) and recharged to the company as part of a management charge. This management charge, which in 2021 amounted to £472,000 (2020: £443,000) also includes a recharge of administration costs borne by the fellow subsidiary on behalf of the company.

The company's contributions to pension schemes on behalf of 1 (2020:1) directors were £8,000 (2020: £6,000). Pension details are shown in note 15.

8 Tax charge

	2021 £'000	2020 £'000
Current tax	-	-
Deferred tax	-	-
Tax charge for the year	-	-

The standard rate of corporation tax in the UK for the years ended 31 March 2021 and 2020 was 19%. The differences between the tax charged and tax on loss at the standard rate are explained below:

	2021 £'000	2020 £'000
Loss on ordinary activities before tax	(1,245)	(1,366)
Tax on loss on ordinary activities at standard rate of 19%	(236)	(260)
Effects of:		
Group relief surrendered to other undertakings for nil consideration	-	275
Unrecognised deferred tax asset	118	-
Non-deductible expenses	116	-
Other	2	(15)
Total tax charge	-	-

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

8 Tax charge (continued)

The company has a deferred tax asset of £1,035,000 (2020: £917,000) which has not been recognised as there is insufficient evidence of future taxable profits against which the deferred tax asset can be realised.

The unrecognised deferred tax asset is made up as follows:

	2021 £'000	2020 £'000
Losses (no expiry date)	961	832
Accelerated capital allowances	72	79
Other	2	5
Net deferred tax asset	1,035	917

A UK corporation rate of 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will impact the company's future tax charge.

9 Tangible fixed assets

	Plant and equipment £'000	Right-of-use assets £'000
Cost		
At 1 April 2020	205	128
Additions	-	22
Disposals	(205)	(150)
At 31 March 2021	-	-
Accumulated depreciation		
At 1 April 2020	(161)	(71)
Charge for the financial year	(19)	(79)
Disposals	180	150
At 31 March 2021	-	-
Net book value		
At 31 March 2021	-	-
At 1 April 2020	44	57

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

10 Inventories

	2021 £'000	2020 £'000
Finished goods	-	2,777

The write-down of inventories' balance to net realisable value as of 31 March 2021 is nil (2020: £145,000).

11 Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	2,341	4,212
Amounts owed by group undertakings	29	211
Other receivables	1	51
Prepayments and accrued income	11	19
	2,382	4,493

The provision for expected credit losses on trade receivables as at 31 March 2021 is nil (2020: £17,000).

12 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	406	807
Amounts owed to group undertakings	6,286	9,331
Taxation and social security	10	592
Accruals and deferred income	184	307
Lease liability	-	47
	6,886	11,084

Amounts owed to group undertakings are unsecured, repayable on demand and bear interest at floating rates linked to LIBOR.

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

13 Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Amounts owed to the immediate parent company	2,275	2,275
Lease liability	-	11
	2,275	2,286

The loan to the immediate parent is due on 31 March 2024. The interest rate is 12 month LIBOR plus 0.75%. The loan may be repaid earlier at the borrower's option and is unsecured.

14 Called-up share capital

	2021 £'000	2020 £'000
Authorised		
4,500,000 (2019: 4,500,000) ordinary shares of £1 each	4,500	4,500
Allotted and fully paid		
4,400,000 (2019: 4,400,000) ordinary shares of £1 each	4,400	4,400

15 Pension costs

The company participates in a funded, defined benefit pension plan called the KPC UK Group Retirement Plan. The plan is closed to new members. The assets and liabilities of the plan are recognised in full in the financial statements of Kuwait Petroleum International Limited (KPI Ltd.), a fellow subsidiary. KPI Ltd. bears the majority of the risks and rewards of the plan and as such, in accordance with IAS 19R, it is appropriate to recognise the full defined benefit plan deficit in that entity. Full disclosures regarding the plan are included in the financial statements of KPI Ltd, which are publicly available from Companies House.

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

The total pension cost for the company for the financial year was £206,000 (2020: £242,000). Of this £140,000 (2020: £175,000) relates to a recharge from KPI Ltd. in respect of the defined benefit scheme. The cost relating to the UK defined contribution scheme was £66,000 (2020: £67,000).

Kuwait Petroleum International Lubricants (UK) Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

16 Commitments

The company leases land and buildings for its office space and has the following future minimum lease payments under non-cancellable leases as set out below:

	2021 Land and buildings £'000	Other £'000	2020 Land and buildings £'000	Other £'000
Not later than one year	-	-	47	-
Later than one year and not later than five years	-	-	11	-
	-	-	58	-

17 Post balance sheet events

In June 2021, the registered office was changed from 2nd Floor, 3 Colton Mill, Bullerthorpe Lane, Leeds, LS15 9JN, England to Dukes Court, Duke Street, Woking, GU21 5BH.

18 Controlling parties

The parent company of the largest group of undertakings for which group financial statements are drawn up, and of which the company is a member, is Kuwait Petroleum Corporation (the company's ultimate parent), a company incorporated in Kuwait. Kuwait Petroleum Corporation is owned by the government of Kuwait, who represent the ultimate controlling party. Kuwait Petroleum Corporation financial statements can be obtained from the registered address P.O. Box 26565, 13126 Safat, Kuwait. The immediate parent company of the smallest such group is KPC Holdings (Aruba) A.E.C. (the registered address Lloyd G. Smith Blvd. 62, Suite 301, Oranjestad, Aruba) incorporated in Aruba. Copies of the consolidated financial statements of KPC Holdings (Aruba) A.E.C. can be obtained from Dukes Court, Duke Street, Woking, Surrey, GU21 5BH.