

006023/20

OS AA01

Statement of details of parent law and other
information for an overseas company



Companies House

☒ **What this form is for**
You may use this form to
accompany your accounts
disclosed under parent law.

☐ **What this form is NOT for**
You cannot use this form to
an alteration of manner of
with accounting requirements

THURSDAY



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COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of
overseas company ①

Kuwait Petroleum Corporation

UK establishment
number

B R 0 1 2 2 8 7

→ **Filling in this form**
Please complete in typescript or in
bold black capitals.

All fields are mandatory unless
specified or indicated by *

① This is the name of the company in
its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and,
if applicable, the legislation under which the accounts have been audited.

Legislation ②

Decree Law No. 6 of 1980

② This means the relevant rules or
legislation which regulates the
preparation and, if applicable, the
audit of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box.

☐ **No. Go to Section A3.**

☒ **Yes. Please enter the name of the organisation or other
body which issued those principles below, and then go to Section A3.**

③ Please insert the name of the
appropriate accounting organisation
or body.

Name of organisation
or body ③

International Financial Reporting Standards

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box.

☐ **No. Go to Section A5.**

☒ **Yes. Go to Section A4.**

Statement of details of parent law and other information for an overseas company

CHFP000
05/12 Version 5.0

OS AA01

Statement of details of parent law and other information for an overseas company

**Presenter information**

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name **Amrita Dhillon**Company name **Kuwait Petroleum International****Aviation Co**Address **Dukes Court****Dukes Street**Post town **Woking**

County/Region

Postcode **G U 2 1 5 B H**Country **United Kingdom**

DX

Telephone **07908743765****Important information**

Please note that all this information will appear on the public record.

**Where to send**

You may return this form to any Companies House address:

England and Wales:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:

The Registrar of Companies, Companies House,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post).

Northern Ireland:

The Registrar of Companies, Companies House,
Second Floor, The Linenhall, 32-38 Linenhall Street,
Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.

**Checklist**

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

**Further information**

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

**Kuwait Petroleum Corporation
and Subsidiaries
State of Kuwait**

**Consolidated financial statements
and independent auditor's report
for the year ended 31 March 2012**



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13/11/2010
COMPANIES HOUSE

<i>Contents</i>	<i>Page</i>
Independent auditor's report	1 - 2
Consolidated statement of financial position	3
Consolidated statement of comprehensive income	4
Consolidated statement of changes in equity	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7 - 52



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Independent auditor's report

His Highness, Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah
The Prime Minister and
Chairman of the Supreme Council for Petroleum
State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Kuwait Petroleum Corporation ("the Corporation") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 March 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2012, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the Law Decree No. 6 of 1980.

Report on other legal and regulatory requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Law Decree No. 6 of 1980. In our opinion, proper books of account have been kept by the Corporation and the accounting information given in the board of directors' report agrees with the books of account. We have not become aware of any contravention, during the year ended 31 March 2012, of the Law Decree No. 6 of 1980, that would materially affect the Group's activities or its consolidated financial position.

Safi A. Al-Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

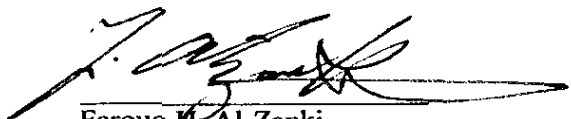
Kuwait: 29 August 2012

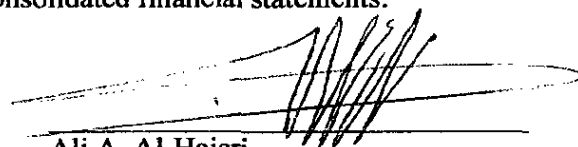
Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

Consolidated statement of financial position
as at 31 March 2012

	Notes	2012 KD'000	2011 KD'000
Assets			
Non-current assets			
Property, plant and equipment	5	9,611,795	8,780,663
Goodwill	6	159,550	161,999
Intangible assets	7	143,911	158,216
Deferred tax assets	14	28,586	8,147
Other non-current assets	8	228,516	268,096
Available-for-sale investments	9	4,698,143	4,478,052
Investments in equity accounted investees	10	408,875	385,087
		<u>15,279,376</u>	<u>14,240,260</u>
Current assets			
Inventories	11	2,006,978	1,991,387
Trade receivables	12	5,305,832	4,012,508
Other receivables and prepayments	13	859,217	876,503
Taxes receivable	14	19,142	41,464
Bank balances and cash	15	3,838,796	2,819,070
		<u>12,029,965</u>	<u>9,740,932</u>
Total assets		<u>27,309,341</u>	<u>23,981,192</u>
Equity and liabilities			
Equity			
Authorised and paid-up share capital		2,500,000	2,500,000
Statutory reserve	16	1,250,000	1,250,000
Capital reserve	17	232,945	232,945
General reserve	18	13,230,637	11,732,563
Reserve for replacement and renewal of property, plant and equipment	19	2,003,691	1,733,691
Cumulative changes in fair values		262,343	210,477
Foreign currency translation reserve		(23,827)	46,990
Equity attributable to equity holder of the Corporation		<u>19,455,789</u>	<u>17,706,666</u>
Non-controlling interest		<u>40,174</u>	<u>38,673</u>
Total equity		<u>19,495,963</u>	<u>17,745,339</u>
Non-current liabilities	20	<u>1,127,211</u>	<u>1,125,227</u>
Current liabilities			
Trade payables		785,899	753,138
Other credit balances	21	3,699	3,672
Other payables and accruals	22	2,043,400	1,102,324
Taxes payable	14	289,720	301,467
Amounts due to Ministry of Oil	23	3,563,449	2,950,025
		<u>6,686,167</u>	<u>5,110,626</u>
Total liabilities		<u>7,813,378</u>	<u>6,235,853</u>
Total equity and liabilities		<u>27,309,341</u>	<u>23,981,192</u>

The accompanying notes form an integral part of these consolidated financial statements.


Farouq M. Al-Zanki
Deputy Chairman & CEO


Ali A. Al-Hajeri
Managing Director – Finance Affairs

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

Consolidated statement of comprehensive income
for the year ended 31 March 2012

	Notes	2012 KD'000	2011 KD'000
Revenues			
Sales of crude oil, gas, refined products and petrochemicals		40,098,278	28,820,561
Revenues from consultancy and other operations	25	278,398	264,444
		<u>40,376,676</u>	<u>29,085,005</u>
Cost of revenues			
Cost of sales of crude oil, gas, refined products and petrochemicals		(37,460,878)	(26,646,228)
Cost of consultancy and other operations		(252,396)	(178,334)
		<u>(37,713,274)</u>	<u>(26,824,562)</u>
Gross profit		2,663,402	2,260,443
Depreciation and amortisation		(318,063)	(304,638)
General and administrative expenses		(316,988)	(248,791)
Provision for a legal claim	40	(695,400)	-
Provision for doubtful debts		(1,367)	(899)
Provision for impairment on property, plant and equipment		(32,325)	(40,938)
Other income (net)	27	231,792	144,539
Operating profit		<u>1,531,051</u>	<u>1,809,716</u>
Interest income		30,249	28,595
Interest expense		(14,607)	(12,967)
Net interest income		<u>15,642</u>	<u>15,628</u>
Investment income	26	164,375	149,020
Share of profit of equity accounted investees	10	155,861	130,318
Directors' remuneration	28	(99)	(70)
Profit before provision for income tax		<u>1,866,830</u>	<u>2,104,612</u>
Income tax expense	14	(96,205)	(99,350)
		<u>1,770,625</u>	<u>2,005,262</u>
Provision for replacement and renewal of property, plant and equipment	19	(270,000)	-
Profit for the year		<u>1,500,625</u>	<u>2,005,262</u>
Other comprehensive income			
Foreign currency translation differences for foreign operations		(70,817)	(17,377)
Net change in fair value of available-for-sale investments		51,866	139,729
Other comprehensive income for the year		<u>(18,951)</u>	<u>122,352</u>
Total comprehensive income for the year		<u>1,481,674</u>	<u>2,127,614</u>
Profit attributable to:			
Equity holder of the Corporation		1,498,074	2,010,980
Non-controlling interest		2,551	(5,718)
Profit for the year		<u>1,500,625</u>	<u>2,005,262</u>
Total comprehensive income attributable to:			
Equity holder of the Corporation		1,479,123	2,133,332
Non-controlling interest		2,551	(5,718)
Total comprehensive income for the year		<u>1,481,674</u>	<u>2,127,614</u>

The accompanying notes form an integral part of these consolidated financial statements.

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

Consolidated statement of changes in equity
for the year ended 31 March 2012

	Attributable to equity holder of the Corporation							Non-controlling interest KD'000	Total equity KD'000 (Restated)
	Authorised and paid-up share capital KD'000	Statutory reserve KD'000	Capital reserve KD'000	General reserve KD'000 (Restated)	Reserve for replacement of fixed assets KD'000	Cumulative changes in fair values KD'000	Foreign currency translation reserve KD'000		
Balance at 31 March 2010 as previously reported	2,500,000	1,250,000	232,945	9,760,038	1,733,691	70,748	64,367	45,964	15,657,753
Effect of prior years' adjustments (note 38)	-	-	-	(38,455)	-	-	-	-	(38,455)
Restated balance at 31 March 2010	2,500,000	1,250,000	232,945	9,721,583	1,733,691	70,748	64,367	45,964	15,619,298
Profit for the year	-	-	-	2,010,980	-	-	-	(5,718)	2,005,262
Other comprehensive income	-	-	-	-	-	139,729	(17,377)	-	122,352
Total comprehensive income	-	-	-	2,010,980	-	139,729	(17,377)	(5,718)	2,127,614
Net movement in non-controlling interest	-	-	-	-	-	-	-	(1,573)	(1,573)
Balance at 31 March 2011	2,500,000	1,250,000	232,945	11,732,563	1,733,691	210,477	46,990	38,673	17,745,339
Profit for the year	-	-	-	1,498,074	-	-	-	2,551	1,500,625
Other comprehensive income	-	-	-	-	-	51,866	(70,817)	-	(18,951)
Total comprehensive income	-	-	-	1,498,074	-	51,866	(70,817)	2,551	1,481,674
Reserve for replacement and renewal of fixed assets	-	-	-	-	270,000	-	-	-	270,000
Net movement in non-controlling interest	-	-	-	-	-	-	-	(1,050)	(1,050)
Balance at 31 March 2012	2,500,000	1,250,000	232,945	13,230,637	2,003,691	262,343	(23,827)	40,174	19,495,963

The accompanying notes form an integral part of these consolidated financial statements.

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

Consolidated statement of cash flows
for the year ended 31 March 2012

	Notes	2012 KD'000	2011 KD'000
Cash flows from operating activities:			
Profit for the year		1,500,625	2,005,262
<i>Adjustments for:</i>			
Depreciation and amortisation		318,063	304,638
Provision for replacement and renewal of property, plant and equipment		270,000	-
Provision for doubtful debts		1,367	899
Provision for impairment on property, plant and equipment		32,325	40,938
Write off of unsuccessful exploration		19,768	26,115
Provision for employees' terminal benefits and pensions		113,234	30,174
Loss on disposal of property, plant and equipment		1,286	821
Share of profit of equity accounted investees		(155,861)	(130,318)
Interest income		(30,249)	(28,595)
Interest expense		14,607	12,967
Income tax expense		96,205	99,350
Investment income		(164,375)	(149,020)
		<u>2,016,995</u>	<u>2,213,231</u>
<i>Changes in operating assets and liabilities:</i>			
Increase in inventories		(15,591)	(499,025)
Increase in trade receivables		(1,294,691)	(1,088,057)
Decrease/ (increase) in other receivables and prepayments		17,286	(278,189)
Increase in non-current liabilities		30,111	29,188
Increase in trade payables		32,761	128,948
Increase in other payables, accruals and other credit balances		941,076	123,999
Increase in amounts due to Ministry of Oil		<u>1,059,649</u>	<u>1,226,226</u>
Cash generated from operations		<u>2,787,596</u>	<u>1,856,321</u>
Interest paid		(14,607)	(12,967)
Taxes (paid)/ received (net)		<u>(9,864)</u>	<u>50,957</u>
Net cash from operating activities		<u>2,763,125</u>	<u>1,894,311</u>
Cash flows from investing activities:			
Decrease in deposits maturing after 3 months		113,177	617,854
Increase in available-for-sale investments		(3,850)	(730,960)
Net movement in equity accounted investees		132,073	115,390
Additions to intangible assets		(11,050)	(11,257)
Additions to goodwill		(2,286)	(193)
Increase in other non-current assets		(56,625)	(193,554)
Purchase of property, plant and equipment		(1,703,248)	(1,504,571)
Proceeds from disposal of property, plant and equipment		74,139	103,478
Interest received		30,249	28,595
Net cash used in investing activities		<u>(1,427,421)</u>	<u>(1,575,218)</u>
Cash flows from financing activities:			
Decrease in term loans, net		(141,361)	(74,403)
Change in non-controlling interest		(1,050)	(1,573)
Net cash used in financing activities		<u>(142,411)</u>	<u>(75,976)</u>
Net effect of foreign currency translation adjustments		<u>(60,390)</u>	<u>(11,546)</u>
Net increase in cash and cash equivalents		<u>1,132,903</u>	<u>231,571</u>
Cash and cash equivalents at beginning of the year		<u>1,778,893</u>	<u>1,547,322</u>
Cash and cash equivalents at end of the year	15	<u>2,911,796</u>	<u>1,778,893</u>
Short-term deposits maturing after 3 months	15	<u>927,000</u>	<u>1,040,177</u>
Bank balances and cash at end of the year	15	<u>3,838,796</u>	<u>2,819,070</u>

The accompanying notes form an integral part of these consolidated financial statements.

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

1. Corporate information

The Kuwait Petroleum Corporation (“the Corporation”) is wholly-owned by the Government of the State of Kuwait. The Corporation was established by Law Decree No. 6 of 1980 which came into effect on 27 January 1980. The principal activities of the Corporation and its subsidiaries (together referred to as “the Group”) include exploration, drilling, production, storage, refining, processing, transportation, distribution and marketing of crude oil, natural gas, chemical, petrochemical and associated products. The marketing of crude oil and petroleum products produced by subsidiaries in the State of Kuwait is undertaken by the Corporation. The entire Group’s other activities, including the marketing of crude oil and petroleum products produced by subsidiaries outside the State of Kuwait are carried out through its subsidiaries, associates and joint ventures. The principal subsidiaries, associates and joint ventures are set out in note 36. The Group operates principally in the Middle East, Far East, Western Europe and the U.S.A.

Crude oil produced in the State of Kuwait becomes the property of the Government of the State of Kuwait, which reimburses the production costs of the producing subsidiaries. The Corporation purchases crude oil and natural gas from the Government of the State of Kuwait in accordance with the terms of the applicable Decree issued on 17 January 1981.

The address of the Corporation’s registered office is P.O. Box 26565, Safat 13126, State of Kuwait.

The consolidated financial statements of the Group for the year ended 31 March 2012 were authorised for issue in accordance with a resolution of the directors on 29 August 2012. These consolidated financial statements are subject to change upon approval of the Supreme Council for Petroleum.

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Law Decree No. 6 of 1980 and International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (IASB).

b) Basis of measurement

The consolidated financial statements are prepared under the historical cost convention, modified for the measurement at fair value of available-for-sale investments and derivative financial instruments.

c) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Kuwaiti Dinars, which is the Group’s presentation currency. All financial information presented in Kuwaiti Dinars has been rounded to the nearest thousand.

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

d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 4.

e) New standards, interpretations and amendments effective from 1 April 2011

The Improvements to IFRSs 2010 made several minor amendments to a number of IFRSs. None of the new standards, interpretations and amendments, effective for the first time from 1 April 2011, have had a material effect on the consolidated financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently by the Group to all periods presented in these consolidated financial statements.

a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and its principal subsidiaries. Details of the principal consolidated subsidiaries are included in note 36.

The financial statements of subsidiaries are prepared using accounting policies that are consistent with those applied by the Corporation. Adjustments are made to conform any material dissimilar accounting policies that may exist.

Non-controlling interest principally represent the portion of profit or loss and net assets in subsidiaries of Kuwait Aromatics Company K.S.C. and Petrochemical Industries Company K.S.C. not held by the Corporation and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated Statement of financial position, separately from the Corporation's equity.

Subsidiaries are those enterprises controlled by the Corporation. Control exists when the Corporation has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Intra-group balances and transactions, including intra-group profits and unrealised profits and losses are eliminated on consolidation. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Unconsolidated subsidiaries

In the opinion of the management, the total assets, liabilities and results of the unconsolidated subsidiaries are not significant to the Group's consolidated financial statements. Accordingly, these subsidiaries have not been consolidated. These entities did not have significant operations during the year.

Accounting periods of subsidiaries

The Group's financial year was from 1 April 2011 to 31 March 2012. The financial year of the Corporation's significant subsidiaries is the same as that of the Corporation with the exception of Kuwait Foreign Petroleum Exploration Company K.S.C., Kuwait Gulf Oil Company K.S.C. (Closed), KPC Energy Ventures, Inc. and Kuwait Aromatics Company K.S.C.C. ("KARO"), whose financial years were from 1 January 2011 to 31 December 2011. Where such subsidiaries do not prepare financial statements up to the same date as that of the Group, adjustments are made for the effects of any significant events or transactions which have occurred in the months following the year end of these subsidiaries.

b) Property, plant and equipment

i. Oil and gas properties

Oil and gas exploration and producing activities are accounted for using the "successful efforts" method of accounting, whereby costs of geological and geophysical operations and exploratory drilling costs proven to be non-productive are expensed. Successful exploratory and developmental drilling costs are capitalised and amortised using the unit-of-production method for operations outside the State of Kuwait. Exploration and development drilling costs for operations in the State of Kuwait are capitalised and amortised on a straight-line basis over 10 years.

ii. Other property, plant and equipment

Other property, plant and equipment are initially recorded at cost. Costs incurred for routine and cyclical maintenance and repairs and renewals are expensed when incurred. The costs of major inspection or overhaul costs are capitalised as a separate inherent component of an asset if they can be reliably estimated, future economic benefits are expected to flow and the Group has already depreciated an amount representing the inherent components that have been replaced or restored by the major inspection or overhaul. Major repairs and renewals of an asset or major components thereof, which improve the standard of performance or which extend the useful life of the asset beyond that originally assessed at the time of acquisition, are capitalised and depreciated over the useful life of the asset.

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

iii. Other assets under construction

Assets in the course of construction are carried at cost, less any recognized impairment loss. Cost includes all capital costs in accordance with the Group's accounting policy. Assets under construction are transferred to the related assets under property, plant and equipment when the underlying project is substantially completed and the related asset is brought into use.

Depreciation of these assets commences when the assets are ready for their intended use.

c) Depreciation

Depreciation is provided on a straight-line basis on other property, plant and equipment, other than freehold land and assets under construction. The rates of depreciation are based upon the following estimated useful lives:

Oil and gas properties	3 - 10 years
Tankage, pipelines and jetties	5 - 25 years
Plant and machinery	3 - 33 years
Oil and gas tankers	5 - 20 years
Camps, buildings and facilities	4 - 40 years
Vehicles, transportation equipment and other assets	3 - 20 years
Construction and general equipment	5 years
Well drilling and seismic surveys	10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

d) Goodwill

Goodwill recognised as an asset

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest; and over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill on acquisitions after 31 March 2004 is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash generating unit and part of the operation within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess of fair value over purchase consideration

Excess of fair value over purchase consideration on acquisition is measured at the excess of the Corporation's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Excess of fair value over purchase consideration is recognised immediately in profit or loss.

e) Intangible assets

Intangible assets consist of application software, license costs, intellectual property and other agreements. Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditures are charged against profits in the year in which the expenditure is incurred. All intangible assets have finite lives and are amortised on a straight line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

The Group amortises certain licence costs over a thirty year period, rather than twenty years as presumed by IAS 38, as the Group considers such costs to be closely associated with the economic life of the land, buildings and facilities which are the subject of the licences.

f) Available-for-sale investments

Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Group becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available-for-sale are initially recorded at fair value plus any attributable transaction costs and subsequently measured at fair value, unless this cannot be reliably measured in which case they are carried at cost less impairment losses.

Fair value changes are recognised in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

g) Investments in associated companies (equity accounted investees)

The Group's investments in its associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate.

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

The profit or loss reflects the share of the results of operations of the investee. Where there has been a change recognised in other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in other comprehensive income.

Distributions received from an associate reduce the carrying amount of the investment.

An assessment of investment in an associate is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

h) Interests in joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Interests in joint ventures are accounted for using the proportionate consolidation method. The Group combines its share of each of the assets, liabilities, income and expenses of the joint ventures with the similar items, line by line, in its consolidated financial statements. The financial statements of the joint ventures are prepared at 31 December; accordingly, adjustments are made for the effect of any significant events or transactions occurring in the months between the year end of the joint ventures and 31 March.

Where practicable, adjustments are made to the joint ventures' audited financial statements to bring them in line with the Group's accounting policies.

The joint ventures are proportionately consolidated from the date of acquisition of joint control until the date on which the Group ceases to have joint control over the joint ventures. All intra-group transactions and balances are eliminated to the extent of the Group's share in the joint ventures.

i) Inventories

i) Crude oil and petroleum products

Crude oil inventory is valued at the lower of average cost and net realisable value at the year end. The cost of crude oil to the Corporation is determined by the Government of Kuwait in accordance with the Decree issued on 17 January 1981. The formula for establishing the cost of crude oil has been revised in accordance with a resolution by the Supreme Council for Petroleum effective 1 July 1997.

Liquefied petroleum gas and finished products are valued at the lower of cost and net realisable value. Cost is determined using the weighted average method on an individual product basis. Costs are those expenses incurred in bringing each product to its present location and condition. This includes cost of crude oil and natural gas supplied plus an allocation of processing costs and overheads to each product based on their relative market values.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

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

ii) **Other**

Spare parts, materials and supplies mainly used in operations are valued at lower of cost and net realisable value. Cost is determined using the weighted average cost method. Provision is made for slow moving items where necessary and is recognised in profit or loss.

j) **Trade receivables**

Trade receivables are stated at their cost less impairment losses. Long term receivables are discounted to their net present value and are stated at amortised cost less impairment losses.

k) **Deferred expenses**

The deferred expenses mainly represent catalysts used in the refining process which are amortised on a straight line basis over their estimated useful lives less impairment losses. Deferred expenses are recognised to the extent that the expenses incurred represent the future economic benefits to flow to the Corporation.

l) **Cash and cash equivalents**

Cash and cash equivalents for the purpose of preparing the consolidated statement of cash flows comprise cash, short-term bank deposits and highly liquid investments with a maturity date not exceeding three months from the date of placement.

m) **Recognition and de-recognition of financial assets and liabilities**

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is derecognised either when the Group has transferred substantially all the risks and rewards of ownership or when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the asset or a proportion of the asset. A financial liability is de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

n) **Impairment**

Impairment of non financial assets

An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of an asset's net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An assessment is made at each reporting date to determine whether there is objective evidence that an asset may be impaired. If such evidence exists, an impairment loss is recognised in profit or loss.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

An impairment loss in respect of goodwill is not reversed. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment and un-collectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or Group of financial assets may be impaired. If such evidence exists, any impairment loss is recognised in profit or loss. Impairment is determined as follows:

- i. For assets carried at fair value, impairment is the difference between acquisition cost and fair value;
- ii. For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- iii. For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

o) Trade payables

Trade payables are stated at their amortised cost.

p) Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

q) Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The Group's investments in foreign subsidiaries, associates and joint ventures are translated into Kuwaiti Dinars at the year end rates of exchange and the results of the subsidiaries, associated companies and joint ventures are translated into Kuwaiti

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

Dinars at the average rates of exchange for the year. Foreign currency differences on the translation of foreign operations are recognised in other comprehensive income. When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

r) Fair values

For investments traded in an active market, fair value is determined by reference to quoted market bid prices.

For unquoted equity investments, fair value is determined by reference to recent arm's length market transactions, market value of a similar investment, expected discounted cash flows or other valuation models.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates with the same maturity.

Investments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

For other financial assets and liabilities, fair value is determined based on expected future cash flows and management's estimate of the amount at which these assets could be exchanged for cash on an arm's length basis or a liability settled to the satisfaction of creditors.

s) Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

t) Taxes on income

Income tax expense represents the sum of tax currently payable and deferred tax relating to individual subsidiaries and their local tax jurisdictions. The tax currently payable is based on taxable profit for the year, calculated using tax rates that have been enacted or substantively enacted by the reporting date. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint venture, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

u) Derivatives

Derivative products principally include forward foreign exchange contracts, futures, options and swaps.

Derivatives are stated at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market using prevailing market rates or internal pricing models. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other payables in the consolidated statement of financial position. The resultant gains and losses from derivatives held for trading purpose are included in profit or loss.

The Group also enters into sales and purchase contracts as part of its international operations. Where these contracts qualify as a derivative or include an embedded derivative as defined by IAS 39, they are stated at fair value. Fair value is assessed by applying prevailing market prices directly to the contract or embedded derivative, where possible, or by identifying separate financial instruments which have the same terms and are readily traded in the relevant markets.

v) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the amount to be settled.

w) Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

x) Revenue recognition

Sales are recognised on the date legal title passes to the customer in accordance with the contract of sale. Other operating revenues are recognised as work is performed or over the terms of the related contracts.

Interest is recognised on the accrual basis.

Dividend income is recognised when the Group's right to receive payment is established.

y) Leases

Rentals paid under operating leases are expensed on a straight-line basis over the lease term, irrespective of the terms of payment.

z) Provision for employees' indemnity

Defined benefit scheme – Parent, local subsidiaries and associates

Provision is made for employees' indemnity in accordance with the Kuwait Labour Law based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits. The provision, which is unfunded, is determined as the amount payable to employees as a result of involuntary termination of employment at the reporting date.

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's share of contributions to this scheme, which is a defined contribution scheme under International Accounting Standard (IAS) 19 – Employee Benefits is charged to income in the year to which it relates.

Defined benefit scheme – Foreign subsidiaries and associates

The Group's subsidiaries in the UK, Sweden, Belgium, the Netherlands, Germany and Italy (see "Termination allowances" below) provide defined pension schemes for their employees. The funds are valued every period by professionally qualified independent actuaries. The obligations and costs of pension benefits are determined using the projected Unit Credit Method.

The projected Unit Credit Method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to determine the final obligation. Past service costs are recognised on a straight-line basis over the average period until the benefits become vested. Gains and losses on the curtailment or settlement of pension benefits are recognised when the curtailment or settlement occurs.

The Group immediately recognises as income or expense that portion of cumulative unrecognised actuarial gains and losses at the end of the reporting period which exceeds the greater of 10% of the present value of obligations and 10% of the fair value of scheme assets at that date.

The pension liability recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains or losses and unrecognised past service cost, and as reduced by the fair value of plan assets.

If the amount initially recorded in the consolidated statement of financial position using this method is an asset, this amount is restricted to the net total of any unrecognised actuarial losses and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined contribution schemes

In addition to the defined schemes described above, the Group's operations in Denmark and Sweden sponsor defined contribution plans for full-time employees based on local practices and regulations. The Group's contributions relating to defined contribution schemes are charged to profit or loss in the year to which they relate.

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

Termination allowances

Employees in the Group's Italian operations are entitled to retirement benefits in the form of termination allowances. These allowances are payable to employees upon retirement or leaving employment according to the amounts provided during the service life of each employee. The allowances may be drawn by employees, in part, during their employment for certain specific purposes. The Group accounts for these arrangements using defined benefit principles.

aa) Emissions' rights

The Group is a party to the EU Emissions Allowance Trading Scheme under which EU member states are required to set an emission cap for certain installations. The Group records a liability, at fair value, for any deficits arising under this scheme but does not record an asset for any surpluses arising. Profits from the sale of emissions' surpluses are shown within other income.

bb) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, with the exception of:

- IFRS 9 *Financial Instruments*, which becomes mandatory for the Group's 2015-2016 consolidated financial statements, with earlier application permitted, and could change the classification and measurement of financial assets. The Group is currently considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.
- Consolidation Standards. A package of consolidation standards are effective for annual periods beginning or after 1 January 2013: IFRS 10 *Consolidated financial statements*, IFRS 11 *Joint arrangements*, IFRS 12 *Disclosure of interests in other entities*, Consequential amendments to IAS 27 *Separate financial statements*, and IAS 28 *Investments in associates and joint ventures*. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.
- IFRS 13 *Fair Value Measurement*, which becomes mandatory for the Group's 2013-2014 consolidated financial statements, with earlier application permitted, replaces existing guidance of fair value measurement in different IFRSs with a single definition of fair value, a framework for measuring fair values and disclosure about fair value measurements. The Group is currently assessing the impact that this standard will have on the financial position and performance.
- IAS 19 *Employee Benefits* (Amended). The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The Group is currently assessing the impact that this standard will have on the financial position and performance.

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

4. Significant accounting judgement and estimates

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in this note, management has made the following judgments that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Recognition of provisions

The Group is subject to a number of matters which could lead to an outflow of economic benefits. In making an assessment as to whether such matters require either provision or disclosure, management is required to consider, amongst other factors, whether a constructive obligation exists at the reporting date and whether the resulting risk of an outflow of economic benefits is probable (requiring a provision), less than probable but more than remote (requiring disclosure) or remote (requiring neither provision nor disclosure). In the current year, the most significant judgements made by management relating to the above are:

- The extent to which the Group has constructive obligations in relation to the clean up of environmental exposures in a number of different affiliates;
- The extent to which the Group has constructive obligations at the reporting date in relation to various restructuring programs; and
- The extent to which it is probable that the Group will have to make payments in respect of a number of tax, legal and regulatory disputes.

Further details of amounts for which either provision or disclosure was deemed to be required are given in notes 20, 35 and 39 respectively.

Impairment of available-for-sale investments

The Group treats available-for-sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

Classification of securities

Management decides on acquisition of securities whether they should be classified as investments carried at fair value through profit or loss or available-for-sale.

The management classifies its securities as carried at fair value through profit or loss if they are acquired primarily for the purpose of short term profit making and the fair value of those securities can be reliably determined.

Classification of securities at fair value through profit or loss depends on how management monitors the performance of these securities when they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified at fair value through profit or loss. Other securities are classified as available-for-sale.

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year, are discussed below:

Valuation of unquoted equity securities

Valuation of unquoted equity securities is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Measurement of provisions

Having concluded that a provision is required for a potential exposure (see above), the amount to be recognised shall be the best estimate of the expenditure required to settle the present obligation at the reporting date, taking into consideration any relevant risks and uncertainties and the time value of money. This requires management to make its best estimates of the likely future outflows, the expected timing of such outflows and the discount rate to be applied to such outflows, taking into account the risks specific to the particular exposure. Further details of the nature of provisions recorded by the Group are provided in note 20. The majority of these exposures are expected to be settled over a relatively limited number of years which limits the uncertainty in respect of the time value of money.

Impairment of goodwill

Determining whether Goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the cost has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Residual value and useful life of oil and gas tankers

Due to the specialised nature of these tankers and changing market conditions, the estimation of these requires significant judgement.

Impairment of oil and gas tankers

The Group determines whether these tankers are impaired, at least on an annual basis. This requires an estimation of the recoverable amount (higher of value in use and fair value less costs to sell). Estimating the recoverable amount requires the Group to ascertain the value in use and fair value less costs to sell. Determining the value in use requires the Group to make an estimate of the expected future cash flows from the tanker and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Determining the fair value less costs to sell requires the Group to use an appropriate valuation model to compute the fair value and to estimate the costs to sell based on past experience and future expectations.

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

Actuarial gains and losses

In calculating the carrying value of its defined benefit schemes, management is required to apply a number of assumptions, the most significant of which are investment growth, future salary growth and discount rate.

Depletion of oil and gas properties

Depletion of the cost of oil and gas properties and information reported on estimated quantities of proved oil and gas reserves are based on estimated oil and gas reserves which have been determined by competent and qualified petroleum engineers. Management believes these reserves to be commercially productive and will provide revenues to the Group adequate to recover remaining net un-depreciated and un-depleted capitalised oil and gas properties.

Decommissioning liability

The Group has made provision for decommissioning costs relating to the future abandonment of fields based on the present value of expected expenditures required to settle the obligation. The estimates used to determine decommissioning liability have been reviewed and revised, as appropriate, during the year by competent and qualified petroleum engineers.

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

5. Property, plant and equipment

	Oil and gas properties KD '000	Tankage, pipelines and jetties KD '000	Plant and machinery KD '000	Oil and gas tankers KD '000	Camps, buildings and facilities KD '000	Vehicles, transportation equipment and other assets KD '000	Construction and general equipment KD '000	Well drilling and seismic surveys KD '000	Assets under construction and in transit KD '000	Total KD '000
Balance at 1 April 2011, net of accumulated depreciation	751,266	1,069,077	2,248,088	219,516	535,257	88,517	38,197	632,260	3,198,485	8,780,663
Additions	150,454	2,275	17,423	-	15,273	5,989	615	-	1,511,219	1,703,248
Disposals	(836)	(67)	(2,267)	-	(1,744)	(1,304)	(32)	-	(9,810)	(16,060)
Transfers	85,924	626,204	298,094	121,558	147,323	3,688	3,141	510,944	(1,796,876)	-
Currency translation effects	(5,450)	(1,804)	(34,740)	-	(7,590)	(147)	(434)	-	(9,200)	(59,365)
Depreciation for the year	(119,973)	(118,193)	(285,053)	(17,619)	(53,893)	(10,018)	(4,558)	(135,291)	-	(744,598)
Write off of unsuccessful exploration	(19,768)	-	-	-	-	-	-	-	-	(19,768)
Impairment loss	(15,427)	(174)	-	(16,665)	(59)	-	-	-	-	(32,325)
At 31 March 2012	826,190	1,577,318	2,241,545	306,790	634,567	86,725	36,929	1,007,913	2,893,818	9,611,795
Property, plant and equipment										
At cost	1,813,179	2,963,993	5,380,882	460,269	1,173,191	228,940	82,010	2,142,760	2,893,818	17,139,042
Accumulated depreciation	(986,989)	(1,386,675)	(3,139,337)	(153,479)	(538,624)	(142,215)	(45,081)	(1,134,847)	-	(7,527,247)
Net carrying amount at 31 March 2012	826,190	1,577,318	2,241,545	306,790	634,567	86,725	36,929	1,007,913	2,893,818	9,611,795

The depreciation charged to profit or loss is reduced by KD 446 million (2011: KD 334 million) being the amount charged to the Ministry of Oil in respect of the operations of local wholly owned subsidiaries, Kuwait Oil Company K.S.C. and Kuwait Gulf Oil Company K.S.C.

Property, plant and equipment relating to joint ventures in a foreign subsidiary to the value of KD 33,436 thousand is pledged as security against bank loans as at 31 March 2012 (refer note 20.2).

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

5. Property, plant and equipment (continued)

	Oil and gas properties KD '000	Tankage, pipelines and jetties KD '000	Plant and machinery KD '000	Oil and gas tankers KD '000	Camps, buildings and facilities KD '000	Vehicles, transportation equipment and other assets KD '000	Construction and general equipment KD '000	Well drilling and seismic surveys KD '000	Assets under construction and in transit KD '000	Total KD '000
Balance at 1 April 2010, net of accumulated depreciation	656,679	778,865	1,492,170	146,068	405,152	93,115	38,485	666,327	3,786,401	8,063,262
Additions	208,769	1,784	26,155	-	14,979	7,138	3,184	-	1,242,562	1,504,571
Disposals	(1,533)	(9,533)	(34,133)	(8,199)	(7,343)	(4,649)	(1,078)	(3,435)	(10,778)	(80,681)
Transfers	72,841	374,374	1,029,510	99,463	160,934	1,098	1,749	78,253	(1,818,222)	-
Currency translation effects	(13,236)	(936)	(8,092)	-	230	(148)	42	-	(1,478)	(23,618)
Depreciation for the year	(112,990)	(75,477)	(257,522)	(10,027)	(38,695)	(8,037)	(4,185)	(108,885)	-	(615,818)
Write off of unsuccessful exploration	(26,115)	-	-	-	-	-	-	-	-	(26,115)
Impairment loss	(33,149)	-	-	(7,789)	-	-	-	-	-	(40,938)
At 31 March 2011	751,266	1,069,077	2,248,088	219,516	535,257	88,517	38,197	632,260	3,198,485	8,780,663
Property, plant and equipment At cost	1,552,482	2,225,508	5,183,800	338,711	998,207	224,782	83,327	1,631,484	3,198,485	15,436,786
Accumulated depreciation	(801,216)	(1,156,431)	(2,935,712)	(119,195)	(462,950)	(136,265)	(45,130)	(999,224)	-	(6,656,123)
Net carrying amount at 31 March 2011	751,266	1,069,077	2,248,088	219,516	535,257	88,517	38,197	632,260	3,198,485	8,780,663

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

6. Goodwill

	2012	2011
	KD'000	KD'000
At beginning of the year	161,999	166,645
Additions during the year	2,286	193
Currency translation effects	(4,735)	(4,839)
	<u>159,550</u>	<u>161,999</u>

7. Intangible assets

Movements in the net book value of intangible assets other than goodwill during the year were as follows:

	2012	2011
	KD'000	KD'000
At beginning of the year	158,216	170,426
Additions during the year	11,050	11,257
Amortisation	(19,690)	(22,353)
Currency translation effects	(5,665)	(1,114)
	<u>143,911</u>	<u>158,216</u>

The above primarily consists of licenses in respect of the Group's retail network together with capitalized software development costs.

8. Other non-current assets

	2012	2011
	KD'000	KD'000
Long term portion of trade receivables	93,228	121,122
Deferred expenses	45,569	55,795
Amount due from the Public Authority for Industry (PAI)	60,297	60,465
Others	29,422	30,714
	<u>228,516</u>	<u>268,096</u>

Long term portion of trade receivables includes KD 93 million (2011: KD 67 million) due from the Ministry of Electricity and Water which does not carry any interest or fixed or determinable repayment dates.

A significant portion of these receivables has been outstanding for a number of years, as payment of these balances was subject to formalities, including the approval of the Ministry of Electricity and Water expenditure budget.

The Group is currently negotiating with the Ministry of Electricity and Water to settle the outstanding balance, and it is expected that the Ministry will include the outstanding balance in its next budget. Accordingly, the remaining outstanding balance of KD 93 million is measured on an undiscounted basis.

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

Approximately KD 26 million (2011: KD 34 million) of deferred expenses represents catalysts used in the refining process which are amortised on a straight line basis over their estimated useful lives.

Amount due from the Public Authority for Industry (PAI) represents costs incurred by the Group to construct sea water cooling tower on behalf of PAI. The Group started construction on the project in May 2006 and was completed in 2009. The project is to be transferred to PAI subject to the finalization of all legal and operational requirements between the Group and PAI as well the clearance from the "Fatwa and Legislation Bureau". In the current year, the net revenue generated by the project on behalf of PAI amounted to KD 4 million (2011: 12 million) and is recorded as non-current liabilities.

9. Available-for-sale investments

	2012	2011
	KD'000	KD'000
Managed portfolios and funds	4,656,349	4,440,249
Others	41,794	37,803
	<u>4,698,143</u>	<u>4,478,052</u>

Available-for-sale investments are denominated predominantly in US Dollars and Euros and represent investments in high credit quality bonds and equities quoted on international stock markets.

**Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 March 2012**

10. Investments in equity accounted investees

The Group's share of profit in its equity accounted investees for the year was KD 155,861 thousand (2011: KD 130,318 thousand).

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:

31 March 2012

	Ownership	Total assets KD'000	Total liabilities KD'000	Revenues KD'000	Expenses KD'000	Profit KD'000
Kuwait Drilling Company K.S.C.	49%	169,718	84,747	10,714	4,981	5,733
Equate Petrochemical Company K.S.C.	42.5%	1,196,619	830,162	159,246	14,882	144,364
Gulf Petrochemical Industries Company B.S.C.	33%	156,167	10,461	94,758	18,211	76,547
The Kuwait Olefins Company K.S.C.C	42.5%	594,342	325,751	156,616	5,426	151,190
Al-Oula Fuel Marketing Company K.S.C.	24%	55,394	12,949	12,468	8,176	4,292
Al-Sour Fuel Marketing Company K.S.C.	24%	55,556	12,527	12,615	7,820	4,795
Equate Marketing Company E.C.	49.9%	199	39	1,184	1,184	-
		<u>2,227,995</u>	<u>1,276,636</u>	<u>447,601</u>	<u>60,680</u>	<u>386,921</u>

31 March 2011

	Ownership	Total assets KD'000	Total liabilities KD'000	Revenues KD'000	Expenses KD'000	Profit KD'000
Kuwait Drilling Company K.S.C.	49%	168,643	84,589	10,417	5,310	5,107
Equate Petrochemical Company K.S.C.	42.5%	1,258,772	812,541	176,084	17,289	158,795
Gulf Petrochemical Industries Company B.S.C.	33%	141,352	10,388	55,472	17,070	38,402
The Kuwait Olefins Company K.S.C.C	42.5%	570,052	370,363	101,818	9,249	92,569
Al-Oula Fuel Marketing Company K.S.C.	24%	46,978	8,996	5,053	2,166	2,887
Al-Sour Fuel Marketing Company K.S.C.	24%	49,141	10,084	7,473	3,106	4,367
Equate Marketing Company E.C.	49.9%	202	42	1,175	1,175	-
		<u>2,235,140</u>	<u>1,297,003</u>	<u>357,492</u>	<u>55,365</u>	<u>302,127</u>

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

11. Inventories

	2012	2011
	KD'000	KD'000
Crude oil	495,633	537,451
Liquefied petroleum gas	1,605	2,356
Refined petroleum products	1,073,208	996,577
Finished petrochemical products	70,900	57,722
Spare parts, materials and supplies	365,632	397,281
	<u>2,006,978</u>	<u>1,991,387</u>

Inventories related to a foreign subsidiary to the value of KD 29,346 thousand (2011: KD 20,960 thousand) are pledged as security against bank loans as at 31 March 2012 (see note 20.2).

12. Trade receivables

The Corporation and one of its major subsidiaries, comprising 87% (2011: 85%) of the consolidated total trade receivables, deal mainly with major state owned and international oil companies. Another major subsidiary operating mainly in Europe and accounting for approximately 10% (2011: 11%) of the consolidated total trade receivables deals with a large number of corporate customers in that region. The Group's 12 largest customers account for 59% of outstanding trade receivables at 31 March 2012 (2011: 60%).

Trade receivables are denominated predominantly in US Dollars and Kuwaiti Dinars (KD).

Trade receivables include KD 777 million (2011: KD 710 million), which represents the short-term portion of amounts due from Ministry of Electricity and Water.

Trade receivables related to a foreign subsidiary to the value of KD 80,612 thousand (2011: KD 81,846) are pledged as security against bank loans as at 31 March 2012 (see note 20.2).

13. Other receivables and prepayments

	2012	2011
	KD'000	KD'000
Marine sub-charter and other receivables	146,920	179,368
Insurance, local tax and other claims	9,641	6,876
Prepaid expenses	30,246	30,792
Receivable from exchange and concession partners	5,777	7,076
Advances to contractors	393,016	329,374
Refundable deposits	23,970	27,627
Employee receivables	18,879	15,903
Other	230,768	279,487
	<u>859,217</u>	<u>876,503</u>

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

14. Deferred tax assets and liabilities

Components of deferred tax assets/ (liabilities) are as follows:

a. Income taxes

	2012	2011
	KD'000	KD'000
Profit or loss		
Current year	96,859	85,014
Deferred tax (expense)/ income	<u>(654)</u>	<u>14,336</u>
	<u>96,205</u>	<u>99,350</u>
Consolidated statement of financial position		
Deferred tax assets	28,586	8,147
Deferred tax liabilities (see note 20)	<u>(75,664)</u>	<u>(54,776)</u>
	<u>(47,078)</u>	<u>(46,629)</u>

b. Other taxes receivable/ (payable)

Taxes receivable	19,142	41,464
Taxes payable	<u>(289,720)</u>	<u>(301,467)</u>
	<u>(270,578)</u>	<u>(260,003)</u>

Taxes receivable mainly comprise corporate income tax and related refund claims recoverable by one of the Group's foreign subsidiaries. Taxes payable are predominantly on account of VAT and similar tax liabilities payable by another foreign subsidiary.

15. Bank balances and cash

	2012	2011
	KD'000	KD'000
Cash and current accounts at banks	1,353,051	958,914
Short-term bank deposits and highly liquid investments maturing within 3 months	<u>1,558,745</u>	<u>819,979</u>
Cash and cash equivalents	2,911,796	1,778,893
Short-term bank deposits maturing after 3 months	<u>927,000</u>	<u>1,040,177</u>
	<u>3,838,796</u>	<u>2,819,070</u>

Bank balances and cash include:

- US\$ 13,075 thousand (KD 3,637 thousand) (2011: US\$ 13,000 thousand (KD 3,610 thousand)) recovered from a former employee, against whom the Corporation has initiated legal proceedings for financial irregularities. The remaining balance, which includes accumulated interest, can only be utilised in accordance with the outcome of the litigation (see note 35).

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

- Pound Sterling 140 thousand (KD 62 thousand) (2011: Pound Sterling 139 thousand (KD 62 thousand)) recovered from former employees against whom the Corporation has initiated legal proceedings for financial irregularities (see note 35).

The total corresponding amount of KD 3,699 thousand (2011: KD 3,672 thousand) is reported under other credit balances (see notes 21 and 35).

16. Statutory reserve

In accordance with Article 12 of Law Decree No. 6 of 1980, the Corporation has resolved to discontinue the annual transfer to statutory reserve since the reserve would exceed 50% of the authorised and paid-up capital.

17. Capital reserve

The capital reserve mainly represents the difference between the Corporation's cost of acquisition of its original subsidiaries, which were transferred by the Government of the State of Kuwait, and their net asset values at 31 December 1979. No transfer to capital reserve has been made for the current year.

18. General reserve

In accordance with Article 12 of Law Decree No. 6 of 1980, 10% of the profit for the year attributable to equity holders of the Corporation, before directors' remuneration, is to be transferred to the general reserve, the percentage of which may be changed in accordance with a resolution of the Supreme Council for Petroleum.

19. Reserve for replacement and renewal of property, plant and equipment

Article 10 of Law Decree No. 6 of 1980 states that the Corporation may provide part from its profits to meet the costs of replacement and renewal of the Corporation's and its subsidiaries' fixed assets, after approval of the Supreme Council for Petroleum. The reserve is based on the difference between depreciation, calculated on the historical cost of the property, plant and equipment of the Corporation and its Kuwaiti subsidiaries, and depreciation calculated on the replacement cost of assets using their insured (generally replacement) values. The management has proposed to transfer KD 270 million to the reserve as at 31 March 2012 (2011: KD Nil), which is subject to approval of the Supreme Council for Petroleum.

20. Non-current liabilities

	2012 KD'000	2011 KD'000
Employees' terminal benefits (see note 20.1)	444,679	331,445
Pension fund liabilities (see note 20.1)	17,690	17,575
Long-term loans (see note 20.2)	423,585	564,946
Deferred income taxes (see note 14a)	75,664	54,776
Provisions (see note 20.3)	47,840	51,946
Others (see note 20.4)	117,753	104,539
	<u>1,127,211</u>	<u>1,125,227</u>

20.1 Employees' terminal benefits and Pension fund liabilities

The principal defined benefit funds schemes relating to KPC Holding (Aruba) A.E.C. operate in the United Kingdom, Sweden, the Netherlands, Belgium and Italy. Provisions for pension obligations are established for benefits payable in the form of retirement, disability and surviving dependent pensions. The benefits offered vary according to the legal, fiscal and economic conditions of each country. Benefits are dependent on years of service and the respective employees' compensation.

The latest actuarial valuations took place between 31 December 2011 to 31 March 2012, and these showed that the funds and schemes in the United Kingdom, Belgium, Sweden, Italy and the Netherlands had a net deficit. The main assumptions used in the actuarial valuation were an expected return on assets of 3.8% to 6.1% per annum (2011: 3.8% to 6.7%), an annual salary increase of 0% to 4.7% (2011: 2.0% to 5.0%) and a discount rate of 3.6% to 4.9% (2011: 4.8% to 5.7%).

20.2 Long-term loans

The long-term loans mainly represent third party loans to Kuwait Aromatics Company K.S.C., Kuwait Gulf Oil Company K.S.C., Kuwait Foreign Exploration Company K.S.C. and Petrochemical Industries Company K.S.C.

On 17 May 2007, the Kuwait Aromatics Company K.S.C. (Closed), signed a KD 386 million term debt facility agreement with a consortium of banks which includes a commercial facility of KD 290 million and an Islamic loan facility of KD 96 million. The term loan is repayable over a period of 11 years in biannual instalments starting from 15 December 2010 and carries an average interest rate ranging from LIBOR +0.4% to LIBOR +0.7% per annum.

The long-term loan to Kuwait Gulf Oil Company K.S.C. represents a draw down under a facility amounting to US\$ 750 million provided to fund capital expenditures of Al Khafji Joint Operations during the years 2003 to 2007. This loan carries interest of 6 month LIBOR and a margin.

In 2008, Kuwait Foreign Exploration Company K.S.C. obtained a US\$ 320 million long-term loan from a consortium of local and international banks, which bears interest at the rate of 1 month LIBOR plus 0.475% per annum. During the year, the average interest rate on the loan was 0.7% per annum. The loan is unsecured and is repayable in eight equal semi-annual instalments starting from 11 May 2010.

The long term loans to Petrochemical Industries Company K.S.C. are denominated in USD and Euro and bear various interest rates, however majority of the loan balances bears average interest at LIBOR or EURIBOR plus a margin ranging from 0.125% to 2.5% per annum.

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

20.3 Provisions

Provisions represent the present obligations of one of the Corporation's subsidiaries in Europe relating mainly to environmental provisions relating to the closure of a refinery, and business restructuring in respect of the relocation of certain of the subsidiary's management together with restructuring of operations in France, Belgium, Italy and Germany.

	2012	2011
	KD'000	KD'000
Refinery closure (see note i)	18,527	19,823
Environmental (see note ii)	26,037	28,102
Restructuring (see note iii)	230	256
Other (see note iv)	3,046	3,765
	<u>47,840</u>	<u>51,946</u>

i. Refinery closure

The Group has provided for the clean-up costs associated with closure of a refinery in Naples, Italy. Allowance has been made for the net effect of inflation and discounting. The major part of the costs is expected to be incurred over the next eight years.

ii. Environmental

The Group has accrued for costs associated with environmental clean-up, principally relating to Belgium and Italy and during the year to a lesser extent in Denmark and the Europoort refinery in the Netherlands. In Belgium, costs are expected to be incurred in the next one to three years and have not been discounted as the net effect of interest and inflation is not considered to be material. There is a related non-current government receivable which relates to contributions to clean-up costs received from a scheme funded by fuel levies set by the Belgian government. In Italy, costs related to logistic facilities are expected to be incurred over the next 20 years and have been adjusted for inflation and discounting.

The provision made in prior years in relation to an environmental damage lawsuit received in July 2008 by the Environment Ministry ("the Ministry") in respect of alleged environmental damage on one of the Group's industrial sites in Italy has been reversed as a settlement with the relevant authorities has been reached and has been recorded as a long-term liability.

Significant accrual to provisions during the year include primarily an increase of KD 6 million related to the fact that plans were solidified for the clean-up costs on the soil of land which had been polluted by a former chemical plant on the premises of KP Europoort.

iii. Restructuring

The Group has accrued for costs associated with business restructuring of the operations in France, Belgium, Germany and Italy as well as the relocation of certain Group management and head office functions. These provisions have not been discounted as the net effect of interest and inflation is not considered to be material.

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

iv. Other

The Group contributes to an obligatory fund for the environmental clean up of service stations in Denmark and is expected to continue to make payments until 2015. Provisions have also been made for costs associated with various claims incurred in the normal course of business and principally relate to tax, legal and regulatory disputes in a number of different subsidiaries, all of which are being vigorously contested by the Group. All claims are expected to be settled within one to five years and may carry interest.

20.4 Others

Included in non-current liabilities as at 31 March 2012 is an amount of KD 54,386 thousand which represents a provision made for decommissioning costs related to a subsidiary.

21. Other credit balances

Other credit balances represent funds recovered from former employees, against whom one of the subsidiary companies has initiated legal proceedings for financial irregularities, together with accumulated interest (see notes 15 and 35).

22. Other payables and accruals

	2012	2011
	KD'000	KD'000
Provision for a legal claim (note 40)	695,400	-
Other payables and marine sub-charter	446,347	251,538
Short-term bank loans	190,728	132,606
Provision for annual leave and accrued compensation	158,686	136,782
Payable to contractors	78,289	254,631
Accruals	144,874	120,510
Payable to exchange partners	51,542	19,248
Other credit balances	277,534	187,009
	<u>2,043,400</u>	<u>1,102,324</u>

Short-term bank loans are unsecured and bear interest at prevailing market rates.

23. Amounts due to Ministry of Oil

Amounts due to the Ministry of Oil represent the net amounts payable for purchases of crude oil and natural gas and for certain activities performed by the Corporation and its subsidiaries on behalf of the Ministry of Oil.

These activities primarily relate to the exploration for and production of crude oil and natural gas in the State of Kuwait and the local marketing (within the State of Kuwait) of refined products and liquefied petroleum gas. The costs of the wholly owned subsidiaries, Kuwait Oil Company K.S.C. and Kuwait Gulf Oil Company K.S.C., are charged to this account.

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

24. Profit to be distributed

In accordance with Article 12 of Law Decree No. 6 of 1980, the profit for the year, after transfer to reserves, is payable to the Government of the State of Kuwait.

On its meeting dated 21 January 2010, the Corporation's Board of Directors agreed on a recommendation to the Supreme Council for Petroleum that the Corporation's profits for the five-year plan (2010 – 2015) be retained, subject to approval of the Supreme Council for Petroleum.

25. Revenues from consultancy and other operations

	2012	2011
	KD'000	KD'000
Consultancy and construction	22,855	20,657
Marine operations	23,761	21,963
Merchandise and other services	<u>231,782</u>	<u>221,824</u>
	<u>278,398</u>	<u>264,444</u>

26. Investment income

Investment income mainly represents income from managed portfolios.

27. Other income (net)

	2012	2011
	KD'000	KD'000
Loss on disposal of property, plant and equipment	(1,286)	(821)
Recovery of financial cost	125,837	112,288
Foreign currency exchange gain/ (loss)	30,435	(79,784)
Miscellaneous (expense)/ income	(67,507)	34,330
UN compensation claims (see note 30)	<u>144,313</u>	<u>78,526</u>
	<u>231,792</u>	<u>144,539</u>

28. Directors' remuneration

The directors' remuneration represents the remuneration relating to the Board of Directors of the Corporation, which are subject to approval of the Supreme Council for Petroleum.

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

29. Staff costs

Total staff costs for the year amounting to KD 1,180,211 thousand (2011: KD 877,224 thousand) are included in cost of revenues and general and administrative expenses shown on the consolidated statement of comprehensive income. Of the staff costs for the year, KD 885,316 thousand (2011: KD 669,390 thousand) has been included in cost of revenues and KD 294,895 thousand (2011: KD 207,833 thousand) has been included in general and administrative expenses. Staff costs consist of the following:

	2012 KD'000	2011 KD'000
Salaries, wages and other benefits	1,156,438	863,529
Pension and other retirement benefit expenses:		
- defined contribution	2,737	1,740
- defined benefit	13,158	5,899
Compensation of key management personnel (see note 32):		
- short-term benefits	6,290	4,858
- termination benefits	1,588	1,198
	<u>1,180,211</u>	<u>877,224</u>

30. UN compensation claims

In respect of losses suffered as a result of the Iraqi invasion and occupation of Kuwait in 1990, the Governing Council of the United Nations Compensation Commission has approved an amount of US \$ 18,864 million to the Group and the Government of the State of Kuwait for payment as and when funds become available. During the year, a further amount of KD 144.3 million (2011: KD 78.5 million) was received in part settlement.

31. Fair values of financial instruments

In the normal course of business, the Group uses primary financial instruments such as cash and deposits, available-for-sale investments, short-term borrowings, receivables and payables. The Group, mainly through a wholly owned foreign subsidiary, uses derivative financial instruments for managing risks arising from changes in crude oil and petroleum product prices, exchange rates and interest rates. The Group does not use derivatives for speculative purposes.

Non-current trade receivables totalling KD 93 million (2011: KD 67 million) are due from the Ministry of Electricity and Water (note 8). Since this balance does not carry a fixed or determinable date of future payment, it is not possible to estimate with sufficient reliability its fair value. However, in the opinion of the management, the fair value is not significantly different from the carrying value.

All foreign currency derivative instruments are marked to market at the end of each month. At year end the gross contract amounts of such contracts, none of which extended beyond 12 months, were as follows:

	2012 USD'000	2011 USD'000	2012 KD'000	2011 KD'000
Foreign exchange contracts	900,290	950,658	250,425	263,912

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
31 March 2012				
Available-for-sale financial assets	4,398,703	72,664	-	4,471,367
31 March 2011				
Available-for-sale financial assets	4,290,865	76,723	-	4,367,588

There have been no transfers between fair value levels during the year ended 31 March 2012.

The above table does not include KD 227 million (2011: KD 110 million) of available-for-sale financial assets that are measured at cost, less any impairment losses, and for which disclosure of fair value is not provided.

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

32. Related parties

Related parties represent associates, joint ventures, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions are carried out on terms approved by the Group's management.

The principal transactions with related parties included in profit or loss are as follows:

	Joint ventures KD'000	Associates KD'000	Other related parties KD'000	Total 2012 KD'000	Total 2011 KD'000
Sales	-	-	-	-	69,121
Purchases	-	2,215	-	2,215	2,472
Cost of production	-	9,964	-	9,964	11,362
Marketing fees received	-	2,363	-	2,363	1,443
Finance costs	-	-	-	-	64
Loss on USD/EUR cross currency swap	-	-	2,037	2,037	2,559
Interest income	-	-	-	-	64
Compensation of key management personnel (see note 29)	-	-	7,878	7,878	6,056

Balances with related parties included in the consolidated statement of financial position are as follows:

	Joint ventures KD'000	Associates KD'000	Other related parties KD'000	Total 2012 KD'000	Total 2011 KD'000
Due from related parties	7	264	27	298	627
Term borrowings	-	-	-	-	14,312
Due to related parties	-	6,963	664	7,627	1,004
Bank balances and cash	-	-	-	-	2,622

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

33. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Chief Executive Officer has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The Risk Management Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. The Group has estimated and gathered all factors relating to the exposure of credit risk.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 59 percent (2011: 60 percent) of the Group's outstanding trade receivables is attributable to transactions with 12 customers (see notes 8 and 12). However, geographically there is no concentration of credit risk.

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

The Pricing Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer particularly for long term sales contracts, which represents the maximum open amount without requiring approval from the Pricing Committee.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2012	2011
	KD'000	KD'000
Other non-current assets (other than deferred expenses)	182,947	212,301
Available-for-sale investments	4,698,143	4,478,052
Trade receivables	5,305,832	4,012,508
Bank balances and cash	3,838,796	2,819,070
	<u>14,025,718</u>	<u>11,521,931</u>

The maximum exposure to credit risk net of impairment losses for trade receivables and other non-current assets (other than deferred expenses) at the reporting date by geographic region was:

	2012	2011
	KD'000	KD'000
Domestic	1,584,359	1,071,004
Europe (other than United Kingdom)	3,240,539	2,567,405
United Kingdom	573,563	500,361
Other regions	90,318	86,039
	<u>5,488,779</u>	<u>4,224,809</u>

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

The maximum exposure to credit risk net of impairment losses for trade receivables and other non-current assets (other than deferred expenses) at the reporting date by type of customer was:

	2012 KD'000	2011 KD'000
Government	1,778,470	1,485,571
Private sector	3,710,309	2,739,238
	<u>5,488,779</u>	<u>4,224,809</u>

Impairment losses

The aging of trade receivables and other non-current assets (other than deferred expenses) at the reporting date was:

	Gross 2012 KD'000	Impairment 2012 KD'000	Gross 2011 KD'000	Impairment 2011 KD'000
Not past due	4,493,558	(11)	3,392,952	(11)
Past due 30 days	191,671	-	60,591	-
Past due 31 - 60 days	170,948	-	160,983	-
Past due 61 - 90 days	140,129	-	45,967	-
Past due 91 - 180 days	218,161	-	374,583	-
Past due 181 - 365 days	181,042	-	100,656	-
Past due more than 365 days	112,626	(19,345)	107,066	(17,978)
	<u>5,508,135</u>	<u>(19,356)</u>	<u>4,242,798</u>	<u>(17,989)</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2012 KD'000	2011 KD'000
Balance at 1 April	17,989	16,493
Impairment loss recognized	1,413	1,540
Provision no longer required	(46)	(44)
Balance at 31 March	<u>19,356</u>	<u>17,989</u>

Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating of at least A1 from Standard & Poor's and A from Moody's. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

**Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 March 2012**

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

At 31 March 2012

Non-derivative financial liabilities	Carrying amount KD'000	Contractual cash flows KD'000	6 months or less KD'000	6 to 12 months KD'000	1 - 2 years KD'000	2 - 5 years KD'000	More than 5 years KD'000
Term loan	614,313	614,313	22,391	168,337	52,518	157,299	213,768
Trade payables	785,899	785,899	-	785,899	-	-	-
Other credit balances	3,699	3,699	-	3,699	-	-	-
Other payables and accruals	1,852,672	1,852,672	-	1,852,672	-	-	-
Taxes payable	365,384	365,384	-	289,720	-	75,664	-
Amounts due to Ministry of Oil	3,563,449	3,563,449	-	3,563,449	-	-	-

At 31 March 2011

Non-derivative financial liabilities	Carrying amount KD'000	Contractual cash flows KD'000	6 months or less KD'000	6 to 12 months KD'000	1 - 2 years KD'000	2 - 5 years KD'000	More than 5 years KD'000
Term loan	697,552	697,552	13,015	152,136	35,978	234,076	262,347
Trade payables	753,138	753,138	-	753,138	-	-	-
Other credit balances	3,672	3,672	-	3,672	-	-	-
Other payables and accruals	969,718	969,718	-	969,718	-	-	-
Taxes payable	356,243	356,243	-	301,467	-	54,776	-
Amounts due to Ministry of Oil	2,950,025	2,950,025	-	2,950,025	-	-	-

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, the Euro, USD and Pound Sterling (GBP). The Group's exposure to the risk of changes in foreign exchange rates relates primarily to such operating activities and the Group's net investments in foreign subsidiaries. The currencies in which these transactions primarily are denominated are Euro, USD, GBP, Australian Dollar (AUD), Japanese Yen (JPY) and Bahraini Dinar (BHD).

The Group's net significant exposure to foreign currency risk was as follows based on notional amounts.

	2012	2011
	Equivalent	Equivalent
	position	position
	long/(short)	long/(short)
	KD'000	KD'000
EURO	973	(2,174)
USD	9,328,369	7,632,984
GBP	455	224
AUD	5,112	7,525
JPY	194	199
BHD	48,569	40,852
Others	(351)	1,897

Sensitivity analysis

A five percent strengthening of the KD against the following currencies at 31 March 2012 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2011.

Effect in thousands of Kuwaiti Dinars

	Equity	Profit or (loss)
31 March 2012		
EURO	49	49
USD	466,418	241,883
GBP	23	23
AUD	256	256
JPY	10	10
BHD	2,428	2,428
Others	(18)	(18)
	<u>469,166</u>	<u>244,631</u>

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

Effect in thousands of Kuwaiti Dinars

	Equity	Profit or (loss)
31 March 2011		
EURO	(109)	(109)
USD	381,649	167,820
GBP	11	11
AUD	376	376
JPY	10	10
BHD	2,043	2,043
Others	95	95
	<u>384,075</u>	<u>170,246</u>

Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2012 KD'000	2011 KD'000
<i>Variable rate instruments</i>		
Financial assets	5,256,049	4,453,923

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased or decreased equity by KD 52,560 thousand (2011: KD 44,539 thousand).

Other market price risk

Equity price risk arises from available-for-sale equity securities. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices.

The primary goal of the Group's investment strategy is to maximise investment returns.

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not settled net.

Sensitivity analysis

For the majority of the Group's equity investments, quoted market prices are readily available. For such investments classified as available-for-sale, a three percent increase or decrease in stock prices at the reporting date would have increased or decreased equity by KD 49,359 thousand (2011: an increase or decrease of KD 51,427 thousand). The analysis is performed on the same basis for the year ended 31 March 2011.

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

Capital management

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net profit divided by average capital employed.

There were no changes in the Group's approach to capital management during the year.

Neither the Corporation nor any of its subsidiaries are subject to externally imposed capital requirements.

34. Expenditure commitments

a) Operating lease commitments

The minimum annual rental commitments under operating leases are as follows:

	2012	2011
	KD'000	KD'000
Future minimum lease payments:		
Within 1 year	48,350	63,376
Between 1 and 5 years	133,089	131,057
After 5 years	99,813	54,043
Aggregate operating lease expenditure contracted for at the reporting date	<u>281,252</u>	<u>248,476</u>

b) Capital expenditure commitments

	2012	2011
	KD'000	KD'000
<i>Capital expenditure commitments</i>		
Estimated capital expenditure contracted for at the reporting date	3,078,911	3,220,531

35. Contingent assets/ liabilities

Contingent assets

Legal case

A new management that was formed in 1992 at one of the subsidiary companies discovered certain fraud cases and financial irregularities in the subsidiary company's contracts and bank accounts and, therefore, the subsidiary company's Board of Directors formed a fact-finding committee to investigate those irregularities.

On 6 January 1993, the subsidiary company submitted a report to His Excellency, the Attorney General on its suspicion of occurrence of financial irregularities in previous years, whereby the Public Prosecution conducted the necessary investigations and prepared the indictment sheet in December 1993 and its regulation against five of the accused parties.

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

One of the accused parties absconded before submitting the notification to His Excellency the Attorney General. Another party admitted the facts before the Attorney General, and made payment of US\$ 6,200 thousand on his assertion that this was the entire amount taken by him. This amount was deposited in a special bank account as a fixed deposit of the subsidiary company and was invested until it amounted to US\$ 13,075 thousand (KD 3,637 thousand) including interest as at 31 March 2012 (2011: US\$ 13,000 thousand (KD 3,610 thousand)).

The case was deliberated before different Kuwaiti courts, culminating in the two cassation verdicts Nos. 137 and 138 of 1997.

Mandated by the former Minister of Oil, Sheikh Saud Al-Nasser Al-Sabah, the subsidiary company sent a letter to the Attorney General on 14 December 1998. The Attorney General considered this letter as a notification and transferred the same to the Investigating Committee concerned with court actions against Ministers, which, in its first formation, considered it as a notification and, subsequently, undertook the investigation procedures. The subsidiary company provided the committee with 40 documents including those deliberated to the English courts with respect to the certain amounts embezzled by the accused parties or other parties. Subsequently, this committee resigned and a new committee was formed on 29 April 2000. On 16 May 2001, the committee considered that the case was not fully complete, without discussions with any witness.

On 29 May 2001, the former Minister of Oil, Adel Al-Subaih sent a notification to this committee against the five defendants. The defendants include the former Minister of Oil. On 19 May 2003, the committee considered the action as serious and heard statements of witnesses. On 30 October 2007, a resolution was issued from the Investigating Committee to suspend the notification submitted against the former Minister of Oil, due to the lack of evidence. On 26 December 2007, His Excellency the Minister of Oil by proxy submitted a grievance complaint from the suspension decision to the Court of Ministers and on 27 December 2007 the attorney of the subsidiary company submitted another grievance complaint. The judgment was challenged before the Court of Cessation. On 17 February 2009, the court ruled to dismiss the appeal.

In parallel steps, the subsidiary company has initiated civil cases in the United Kingdom, Switzerland, and other countries, and with the efforts of those working on the case, it won the case filed in the United Kingdom and obtained a judgement against three of the defendants for an amount of US\$ 136,000 thousand excluding the interest. In addition to this, the case ended with the rejection by the UK House of Lords on 10 December 2000 of the appeal submitted by a former employee. An amount of US\$ 85,351 thousand has been collected till 7 May 2006. This collected amount was invested in deposits. The collected amounts along with interest till 7 May 2006 amounted to US\$ 92,770 thousand (which has been subsequently distributed) plus an amount of US\$ 6,200 thousand transferred by the Public Prosecution from the accused party and received by Kuwait Oil Tanker Company in Kuwait, which was invested in a deposit renewable with its interest thereon pending a decision on crime No. 275/93. The deposit of US\$ 6,200 thousand along with accumulated interest reached US\$ 13,075 thousand till 31 March 2012 (2011: US\$ 13,000 thousand). Legal measures are being carried out to collect the remaining balance. However, the uncollected amounts of US\$ 151,709 thousand pending in the liability of the accused parties comprise of the balance remaining from the total amounts awarded in favour of the subsidiary company according to the verdict from London, and inclusive of the interest, till August 2005, amounting to US\$ 123,559 thousand plus such amounts, being the difference between the amounts claimed before London Court and those mentioned in the Public Prosecution Charge Report in connection with crime No. 275/93, amounting to US\$ 25,000 thousand, for which a civil case was filed where a final verdict was announced in the session dated 7 March 2011 by rejecting the appeal, plus an amount of US\$ 3,150 thousand (Chesapeake – selling debris of Surf City Vessel) for which a case was filed

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

where a final verdict was announced in the session dated 7 March 2011 by rejecting the appeal.

A committee was formed comprising the subsidiary company and the Corporation to distribute the amounts collected from the accused parties to the entitled parties, after deducting the expenses of the lawsuits since their beginning to date. Subsequently, the Audit Committee of the Corporation approved on 7 May 2006 the report submitted by the subsidiary company on the method of distributing the amounts collected from the accused parties, net of the expenses of the lawsuit from 1992-1993 till 2005-2006, as 54% to the subsidiary company and 46% to the Corporation. The remaining distributable amount was US\$ 61,606 thousand. The Corporation's share amounting to US\$ 28,339 thousand was transferred on 24 May 2006.

The subsidiary company's share amounting to US\$ 33,267 thousand (KD 9,714 thousand) and the lawsuit expenses of US\$ 31,150 thousand (KD 9,096 thousand) deducted from the collected amounts, were included in the consolidated statement of income for the year ended 31 March 2007.

Further, the subsidiary company's attorney in Kuwait filed civil cases before the Kuwaiti courts against the accused parties and certain persons who received the embezzled amounts, to claim refund of the funds embezzled by the accused parties and others. Verdicts were passed in a number of these cases to temporarily suspend the civil case pending a decision in crime No. 275/93, while the other cases are still being deliberated before the courts and experts. In one of these cases, the attorney of the subsidiary company filed civil case No. 2008/3019 (commercial/ civil/ total/ government)/8 against four accused parties for a temporary civil compensation amounted to KD 5 thousand. The court decided to refer the case to Sixth Civil Department where the case number was changed to 2009/1321 (civil/total)/6 and a first degree verdict has been issued against the second, third and fourth accused parties to pay an amount of KD 5 thousand as a compensation. This verdict has been appealed by one of the accused heir. On 19 December 2011, a verdict has been issued by Court of Appeals against fourth accused to pay an amount of KD 5 thousand and to pay KD 300 as an attorney fees.

An amount of Sterling Pounds 120 thousand was received on 11 October 2006, and invested in a deposit renewable with interest thereon. This amount plus interest amounted to Sterling Pounds 140 thousand (KD 62 thousand) as at 31 March 2012 (2011: Sterling Pounds 139 thousand (KD 62 thousand)), and will be distributed later, according to the above agreed distribution share.

Further, the subsidiary company's attorney in Kuwait filed a lawsuit No. 2025/2010 (Commercial/ Court of First Instance) before the Kuwaiti courts to claim implementing a foreign verdict pronounced by London court in favor of the subsidiary company on 15 December 1998 for the case No. 1212/2004 and its appeals. Also, he requested to annex the verdict in its executive formula pursuant to provision of Article No. (1) of Law No. 38 for 2007 concerning amending paragraph one of Article No. (199) of Law of Civil and Commercial Procedure issued by Decree Law No. 38 for 1980.

The court verdict has been issued by the judge to annex the foreign verdict in the executive formula and command its implementation in the State of Kuwait. Discrimination has been petitioned by the accused and appealed to stop the verdict issued by the Court of Appeal, however on 8 August 2011 the Court of Cessation ruled to refuse that request.

Further, the subsidiary company's attorney filed a law suit No. 3560/2010 (Commercial/ Court of First Instance) before the Kuwait courts to claim implementing a foreign verdict pronounced by London court in favour of KOTC and SITKA on 17 October 2008. Also, he requested to annex the verdict in the executive formula. A first degree court verdict has been issued to dismiss that claim.

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

Dry Cargo (358/94 crimes)

This case has been filed against five indictees. This case was referred to the Criminal Court on 2 April 2006 for charges of embezzling funds, illegal profits and forgery. The value of the amounts claimed in the Public Prosecution's report amounted to approximately US\$ 10,000 thousand.

In the hearing on 17 June 2006, the court ruled for the imprisonment of indictees for five years with labour and execution, to dismiss them from their jobs, oblige them to refund the embezzled funds, and fine each of them an amount equivalent to that embezzled by him, as well as to deport the third, fourth and fifth accused parties from the country after serving the said penalty, and to refer the civil case to the competent civil court. The fourth indictee, challenged the verdict passed against him. In the hearing on 16 September 2006, the court ruled to dismiss the objection and upheld the challenged verdict, which was appealed by the second and fourth indictees. On 24 July 2007, a verdict was issued by the court of appeal condemning the accused and partially amending the judgment through deducting the equivalent of the present value in US dollars of an amount of KD 300 thousand paid by the second party of the adjudged fine and by refunding penalties as well as clearing the fourth indictee from crimes attributed to him. The appealed judgment was challenged before the Court of Cessation. On 13 May 2008, the court ruled to dismiss the appeal.

Contingent liabilities

Pursuant to the acquisition by a subsidiary of an interest in a joint venture in Australia, encompassing production from the Harriet field and various exploration permits, the subsidiary has entered into three deeds of cross charges in favour of each of the other participants for the purpose of securing the subsidiary company's obligations under the joint venture agreement. The cross charges comprise a prior ranking charge over the subsidiary's interest in the joint venture to a limit of Australian \$ 250 million (KD 70 million).

On 23 November 2006, a subsidiary company issued a Notice of Force Majeure ("HJV Force Majeure") to a gas buyer of the Harriet Joint Venture ("HJV"). Three of the four limbs of the HJV Force Majeure continue to be in force. Any claim in relation to any shortfall in gas supply under the relevant contract is subject to the HJV Force Majeure and the HJV sellers' limitation of the liabilities set out in the contract. In September 2011, the court heard the subsidiary and its co-venturers' application for declaratory judgement on the correct construction of the Gas Sales Agreement ("GSA"). The judgement on this case is yet to be received.

The Group had contingent liabilities of approximately US\$ 42 million (KD 11.7 million) at 31 March 2012 (2011: US\$ 45 million (KD 12.6 million)). These principally relate to a variety of tax, legal and regulatory disputes, all of which are being vigorously contested by one of the subsidiaries of the Group.

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

36. Subsidiaries, associates and joint ventures

a) Principal subsidiaries registered in the State of Kuwait:

Directly held

Name of company	Proportion held	Principal activities
Kuwait Oil Company K.S.C.	100%	Exploration for and production of crude oil and natural gas in the State of Kuwait.
Kuwait National Petroleum Company K.S.C.	100%	Refining, LPG manufacturing, and local marketing of refined products.
Kuwait Oil Tanker Company S.A.K.	100%	Operation of a fleet of crude oil tankers and liquefied petroleum gas and oil product carriers.
Petrochemical Industries Company K.S.C.	100%	Production of petrochemical products and their distribution and marketing.
Kuwait Foreign Petroleum Exploration Company K.S.C.	100%	Exploration for and development of oil and gas outside the State of Kuwait.
Kuwait Aviation Fuelling Company K.S.C.	100%	Supply of aviation fuel.
Kuwait Gulf Oil Company K.S.C. (Closed)	100%	Exploration for and production of crude oil and natural gas.
Oil Development Company K.S.C. (Closed)	100%	Manage and supervise operation services contract with international oil companies.
Oil Sector Service Company K.S.C. (Closed)	100%	Liaison, public services and oil sector supporting services.

Indirectly held

Name of company	Proportion held	Principal activities
Kuwait Aromatics Company K.S.C.C. ("KARO")	80%	Producing and selling perfume products and other derivatives.

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

b) Principal directly and wholly-owned subsidiaries registered outside the State of Kuwait:

Name of company	Country of incorporation	Principal activities
KPC Holdings (Aruba) AEC	Aruba	Refining, and marketing of refined products
KPC Energy Ventures, Inc.	British West Indies	Investment in new energy technologies

c) Principal associates

Name of company	Country of incorporation	Proportion held	Principal activities
Kuwait Drilling Company K.S.C.	Kuwait	49%	Contract drilling
Equate Petrochemical Company K.S.C.	Kuwait	42.5%	Petrochemicals
Gulf Petrochemical Industries Company B.S.C.	Bahrain	33%	Petrochemicals
Kuwait Olefins Company K.S.C.C	Kuwait	42.5%	Petrochemicals
Al-Oula Local Fuel Marketing Company K.S.C.	Kuwait	24%	Fuel marketing
Al-Sour Fuel Marketing Company K.S.C.	Kuwait	24%	Fuel marketing
Equate Marketing Company E.C.	Bahrain	49.9%	Fuel marketing

d) Principal joint ventures

Name of company	Country of incorporation	Effective equity interest as at 31 March 2012
MEGlobal B.V. and subsidiaries	Netherlands	50%
MEGlobal Canada Inc.	Canada	50%
OKQ8 AB	Sweden	50%
Reffineria di Milazzo S.p.A.	Italy	50%

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

The share of the assets, liabilities, income and expenses of the jointly controlled entities for the two years presented are as follows:

	2012	2011
	KD'000	KD'000
Current assets	251,737	240,225
Non-current assets	304,820	330,282
Current liabilities	(236,744)	(210,594)
Non-current liabilities	(61,744)	(103,890)
Net assets	<u>258,069</u>	<u>256,023</u>
Income	1,016,156	845,200
Expenses	(943,048)	(799,873)
Profit	<u>73,108</u>	<u>45,327</u>

37. Oil and gas reserves related to a foreign subsidiary (unaudited)

	Crude Oil	Gas	Total
	(mmbbls)	(mmboe)	(mmboe)
Proved and probable reserves at beginning of year			
- Fields in production	52.86	182.81	235.67
- Projects under development	0.36	1.26	1.62
	<u>53.22</u>	<u>184.07</u>	<u>237.29</u>
Changes during the year			
- Discoveries	4.84	148.30	153.14
- Revision of previous estimates	(1.16)	(9.92)	(11.08)
- Production	(6.12)	(20.55)	(26.67)
	<u>(2.44)</u>	<u>117.83</u>	<u>115.39</u>
Proved and probable reserves at end of year			
- Fields in production	45.94	157.38	203.32
- Projects under development	4.84	144.52	149.36
	<u>50.78</u>	<u>301.90</u>	<u>352.68</u>

Proven reserves are the quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Probable reserves are those additional reserves which are not yet proven but together with proven reserves are estimated to have a 50% or better chance of being technically and economically producible. Oil reserves include the oil equivalent of natural gas. Oil and gas reserves cannot be measured exactly since estimation of reserves involves subjective judgment and arbitrary determinations. Therefore, all estimates are subject to periodic revision. The above oil and gas reserves belong to one of the group companies and relate to the Group's reserves outside Kuwait.

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

Reserves, reserves volumes and reserves related information and disclosures are referred to as “unaudited” as a means of clarifying that this information is not covered by the audit opinion of the independent auditor that has audited and reported on the Group’s consolidated financial statements.

38. Prior years’ adjustments

During the year ended 31 March 2011, a subsidiary company detected that cost of sales for the year ended 31 March 2010 was understated by KD 38,455 thousand. Also, it was detected that inventories were overstated by KD 1,493 thousand. Accordingly, the respective comparative amounts have been restated to reflect the correct amounts.

39. Comparative figures

Where necessary, certain comparative figures have been reclassified to conform to the current year’s presentation. Such reclassifications did not affect previously reported profit or loss, equity or opening balances of the earliest comparative period presented; accordingly a third statement of financial position is not presented.

40. Subsequent events

On 28 November 2008, Petrochemical Industries Company K.S.C. (“PIC”), a 100 percent owned subsidiary, and The Dow Chemical Company (“Dow”) signed a Joint Venture Formation Agreement (“JVFA”) to form a 50:50 petrochemicals joint venture, to be known as K-Dow Petrochemicals (“K-Dow”).

The JVFA and related documents set out the terms of the proposed joint venture between PIC and Dow (“the Transaction”) and provided that closing of the Transaction was to occur on 2 January 2009. However, the obligations of the parties to the JVFA to proceed to closing were expressed in the JVFA to be conditional on and subject to the fulfilment or, as applicable, the non-occurrence or, if permitted, the waiver of a number of matters (“Conditions Precedent”).

It was PIC’s position that the conditions precedent were not satisfied and, under the JVFA, closing was prevented from taking place without liability on either PIC or Dow.

Dow did not accept this position and has commenced an arbitration, in accordance with the JVFA, in which it claimed that PIC is liable to indemnify Dow and/or to pay Dow damages, interest and costs.

On 21 May 2012, the International Court of Arbitration of the International Chamber of Commerce (the “ICC”) released its findings in the arbitration case between Dow and PIC. The Tribunal Awards and Declares as follows:

Liability

That the conditions precedent in the JVFA were satisfied and that, in consequence, PIC was in breach of its contractual obligation under the JVFA to close the Transaction on 2 January 2009.

Quantum

Dow has established and is entitled as damages for consequential losses and/ or “loss of opportunity” damages totaling USD 2,050.95 million. Dow has established and can recover as wasted costs the further sum of USD 110.1 million. Questions of interest and costs are

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

reserved for further submission and Award, unless and to the extent to which agreed between the parties. The Group's management has estimated interest and costs at USD 338.95 million.

Accordingly, the Group has recognized in profit or loss a provision for legal claims of USD 2.5 billion (KD 695,400 million) as at 31 March 2012 (note 22). The amount provided represents the management's best estimate of the Group's liability having taken legal advice.