

006022/20

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 for
an alteration of manner of
with accounting requirements.

THURSDAY



A09 *A8BF18M1* 08/08/2019 #52
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.**

Name of organisation
or body ③ International Financial Reporting Standards

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

A3 Accounts

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

☐ **No. Go to Section A5.**

☒ **Yes. Go to Section A4.**

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A4**Audited accounts**

Audited accounts

Have the accounts been audited in accordance with a set of generally accepted auditing standards?

Please tick the appropriate box.

☐ No. Go to Part 3 'Signature'.☒ Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'.

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

Name of organisation or body ①

International Federation of Accountants

A5**Unaudited accounts**

Unaudited accounts

Is the company required to have its accounts audited?

Please tick the appropriate box.

☐ No.☒ Yes.**Part 3****Signature**

I am signing this form on behalf of the overseas company.

Signature

Signature

X



X

This form may be signed by:

Director, Secretary, Permanent representative.

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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,
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Scotland:

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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 2014**

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 2014, 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 judgment, 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 2014, 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 2014, 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: 17 July 2014

Consolidated statement of financial position

as at 31 March 2014

		March 31 2014 KD'000	March 31 2013 KD'000 (Restated)	April 1 2012 KD'000 (Restated)
Assets	Notes			
Non-current assets				
Property, plant and equipment	5	11,678,046	10,575,251	9,432,315
Goodwill	6	92,302	61,565	62,187
Intangible assets	7	223,381	189,882	152,172
Deferred tax assets	14	174,721	25,231	28,613
Other non-current assets	8	228,399	232,883	211,451
Available-for-sale investments	9	5,944,774	5,133,398	4,698,143
Investments in equity accounted investees	10	828,138	689,695	666,404
		19,169,761	16,907,905	15,251,285
Current assets				
Inventories	11	2,275,850	2,131,212	1,939,977
Trade receivables	12	3,898,522	4,446,404	5,161,250
Other receivables and prepayments	13	1,331,919	831,824	839,290
Taxes receivable	14	27,580	29,812	19,142
Bank balances and cash	15	5,313,032	5,573,251	3,809,708
		12,846,903	13,012,503	11,769,367
Total assets		32,016,664	29,920,408	27,020,652
Equity and liabilities				
Equity				
Authorised and paid-up share capital		2,500,000	2,500,000	2,500,000
Statutory reserve	16	1,250,000	1,250,000	1,250,000
Capital reserve	17	232,945	232,945	232,945
General reserve	18	17,220,011	15,731,827	13,230,637
Reserve for replacement and renewal of property, plant and equipment	19	2,677,691	2,287,691	2,003,691
Remeasurement of defined benefit obligation reserve		(80,833)	(47,763)	(14,349)
Cumulative changes in fair values		437,610	463,417	262,343
Foreign currency translation reserve		(22,203)	(5,165)	(21,853)
Equity attributable to equity holder of the Corporation		24,215,221	22,412,952	19,443,414
Non-controlling Interest		50,835	38,671	37,109
Total equity		24,266,056	22,451,623	19,480,523
Non-current liabilities	20	1,604,708	1,087,522	1,042,817
Current liabilities				
Trade payables		816,115	707,121	637,522
Other payables and accruals	21	1,707,316	1,909,765	2,009,064
Taxes payable	14	288,405	293,535	287,277
Amounts due to Ministry of Oil	22	3,334,064	3,470,842	3,563,449
		6,145,900	6,381,263	6,497,312
Total liabilities		7,750,608	7,468,785	7,540,129
Total equity and liabilities		32,016,664	29,920,408	27,020,652

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

Nizar M. Al-Adsani
Deputy Chairman & CEO

Ali Al-Hajeri
Managing Director - Finance

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 March 2014

	Notes	2014 KD'000	2013 KD'000 (Restated)
Continuing operations			
Revenues			
Sales of crude oil, gas, refined products and petrochemicals		38,900,214	38,829,037
Revenues from consultancy and other operations	24	113,678	264,524
		<u>39,013,892</u>	<u>39,093,561</u>
Cost of revenues			
Cost of sales of crude oil, gas, refined products and petrochemicals		(36,689,246)	(36,544,099)
Cost of consultancy and other operations		(162,995)	(247,199)
		<u>(36,852,241)</u>	<u>(36,791,298)</u>
Gross profit		2,161,651	2,302,263
Depreciation and amortisation		(346,478)	(331,459)
General and administrative expenses		(399,903)	(323,746)
Write-back of provision for a legal claim	37	-	84,910
Provision for doubtful debts		(387)	(926)
Provision for)/ reversal of impairment on property, plant and equipment and goodwill		(243,645)	22,793
Operating profit		<u>1,171,238</u>	<u>1,753,835</u>
Interest income		33,214	34,606
Interest expense		(14,434)	(11,748)
Net interest income		<u>18,780</u>	<u>22,858</u>
Investment income	25	281,697	233,580
Share of results of equity accounted investees	10	282,674	221,937
(Other income (net	26	197,118	648,762
Directors' remuneration	27	(67)	(97)
Profit before provision for income tax		<u>1,951,440</u>	<u>2,880,875</u>
Income tax expense	14	(41,150)	(61,261)
		<u>1,910,290</u>	<u>2,819,614</u>
Provision for replacement and renewal of property, plant and equipment	19	(390,000)	(284,000)
Profit for the year from continuing operations		<u>1,520,290</u>	<u>2,535,614</u>
Discontinued operations			
loss for the year from discontinued operations	39	(20,976)	(32,151)
Profit for the year		<u>1,499,314</u>	<u>2,503,463</u>
Other comprehensive income			
Continuing operations			
<i>Items that will never be classified to profit or loss</i>			
Remeasurements of defined benefit obligations		(33,070)	(33,414)
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences for foreign operations		(17,038)	16,613
Net change in fair value of available-for-sale investments		(25,807)	201,074
Other comprehensive (loss)/ income for the year		<u>(75,915)</u>	<u>184,273</u>
Total comprehensive income for the year		<u>1,423,399</u>	<u>2,687,736</u>
Profit attributable to:			
Equity holder of the Corporation		1,488,184	2,501,190
Non-controlling interest		11,130	2,273
Profit for the year		<u>1,499,314</u>	<u>2,503,463</u>
Total comprehensive income attributable to:			
Equity holder of the Corporation		1,412,269	2,685,538
Non-controlling interest		11,130	2,198
Total comprehensive income for the year		<u>1,423,399</u>	<u>2,687,736</u>

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

Consolidated Statement of Financial Position

as at 31 March 2014

Attributable to equity holder of the Company

	Authorised and paid-up share capital KD'000	Statutory reserve KD'000	Capital reserve KD'000	General reserve KD'000	Reserve for replacement and renewal of fixed assets	Remeasurement of defined benefit obligation KD'000	Cumulative changes in fair values KD'000	Foreign currency translation reserve KD'000	Total KD'000	Non- controlling interest KD'000	Total Equities KD'000
Balance at 31 March 2012, as previously reported	2,500,000	1,250,000	232,945	13,230,637	2,003,691	-	262,343	(23,827)	19,455,789	40,174	19,495,963
(Impact of changes in accounting policies (note 40)	-	-	-	-	-	(14,349)	-	1,974	(12,375)	(3,065)	(5,440)
Restated balance at 31 March 2012	-	-	-	-	-	(14,349)	-	1,974	(12,375)	(3,065)	(5,440)
Total comprehensive income (restated)	2,500,000	1,250,000	232,945	13,230,637	2,003,691	(14,349)	262,343	(21,853)	19,443,414	37,109	19,480,523
Profit for the year	-	-	-	2,501,190	-	-	-	-	2,501,190	2,273	2,503,463
Other comprehensive income / (loss)	-	-	-	-	-	(33,414)	201,074	-	184,343	(75)	184,273
Total comprehensive income (restated)	-	-	-	2,501,190	-	(33,414)	201,074	16,688	2,685,538	2,198	2,687,736
Reserve for replacement and renewal of fixed assets	-	-	-	-	284,000	-	-	16,688	284,000	-	284,000
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	(636)	(636)
Restated balance at 31 March 2013	2,500,000	1,250,000	232,945	15,731,827	2,287,691	(47,763)	463,417	(5,165)	22,412,952	38,671	22,451,623
Total comprehensive income	-	-	-	1,488,184	-	-	-	-	1,488,184	11,130	1,499,314
Profit for the year	-	-	-	-	-	(33,020)	(25,807)	-	(75,915)	-	(75,915)
Other comprehensive income / (loss)	-	-	-	1,488,184	-	(33,020)	(25,807)	(17,018)	1,412,289	11,130	1,423,399
Total comprehensive income / (loss)	-	-	-	-	390,000	-	-	(17,018)	390,000	-	390,000
Reserve for replacement and renewal of fixed assets	-	-	-	-	-	-	-	-	-	-	-
Transfer to reserve	-	-	-	-	-	-	-	-	-	-	-
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	1,034	1,034
Balance at 31 March 2014	2,500,000	1,250,000	232,945	17,220,011	2,677,691	(80,833)	437,610	(22,203)	24,215,221	50,835	24,266,056

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

Kuwait Petroleum Corporation and Subsidiaries
Consolidated Statement of Financial Position
as at 31 March 2014

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	Notes	2014 KD'000	2013 KD'000 (Restated)
Cash flows from operating activities:			
Profit for the year		1,499,314	2,503,463
Adjustments for:			
Depreciation and amortisation		346,478	331,459
Provision for replacement and renewal of property, plant and equipment		390,000	284,000
Provision for doubtful debts		387	926
Provision for/ (reversal of) impairment on property, plant and equipment and goodwill		243,645	(22,793)
Write off of unsuccessful exploration	7	27,460	26,188
Provision for employees' terminal benefits and pensions		163,075	49,107
Gain on disposal of property, plant and equipment	26	(3,361)	(4,165)
Share of results of equity accounted investees	10	(282,674)	(221,937)
Interest income		(33,214)	(34,606)
Interest expense		14,434	11,748
Income tax expense	14	41,150	61,261
Investment income		(281,697)	(233,580)
		2,142,997	2,751,071
Changes in:			
- inventories		(142,545)	(191,235)
-trade receivables		531,571	692,080
-other receivables and prepayments		(481,701)	7,466
-non-current liabilities		23,471	(1,983)
-trade payables		108,994	69,599
-other payables, accruals and other credit balances		(208,645)	(99,299)
-Increase in amounts due to Ministry of Oil		391,166	402,187
Cash generated from operations		2,347,308	3,629,886
Interest paid		(14,434)	(11,748)
Taxes paid (net)		(65,743)	(63,221)
Net cash from operating activities		2,267,131	3,554,17
Cash flows from investing activities:			
Increase in deposits maturing after 3 months		(32,067)	(2,500)
Increase in available-for-sale investments		(555,486)	(601)
Net movement in equity accounted investees		152,008	198,646
Acquisition of subsidiary	38	(70,282)	-
Additions to intangible assets	7	(66,739)	(60,083)
Additions to goodwill	6	(1,788)	(2,966)
Increase in other non-current assets		20,408	408
Purchase of property, plant and equipment	5	(2,203,532)	(2,069,544)
Proceeds from disposal of property, plant and equipment		117,744	75,552
Interest received		33,214	34,606
Net cash used in investing activities		(2,606,520)	(1,826,482)
Cash flows from financing activities:			
Increase/ (decrease) in term loans, net		117,744	(34,903)
Change in non-controlling interest		1,034	(711)
Net cash from / (used in) financing activities		118,520	(35,614)
Net effect of foreign currency translation adjustments		(71,739)	68,222
Net (decrease)/ increase in cash and cash equivalents		(2,606,520)	1,761,043
Cash and cash equivalents at beginning of the year		4,643,751	2,882,708
Cash and cash equivalents at end of the year	15	4,351,465	4,643,751
Short-term deposits maturing after 3 months	15	961,567	929,500
Bank balances and cash at end of the year	15	5,313,032	5,573,251

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

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 35. 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 2014 were authorised for issue in accordance with a resolution of the directors on 17 July 2014. 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.

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) Changes in accounting policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 April 2013.

- Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
- IFRS 10 Consolidated Financial Statements (2011)
- IFRS 11 Joint Arrangements

- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
- IAS 19 Employee Benefits (2011)

The nature and effects of the changes are explained below.

Offsetting of financial assets and financial liabilities

These amendments require an entity to disclose information about rights to set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The application of the standard did not have any significant impact on the consolidated financial statements of the Group.

IFRS 10 Consolidated Financial Statements

The new standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. It introduces a single consolidation model that identifies control as the basis for consolidation for all types of entities, where control is based on whether an investor has power over the investee, exposure/rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. The application of the standard did not have any significant impact on the consolidated financial statements of the Group.

IFRS 11 Joint Arrangements

As a result of IFRS 11, the Group has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the Group has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets, and

obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement). When making this assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Group has re-evaluated its involvement in its joint arrangements and has classified its interest in its certain jointly controlled entities as joint venture under IFRS 11 (note 10).

Prior to the adoption of IFRS 11, the Group's interest in these entities was classified as a jointly controlled entity and the Group's share of the assets, liabilities, revenue, income and expenses was proportionately consolidated in the consolidated financial statements. Upon adoption of IFRS 11, the Group has determined its interest in these entities to be classified as a joint venture under IFRS 11 and it is required to be accounted for using the equity method.

The amendment was applied retrospectively as required by IFRS 11 and the comparative information for the period presented has been restated to reflect the change in the account policy.

The effect of applying IFRS 11 on the Group's consolidated financial statements is presented in note 40.

IFRS 12 Disclosure of interests in other entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries e.g. where a subsidiary is controlled with less than a majority of voting rights.

The application of the standard did not have any significant impact on the consolidated financial statements of the Group, as the Group did not have any significant non-controlling interest. The disclosure about its interests in subsidiaries is presented in note 35.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Group has included additional disclosures in this regard (note 30).

Presentation of Items of Other Comprehensive Income

As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has also been re-presented accordingly.

The adoption of the amendment to IAS 1 has no impact on the recognized assets, liabilities and comprehensive income of the Group.

IAS 19 Employee Benefits (2011)

As a result of IAS 19 (2011), the Group has changed its accounting policy with respect to the basis for determining the income or expenses related to its employees' termination benefits. Some of the key changes that have an impact on the amount recognised in these consolidated financial statements are as follows:

- All past service costs would be recognised immediately at the earlier of when the amendment /curtailment occur or when the related restructuring or termination costs are recognised. Unvested past service costs would no longer be deferred.
- Remeasurement gains / losses arising from changes in actuarial assumptions are recognised immediately in statement of other comprehensive income and cannot be deferred using corridor approach or recognised in profit or loss.

The amendment was applied retrospectively as required by IAS 19 (2011) and the comparative information for the period presented has been restated to reflect the change in the account policy.

The effect of changes in accounting policy on the Group's consolidated financial statements is presented in note 40.

3. Significant accounting policies

Except for changes explained in Note 2(e), the Group has consistently applied the accounting policies set below 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 35.

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 mainly represent the portion of profit or loss and net assets in subsidiaries of Kuwait Aromatics Company K.S.C. not held by the Corporation and are presented separately in the consolidated statement of profit or loss and other 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.

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.

Accounting periods of subsidiaries

The Group's financial year was from 1 April 2013 to 31 March 2014. 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 2013 to 31 December 2013. 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.

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative consolidated statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

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.

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 equipments	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 statement of profit or loss and other comprehensive income.

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 equity accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The profit or loss reflects the share of the results of operations of the associate or joint venture. Where there has been a change recognised in other comprehensive income of the associate or joint venture, the Group recognises its share of any changes and discloses this, when applicable, in other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

Some of the equity accounted investees has year-end different from the Group's consolidated financial statements. Accordingly the adjustments are made for any significant transactions or events happening in the months between the year end of the equity accounted investees and 31 March.

Unrealised gains arising from transactions with the equity accounted investees are eliminated against the investment to the extent of the Group's interest in the associate and joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Distributions received from the associate and joint venture reduce the carrying amount of the investment.

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

t has been impaired, or that impairment losses recognised in prior years no longer exist.

h) Interests in joint operations

A joint operation is a contractual arrangement whereby two or more parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

Interests in joint operations 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 operations with the similar items, line by line, in its consolidated financial statements. The financial statements of the joint operations 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 operations and 31 March.

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

The joint operations 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 operations. All intra-group transactions and balances are eliminated to the extent of the Group's share in the joint operations.

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.

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.

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:

1. For assets carried at fair value, impairment is the difference between acquisition cost and fair value;
2. 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
3. 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 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.

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***

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 profit or loss in the year to which it relates.

Defined benefit scheme – Foreign subsidiaries

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. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Defined contribution schemes

In addition to the defined schemes described above, the Group's affiliates in the UK and Belgium 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.

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

Following standards and interpretations are effective for annual periods beginning after 1 April 2014 and have not yet been adopted by the Group:

IFRS 9 Financial Instruments (2013), IFRS 9 Financial Instruments (2010) and IFRS 9 Financial Instruments (2009) (together "IFRS 9")

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with the risk management. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalized. However, early application of IFRS is permitted. The Group does not plan to adopt this standard early.

Recoverable Amount Disclosure for Non-Financial Assets (Amendments to IAS 36)

IAS 36 amendment applicable retrospectively from 1 January 2014 addresses the disclosure of information about the recoverable amount of impaired assets under the amendments, recoverable amount of every cash generating unit to which goodwill or indefinite-lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognised or reversed.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The amendments to IAS 32 applicable from 1 January 2014 clarifies that a) an entity currently has a legally enforceable right to off-set if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and processes receivables and payables in a single settlement process or cycle.

Management of the Group is in the process of assessing the impact of the adoption of above standards and amendment to standards on the Group's consolidated financial statements.

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, 34 and 37 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.

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.

Remeasurement 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.

Consolidated Statement of Financial Position

as at 31 March 2014

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 2013, net of accumulated depreciation										
Additions	997,687	1,509,781	2,163,840	328,406	578,966	81,261	44,680	1,060,227	3,816,403	0,575,251
Disposals	397,136	1,191	55,102	-	6,694	4,547	5,374	-	1,733,488	2,203,532
Transfers	(91,338)	(7)	(1,314)	(933)	(1,282)	(1,578)	(2,005)	-	(15,926)	(114,383)
Transfer to intangible assets (note 7)	63,685	133,753	169,097	53,900	22,949	6,153	3,415	306,484	(759,436)	-
Currency translation effects	-	-	-	-	-	-	-	-	(1,533)	(1,533)
Depreciation for the year	3,706	2,465	(29,985)	-	62,052	1,615	932	-	8,019	48,804
Acquisition (note 38)	(166,445)	(142,057)	(291,696)	(22,283)	(41,040)	(12,552)	(5,339)	(174,789)	-	(856,201)
Impairment loss	60,713	-	-	-	-	-	-	-	-	60,713
At 31 March 2014	(27,502)	(8,299)	(137,400)	(7,901)	(15,725)	(840)	-	-	(40,470)	(238,137)
Property, plant and equipment At cost	1,237,642	1,496,827	1,927,644	351,189	612,614	78,606	47,057	1,191,922	4,734,545	1,678,046
Accumulated depreciation	2,523,873	3,173,098	5,601,810	509,251	1,83,775	228,478	102,209	2,665,547	4,776,163	0,764,204
Net carrying amount at 31 March 2014	(1,286,231)	(1,676,271)	(3,674,166)	(158,062)	(571,161)	(149,872)	(55,152)	(1,473,625)	(41,618)	1,678,046
	1,237,642	1,496,827	1,927,644	351,189	612,614	78,606	47,057	1,191,922	4,734,545	1,678,046

The depreciation charged to profit or loss is reduced by KD 522 million (2013: KD 494 million) being the amount charged to the Ministry of Oil in respect of the operations of local wholly owned subsidiaries.

Included in assets under construction are amounts of KD 337,000 thousand and KD 292,779 thousand (2013: KD 324,453 thousand and KD 268,497 thousand) relating to the Group's new refinery project and the clean fuels project respectively. Subsequent to the year ended 31 March 2014, the Group awarded contracts amounting to KD 4,456,252 thousand for the clean fuels project.

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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 2012, net of accumulated depreciation										
Additions	793,089	1,572,770	2,135,129	306,790	604,066	80,210	37,268	1,007,913	2,895,080	9,432,315
Disposals	326,129	261	13,220	-	748	5,064	3,109	-	1,721,013	2,069,544
Transfers	(379)	(3,828)	(9,347)	-	(39,179)	(114)	(30)	-	(18,510)	(71,387)
Transfer to intangible assets (note 7)	38,819	78,047	320,860	22,548	65,555	8,517	10,794	216,970	(762,110)	-
Currency translation effects	6,331	1,143	(11,828)	-	(6,911)	(188)	(1,763)	(1,584)	552	(25,622)
Depreciation for the year	(132,149)	(138,612)	(284,194)	(22,628)	(45,313)	(12,228)	(4,698)	(166,240)	-	(806,062)
Impairment loss	(34,153)	-	-	21,696	-	-	-	-	-	(12,457)
At 31 March 2013	997,687	1,509,781	2,163,840	328,406	578,966	81,261	44,680	1,060,227	3,810,403	10,575,251
Property, plant and equipment At cost	2,523,873	3,030,097	5,442,521	482,817	1,076,772	226,984	97,273	2,359,139	3,810,403	18,708,515
Accumulated depreciation	(1,184,822)	(1,520,316)	(3,278,681)	(154,411)	(497,806)	(145,723)	(52,593)	(1,298,912)	-	(8,133,264)
Net carrying amount at 31 March 2013	997,687	1,509,781	2,163,840	328,406	578,966	81,261	44,680	1,060,227	3,810,403	10,575,251

6. Goodwill

	2014 KD'000	2013 KD'000 (Restated)
At beginning of the year	61,565	62,187
Additions during the year	1,788	2,966
Acquisitions (note 38)	28,550	-
Impairment	(3,558)	(513)
Currency translation effects	3,957	(3,075)
	92,302	61,565

7. Intangible assets

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

	2014 KD'000	2013 KD'000 (Restated)
At beginning of the year	189,882	152,172
Additions during the year	66,739	60,083
Acquisition (note 38)	11,240	-
Transfer from assets under construction (note 5)	1,533	25,622
Amortisation	(18,221)	(20,191)
Write-off of unsuccessful exploration cost	(27,460)	(26,188)
Currency translation effects	(332)	(1,616)
	223,381	189,882

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

8. Other non-current assets

	2014 KD'000	2013 KD'000 (Restated)
Long term portion of trade receivables	130,992	115,068
Deferred expenses	16,244	18,921
Amount due from the Public Authority for Industry (PAI)	57,463	60,297
Others	23,700	38,597
	228,399	232,883

Long term portion of trade receivables includes KD 130 million (2013: KD115 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 130 million is measured on an undiscounted basis.

Approximately KD 16 million (2013: KD 19 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. In the current year, the net revenue generated by the project on behalf of PAI amounted to KD 3 million (2013: KD 3 million) and is recorded as non-current liabilities.

9. Available-for-sale investments

	2014 KD'000	2013 KD'000
Managed portfolios and funds	5,906,531	5,096,743
Others	38,243	36,655
	5,944,774	5,133,398

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.

10. Investments in equity accounted investees

The Group's share of profit in its equity accounted investees for the year was KD 282,674 thousand (2013: KD 221,937 thousand).

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

31 March 2014			Total assets KD'000	Total liabilities KD'000	Revenues KD'000	Expenses KD'000	Profit/ (loss) KD'000	Share of results KD'000
Associates		Ownership						
Kuwait Drilling Company K.S.C.		49%	192,771	105,524	50,567	45,333	5,234	2,565
Equate Petrochemical Company K.S.C.C.		42.5%	1,112,102	733,782	596,835	378,644	218,191	92,731
Gulf Petrochemical Industries Company B.S.C.		33%	160,408	60,678	120,310	65,975	54,335	17,931
The Kuwait Olefins Company K.S.C.C.		42.5%	556,745	271,816	139,692	4,923	134,769	57,277
Al-Oula Fuel Marketing Company K.S.C.		24%	63,412	11,595	14,016	9,752	4,264	1,023
Al-Sour Fuel Marketing Company K.S.C.		24%	60,808	11,611	13,681	9,580	4,101	984
Equate Marketing Company E.C.		49.9%	245	83	1,135	1,135	-	-
Joint Ventures								
The Kuwait Styrene Company K.S.C.C.		57.5%	208,575	112,581	55,010	3,785	51,225	29,454
MEGlobal B.V. and subsidiaries		50%	406,838	258,435	1,052,837	988,163	64,674	32,337
MEGlobal Canada Inc. and a subsidiary		50%	333,201	135,707	295,384	226,499	68,885	34,443
OKQ8 AB		50%	455,549	274,840	35,765	6,386	29,379	14,689
Nghi Son Refinery Project ("NSRP")		35.1%	370,967	75,109	-	2,169	(2,169)	(760)
			3,921,621	2,021,761	2,375,232	1,742,344	632,888	282,674

At 31 March 2014, the Group's share in the contingent liabilities of joint ventures was KD 13,475 thousand (2013: KD 13,586 thousand). In addition, assets relating to joint ventures in which the Group's share amounting to KD 206,727 thousand (2013: KD 162,801 thousand) are pledged as a security against term loan facilities obtained by those joint ventures.

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31 March 2013									
	Ownership	Total assets KD'000	Total liabilities KD'000	Revenues KD'000	Expenses KD'000	Profit KD'000	Share of results KD'000 (Restated)		
Associates									
Kuwait Drilling Company K.S.C.	49%	168,125	81,705	10,301	4,391	5,910	2,896		
Equate Petrochemical Company K.S.C.	42.5%	1,118,607	782,875	173,490	12,253	161,237	68,526		
Gulf Petrochemical Industries Company B.S.C.	33%	153,984	15,493	83,033	17,966	65,067	21,472		
The Kuwait Olefins Company K.S.C.C.	42.5%	590,557	306,289	148,838	5,196	143,642	61,048		
Al-Oula Fuel Marketing Company K.S.C.	24%	58,631	12,405	12,964	9,114	3,850	924		
Al-Sour Fuel Marketing Company K.S.C.	24%	55,556	12,527	13,004	8,957	4,047	971		
Equate Marketing Company E.C.	49.9%	230	65	1,139	1,139	-	-		
Joint Ventures									
The Kuwait Styrene Company K.S.C. (Closed)	57.5%	211,081	151,174	20,300	3,621	16,679	9,590		
MEGlobal B.V. and subsidiaries	50%	299,866	204,000	939,958	901,376	38,582	19,291		
MEGlobal Canada Inc. and a subsidiary	50%	325,259	76,179	246,033	190,676	55,357	27,679		
OKQ8 AB	50%	454,491	291,560	1,015,209	996,899	18,310	9,155		
Nghi Son Refinery Project ("NSRP")	35.1%	41,453	694	2,158	1,060	1,098	385		
		3,477,840	1,934,966	2,666,427	2,152,648	513,779	221,937		

11. Inventories

	2014 KD'000	2013 KD'000 (Restated)
Crude oil	772,655	619,265
Liquefied petroleum gas	33,327	2,035
Refined petroleum products	987,259	1,081,981
Finished petrochemical products	28,974	40,839
Spare parts, materials and supplies	453,635	387,092
	2,275,850	2,131,212

12. Trade receivables

The Corporation and one of its major subsidiaries, comprising 87% (2013: 84%) of the consolidated total trade receivables, deal mainly with major state owned and international oil companies. Another major subsidiary operating mainly in Europe represent approximately 10% (2013: 12%) of the consolidated total trade receivables relating to a large number of corporate customers in that region. The Group's 12 largest customers account for 66% of outstanding trade receivables at 31 March 2014 (2013: 59%).

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

Trade receivables include KD 462 million (2013: KD 521 million), which represents the short-term portion of amounts due from Ministry of Electricity and Water.

13. Other receivables and prepayments

	2014 KD'000	2013 KD'000 (Restated)
Marine sub-charter and other receivables	305,197	126,716
Insurance, local tax and other claims	9,254	8,198
Prepaid expenses	69,527	46,645
Bills receivables	156,820	-
Receivable from exchange and concession partners	14,236	8,040
Advances to contractors	320,444	351,338
Refundable deposits	11,354	20,457
Employee receivables	151,695	17,717
Other	293,392	252,713
	1,331,919	831,824

14. Deferred tax assets and liabilities

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

a. Income taxes

	2014 KD'000	2013 KD'000
Profit or loss		
Current year expense	69,382	71,830
Deferred tax reversal	(28,232)	(10,569)
	41,150	61,261

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Deferred tax assets	174,721	25,231
Deferred tax liabilities (note 20)	(194,414)	(62,995)
	(19,693)	(37,764)

b. Other taxes receivable/ (payable)

Taxes receivable	27,580	29,812
Taxes payable	(288,405)	(293,535)
	(260,825)	(263,723)

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

	2014 KD'000	2013 KD'000
Cash and current accounts at banks	1,798,802	2,184,609
Short-term bank deposits and highly liquid investments maturing within 3 months	2,552,663	2,459,142
Cash and cash equivalents	4,351,465	4,643,751
Short-term bank deposits maturing after 3 months	961,567	929,500
	5,313,032	5,573,251

Bank balances and cash include Pound Sterling 142 thousand (KD 67 thousand) (2013: Pound Sterling 141 thousand (KD 61 thousand)) recovered from former employees against whom the Corporation has initiated legal proceedings for financial irregularities (note 34).

The corresponding amount of KD 67 thousand (2013: KD 61 thousand) is reported under other credit balances (see notes 21 and 34).

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 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 (note 23).

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 390 million to the reserve as at 31 March 2014 (2013: KD 284 million), which is subject to approval of the Supreme Council for Petroleum.

20. Non-current liabilities

	2014 KD'000	2013 KD'000 (Restated)
Employees' terminal benefits (see note 20.1)	699,629	489,257
Pension fund liabilities (see note 20.1)	59,440	73,263
Long-term loans (see note 20.2)	407,497	290,011
Deferred income taxes (see note 14a)	194,414	62,995
Provisions (see note 20.3)	42,040	49,151
Others (see note 20.4)	201,688	122,845
	1,604,708	1,087,522

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, Germany, 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 2013 to 31 March 2014, and these showed that the funds and schemes in the United Kingdom, Belgium, Germany, Italy and the Netherlands had a net deficit. The main assumptions used in the actuarial valuation were a rate of pension increases of 0% to 3.3% per annum (2013: 0% to 3.3%), an annual salary increase of 0% to 4.9% (2013: 0% to 4.5%) and a discount rate of 3.1% to 4.3% (2013: 3.2% to 4.5%).

Sensitivity analysis

A 0.25% increase/ decrease in the rate of pension increase, discount rate and annual salary at 31 March 2014 would not have any significant effect on the pension fund liabilities as of that date.

20.2 Long-term loans

The long-term loans mainly represent third party loans to Kuwait Aromatics Company K.S.C., KPC Holdings (Aruba) and Kuwait Foreign Petroleum Exploration Company K.S.C. (Closed).

On 17 May 2007, the Kuwait Aromatics Company K.S.C. (Closed), signed a KD 395 million term debt facility agreement with a consortium of banks which includes a commercial facility of KD 297 million and an Islamic loan facility of KD 98 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 loans to KPC Holdings (Aruba) AEC are denominated in Euro and bear various interest rates, however the majority of the loan balance bears interest at applicable market rates.

During the year, Kuwait Foreign Petroleum Exploration Company K.S.C. (Closed) obtained long term loan of USD 750 million (equivalent to KD 211 million) from a consortium of local and international banks and carry an interest rate of 1 month LIBOR+1.4% per annum. This loan is unsecured and repayable in seven instalment starting from 2015.

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.

	2014 KD'000	2013 KD'000
Refinery closure (see note i)	20,565	18,935
Environmental (see note ii)	19,861	26,539
Restructuring (see note iii)	252	223
Other (see note iv)	1,362	3,454
	42,040	49,151

i. Refinery closure

The Group has provided for the clean-up costs associated with closure of a refinery in 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 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.

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. During the year, a provision was made in Italy which is now largely complete. These provisions have not been discounted as the net effect of interest and inflation is not considered to be material.

iv. Other

Provisions have also been made in respect of 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 2014 is an amount of KD 136,261 thousand (2013: KD 86,026 thousand) which represents a provision made for decommissioning costs related to a subsidiary.

21. Other payables and accruals

	2014 KD'000	2013 KD'000 (Restated)
Provision for a legal claim (note 37)	-	626,194
Other payables and marine sub-charter	553,891	443,463
Short-term bank loans	204,747	110,216
Provision for annual leave and accrued compensation	174,685	218,492
Payable to contractors	117,242	101,678
Accruals	173,118	177,893
Payable to exchange partners	62,515	62,027
Other credit balances	421,118	169,802
	1,707,316	1,909,765

Short-term bank loans include secured and unsecured facilities and bear interest at prevailing market rates (note 20.2).

Other credit balances include 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 34).

22. 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.

23. 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.

The Board of Directors has decided to retain the profit for the year ended 31 March 2014, subject to the approval of the Supreme Council for Petroleum.

24. Revenues from consultancy and other operations

	2014 KD'000	2013 KD'000
Consultancy and construction	30,268	26,546
Marine operations	34,446	43,544
Merchandise and other services	48,964	194,434
	113,678	264,524

25. Investment income

Investment income mainly represents income from managed portfolios.

26. Other income (net)

	2014 KD'000	2013 KD'000 (Restated)
(Loss) / gain on disposal of property, plant and equipment	3,361	4,165
Recovery of financial cost	145,443	135,262
Foreign currency exchange (loss) / gain	(38,842)	60,542
Miscellaneous income	62,577	36,636
UN compensation claims (see note 29)	24,579	412,157
	197,118	648,762

27. 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.

28. Staff costs

Total staff costs for the year amounting to KD 1,341,092 thousand (2013: KD 1,277,228 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 906,859 thousand (2013: KD 859,176 thousand) has been included in cost of revenues and KD 434,233 thousand (2013: KD 418,052 thousand) has been included in general and administrative expenses. Staff costs consist of the following:

Staff costs consist of the following:

	2014 KD'000	2013 KD'000 (Restated)
Salaries, wages and other benefits	1,321,081	1,260,386
Pension and other retirement benefit expenses:		
- defined contribution	950	457
- defined benefit	2,839	4,916
Compensation of key management personnel (see note 31):		
- short-term benefits	7,879	7,898
- termination benefits	8,343	3,571
	1,341,092	1,277,228

29. 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 24.6 million (2013: KD 412.2 million) was received in part settlement.

30. 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 130 million (2013: KD 115 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:

	2014 USD'000	2013 USD'000	2014 KD'000	2013 KD'000
Foreign exchange contracts	1,222,340	997,364	344,865	284,563

The net fair value of these contracts was a liability of KD 480 thousand (2013: KD 4,194 thousand).

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 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
31 March 2014				
Available-for-sale financial assets	5,279,841	77,126	-	5,356,967
31 March 2013				
Available-for-sale financial assets	4,923,237	72,770	-	4,996,007

There have been no transfers between fair value levels during the year ended 31 March 2014.

The above table does not include KD 588 million (2013: KD 137 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.

31. 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:

	Associates KD'000	Other related parties KD'000	Total 2014 KD'000	Total 2013 KD'000 (Restated)
Purchases	4,249	-	4,249	3,190
Cost of production	14,309	-	14,309	10,143
Marketing fees received	2,006	-	2,006	2,342
Compensation of key management personnel (see note 28)	-	16,222	16,222	11,469

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

	Associates KD'000	Other related parties KD'000	Total 2014 KD'000	Total 2013 KD'000 (Restated)
Due from related parties	-	328	328	99
Other receivables and prepayments	156,820	-	156,820	-
Due to related parties	855	428	1,283	11,610
Provision for legal claim	-	-	-	626,194

32. 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 66 percent (2013: 59 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.

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:

	2014 KD'000	2013 KD'000 (Restated)
Other non-current assets (other than deferred expenses)	212,155	213,962
Available-for-sale investments	5,944,774	5,133,398
Trade receivables	3,898,522	4,446,404
Bank balances and cash	5,313,032	5,573,251
	15,368,483	15,367,015

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:

	2014 KD'000	2013 KD'000 (Restated)
Domestic	938,992	964,540
Europe (other than United Kingdom)	2,711,587	3,105,174
United Kingdom	401,911	508,987
Other regions	58,187	81,665
	4,110,677	4,660,366

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:

	2014 KD'000	2013 KD'000
Government	1,134,934	1,686,219
Private sector	2,975,743	2,974,147
	4,110,677	4,660,366

Impairment losses

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

	Gross 2014 KD'000	Impairment 2014 KD'000	Gross 2013 KD'000 (Restated)	Impairment 2013 KD'000 (Restated)
Not past due	3,392,978	-	3,987,432	-
Past due not more than one year	595,456	-	557,750	-
Past due more than one year	132,767	(10,524)	131,293	(16,109)
	4,121,201	(10,524)	4,676,475	(16,109)

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

	2014 KD'000	2013 KD'000 (Restated)
Balance at 1 April	16,109	17,833
Impairment loss recognized	387	926
Provision no longer required	(5,972)	(2,650)
Balance at 31 March	10,524	16,109

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.

Consolidated Statement of Financial Position

as at 31 March 2014

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

At 31 March 2014	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
Non-derivative financial liabilities							
Term loan	612,244	612,244	171,812	26,256	27,572	302,140	302,140
Trade payables	816,115	816,115	-	816,115	-	-	-
Other payables and accruals	1,707,316	1,707,316	-	1,707,316	-	-	-
Taxes payable	288,405	288,405	-	288,405	-	-	-
Amounts due to Ministry of Oil	3,334,064	3,334,064	-	3,334,064	-	-	-
At 31 March 2013							
Non-derivative financial liabilities							
Term loan	400,227	400,227	-	112,021	34,317	113,141	140,748
Trade payables	707,121	707,121	-	707,121	-	-	-
Other payables and accruals	1,909,765	1,909,765	-	1,909,765	-	-	-
Taxes payable	293,535	293,535	-	293,535	-	-	-
Amounts due to Ministry of Oil	3,470,842	3,470,842	-	3,470,842	-	-	-

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.

	2014 Equivalent position long/(short) KD'000	2013 Equivalent position long/(short) KD'000 (Restated)
EURO	7,039	4,828
USD	8,676,552	8,093,784
GBP	461	428
AUD	(13,670)	3,805
JPY	46	94
BHD	43,239	46,163
Others	8,058	(7,541)

Sensitivity analysis

A five percent strengthening of the KD against the following currencies at 31 March 2014 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 2013.

Effect in thousands of Kuwaiti Dinars
31 March 2014

	Equity	Profit or (loss)
EURO	352	352
USD	433,828	176,542
GBP	23	23
AUD	(684)	(684)
JPY	2	2
BHD	2,162	2,162
Others	403	403
	436,086	178,800

Effect in thousands of Kuwaiti Dinars
31 March 2013

	Equity (Restated)	Profit or (loss) (Restated)
EURO	241	241
USD	404,689	158,638
GBP	21	21
AUD	190	190
JPY	5	5
BHD	2,308	2,308
Others	(377)	(377)
	407,077	161,026

Interest rate risk

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

	2014 KD'000	2013 KD'000
Variable rate instruments		
Financial assets	6,702,174	6,455,341

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 67,022 thousand (2013: KD 64,553 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 63,253 thousand (2013: an increase or decrease of KD 53,372 thousand). The analysis is performed on the same basis for the year ended 31 March 2013.

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.

33. Expenditure commitments

a) Operating lease commitments

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

Future minimum lease payments:	2014 KD'000	2013 KD'000 (Restated)
Future minimum lease payments:		
Within 1 year	338,552	41,891
Between 1 and 5 years	116,145	101,937
After 5 years	135,580	105,673
Aggregate operating lease expenditure contracted for at the reporting date	290,277	249,501

b) Capital expenditure commitments

Capital expenditure commitments	2014 KD'000	2013 KD'000
Estimated capital expenditure contracted for at the reporting date	2,666,730	3,006,445

34. 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.

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 allegation 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\$ 13,157 thousand (KD 3,754 thousand) including interest as at 31 March 2014 (2013: US\$ 13,157 thousand (KD 3,754 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 Cassation. 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\$ 92,757 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. 27593/. The deposit of US\$ 6,200 thousand along with accumulated interest reached US\$ 13,157 thousand till 31 March 2014 (2013: US\$ 13,157 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. 27593/, 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 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\$ 61,607 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. 27593/, 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. 20083019/ (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 20091321/ (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 the four accused parties to jointly pay an amount of KD 5 thousand and to pay KD 300 as an attorney fees.

An appeal was made at the Court of Cassation by the heirs of a former employee under case No. 2012603/ cassation V/2 to the verdict issued by Court of Appeals No. 2012271/ Commercial /4. At the session dated 28 May 2012, the court has sentenced to refuse a request to cease the enforcement of the verdict.

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 142 thousand (KD 67 thousand) as at 31 March 2014 (2013: Sterling Pounds 141 thousand (KD 61 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. 20252010/ (Commercial/ total) 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. 12122004/ 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 No. 1 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 Cassation ruled to refuse that request, with no decision taken about the verdict of court of cassation in the original legal case.

A hearing session was scheduled on 8 August 2012 as the first hearing for the appeal discrimination to the verdict No. 32732010/ to commercial appeal / 5 and case under No. 1332011/ discrimination Commercial/4. On 12 April 2012, the court ruled to accept the two appeals in their form and regarding their merits the court referred the challenged verdict to court of cassation and obligated the first appellee (respondent) in both appeal cases to settle the expenses in addition to KD 20 as attorney fees. Secondly, regarding the merits of the two appeal cases No. 3273 and 3287 of 2010/ commercial, the court resolved annulment of the appealed sentence and inadmissibility of the proceedings since it was previously ruled by the case No. 246 of 2002 commercial total and obligated the appellee in the two appeal cases to settle expenses for two degrees plus KD 20 for attorney fees.

Further, the subsidiary company's attorney filed a law suit No. 35602010/ (Commercial/ total) 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. However, the law suit is still pending at the Kuwaiti courts. A first degree court verdict has been issued on 15 January 2012 to dismiss those proceedings which became final sentence.

Also, the subsidiary company's attorney filed a lawsuit before Kuwaiti courts under No. 15272012/ civil total / 12 against the heirs of a former employee and others to claim the final compensation which includes the sentence in crime No. 2751993/, as well as the amounts subject to the judgment issued in London that the Court of Cassation rejected to annex in the executive formula, since the case was deliberated by the Court of First Instance. On 11 October 2012, the Court sentenced to refer the case to the Department of Experts and the case is still deliberated before the Department of experts.

Dry Cargo (35894 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 Cassation. 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 73 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 parties entered into discussions on the matters in dispute, and on 1 November 2012, the parties signed Settlement Principles. The court has been requested to defer indefinitely the finalisation of judgment. The settlement deed has been signed by the subsidiary and the gas buyer.

The Group had contingent liabilities of approximately US\$ 19 million (KD 6 million) at 31 March 2014 (2013: US\$ 32 million (KD 9 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.

35. 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 Aramotics Company K.S.C.C. ("KARO")	80 %	Producing and selling perfume products and other derivatives.

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.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 %	Fuel marketing

d) Principal joint ventures

Name of company	Country of incorporation	Proportion held	Principal activities
The Kuwait Styrene Company K.S.C.C.	Kuwait	57.5 %	Petrochemicals
MEGlobal B.V.	Netherlands	50 %	Petrochemicals
MEGlobal Canada Inc.	Canada	50 %	Petrochemicals
OKQ8 AB	Sweden	50 %	Fuel marketing
Nghi Son Refinery Project	Vietnam	35.1 %	Refining operations

e) Principal joint operations

Name of company	Country of incorporation	Effective equity interest as at 31 March 2014
Reffineria di Milazzo S.p.A.	Italy	50 %

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

	Crude Oil (mmbbls)	Gas (mmboe)	Total (mmboe)
Proved and probable reserves at beginning of year			
- Fields in production	46,24	132,49	178,73
- Projects under development	20,75	144,52	165,27
	66,99	277,01	344,00

	Crude Oil (mmbbls)	Gas (mmboe)	Total (mmboe)
Changes during the year			
Discoveries			
Revision of previous estimates	5,15	5,06	10,21
Purchase of reserves in place	17,80	3,28	21,08
Sale of reserves	(5,67)	(6,93)	(12,60)
Production	(7,88)	(19,38)	(27,26)
	9,40	(17,97)	(8,57)
Proved and probable reserves at end of year			
Fields in production	46,10	115,62	161,72
Projects under development	30,30	143,42	173,72
	76,40	259,04	335,44

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.

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.

37. Cancellation of a Joint Venture Formation Agreement

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.

The arbitration is now closed and on 21 May 2013, the Tribunal awarded to Dow an amount of USD 2.05 billion and an amount of USD 110.1 million for wasted costs. Questions of interest and costs were reserved for further submission and Award, unless and to the extent to which agreed between the parties. On 28 February 2013, the Tribunal issued an order to PIC for payment of ongoing interest on the amount previously awarded as well as costs and expenses of the arbitration together with interest on those costs and expenses. During 2013, PIC's management has estimated interest and costs at USD 338.95 million.

On 6 May 2013, a settlement agreement was made between PIC and Dow which stipulated that PIC will pay an amount of USD 2,195 million to Dow (the «Settlement Payment») as follows:

- USD 100 million to be paid on or before 6 May 2013 (the «Partial Payment»); and
- USD 2,095 million to be paid on or before 7 May 2013 (the «Final Payment»).

PIC executed the above two payments on respective due dates and reversed extra provision of USD 305 million (equivalent to KD 85 million) to be recognised as other income in the consolidated statement of profit or loss.

38. Business combination

The Group acquired 100% of the share capital of RISCO Energy PTE Limited ("RISCO") and Norske AEDC AS ("Norske") on 4 March 2013 and 16 June 2013 respectively for cash and deferred consideration of KD 74,223 thousands and KD 21,972 thousands. The acquisition has been accounted for in accordance with IFRS 3 "Business combinations". The consideration paid and the fair values of the assets acquired and liabilities assumed are summarised below;

	Risco KD'000	Norske KD'000	Total KD'000
Assets			
Intangible assets	11,240	-	11,240
Property, plant and equipment	47,582	13,131	60,713
Investments in equity accounted investees	7,777	-	7,777
Deferred tax assets	-	18,837	18,837
Inventories	2,054	39	2,093
Other current assets	6,550	11,844	18,394
Bank balances and cash	3,274	667	3,941
Trade and other payables	(5,391)	(805)	(6,196)
Deferred tax liabilities	(13,028)	(10,233)	(23,261)
Non-current liabilities	(1,261)	(24,632)	(25,893)
Net assets acquired	58,797	8,848	67,645
Goodwill on acquisition	9,079	19,471	28,550
Total consideration	67,876	28,319	96,195
Consideration paid by cash	67,876	6,347	74,223
Cash acquired	(3,274)	(667)	(3,941)
Net cash outflow	64,602	5,680	70,282

The business acquisition contributed revenue of KD 22,470 thousands and profit of KD 13,177 thousands to the Group's results since the date of acquisition.

Had the business combination taken place at the beginning of the year, the revenue of the Group would have been higher by KD 7,509 thousands and profit would have been lower by KD 2,160 thousands.

39. Discontinued operations

On 21 June 2013, a subsidiary of the Group sold 100% interest in a joint venture, KUFPEC Indonesia (Pangkah) B.V ("Pangkah") for a cash consideration of KD 66,183 thousands and have no longer control over Pangkah. The Group incurred a loss of KD 20,976 thousands as a result of this transaction.

In accordance with IFRS 5, the disposal of Pangkah is determined to be a discontinued operation. Analysis of the results of discontinued operation until the date of disposal are presented below;

	2014 KD'000	2013 KD'000
Revenue	10,771	29,085
Cost of revenue	(10,544)	(25,332)
Gross profit	227	3,753
General and administrative expenses	(124)	(223)
Net impairment losses	-	(35,763)
Other income – net	70	82
Profit/ (loss) from discontinued operations	173	(32,151)

Analysis of cash flows from discontinued operations:

	2014 KD'000	2013 KD'000
Operating activities	4,411	4,929
Investing activities	(5,377)	4,731
	(966)	9,660

40. Changes in accounting policies

i. The impact of the changes in accounting policies (see note 2(e)) on the consolidated statement of financial position is as follows;

	Effect of changes in			
	As previously reported KD'000	IFRS 11 KD'000	IAS 19 KD'000	Restated KD'000
31 March 2013				
Non-current assets	16,945,329	(37,424)	-	16,907,905
Current assets	13,272,307	(259,804)	-	13,012,503
Total assets	30,217,636	(297,228)	-	29,920,408
Non-current liabilities	1,155,005	(115,246)	47,763	1,087,522
Current liabilities	6,565,614	(184,351)	-	6,381,263
Total liabilities	7,720,619	(299,597)	47,763	7,468,785
Total equity	22,497,017	2,369	47,763	22,451,623
1 April 2012				
Non-current assets	15,279,376	(20,676)	-	15,251,285
Current assets	12,029,965	(260,598)	(7,415)	11,769,367
Total assets	27,309,341	(281,274)	6,934	27,020,652
Non-current liabilities	1,127,211	(91,328)	6,934	1,042,817
Current liabilities	6,686,167	(188,855)	-	6,497,312
Total liabilities	7,813,378	(280,183)	6,934	7,540,129
Total equity	19,495,963	(1,091)	(14,349)	19,480,523

ii. The impact of the changes in accounting policies (see note 2(e)) on the consolidated statement of profit or loss and comprehensive income for the year ended 31 March 2013 is as follows;

	Effect of changes in			
	As previously reported KD'000	IFRS 11 KD'000	IAS 19 KD'000	Restated KD'000
Continuing operations				
Revenues	40,163,521	(1,069,960)	-	39,093,561
Cost of revenues	(37,744,356)	953,058	-	36,791,298
Gross profit	2,419,165	(116,902)	-	2,302,263
 Operating profit	 1,830,303	 (76,468)	 -	 1,753,835
 Net interest income	 23,243	 (385)	 -	 22,858
 Share of profit of equity accounted investees	 155,837	 66,100	 -	 221,937
Profit before provision for income taxes	2,892,187	(11,312)	-	2,880,875
Income tax expense	(72,573)	11,312	-	61,261
Profit for the year from continuing operations	2,535,614	-	-	2,535,614
Discontinued operations				
Loss from discontinued operations	(32,151)	-	-	(32,151)
Profit for the year	2,503,463	-	-	2,503,463
Other comprehensive income for the year	214,227	3,460	(33,414)	184,273
Total comprehensive income	2,717,690	3,460	(33,414)	2,687,736

