

006024/20

OS AA01

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



Companies House

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

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

THURSDAY



A09 *A8BF18VV* 08/08/2019 #96
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 ① Decree Law No. 6 of 1980

① 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 ① International Financial Reporting Standards

① 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 ●

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**

Signature

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

Signature

X



X

This form may be signed by:

Director, Secretary, ~~Permanent~~ representative.

OS AA01

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



Presenter information

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

Contact name **Amrita Dhillon**

Company name **Kuwait Petroleum International**

Aviation Co

Address **Dukes Court**

Dukes Street

Post town **Woking**

County/Region

Postcode **G U 2 1 5 B H**

Country **United Kingdom**

DX

Telephone **07908743765**



Important information

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



Where to send

You may return this form to any Companies House address:

England and Wales:

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

Scotland:

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

Northern Ireland:

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



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

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



Further information

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

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

Consolidated financial statements and independent auditor's report

for the year ended 31 March 2016

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Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kuwait Petroleum Corporation ("the Corporation") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 March 2016, the consolidated statements of profit or loss and other 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 2016, and 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 2016, 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: 19 June 2016



Consolidated statement of financial position
as at 31 March 2016

	Notes	2016 KD'000	2015 KD'000
Assets			
Property, plant and equipment	5	16,630,397	13,953,181
Goodwill	6	112,269	103,853
Intangible assets	7	604,656	623,905
Deferred tax assets	14	349,391	199,175
Other non-current assets	8	68,626	69,342
Available-for-sale investments	9	6,880,608	6,814,130
Investments in equity accounted investees	10	727,024	785,683
Non-current assets		25,372,971	22,549,269
Inventories	11	972,169	1,302,466
Trade receivables	12	2,228,091	2,882,126
Other receivables and prepayments	13	1,765,410	1,502,278
Taxes receivable	14	19,199	17,535
Bank balances and cash	15	4,429,559	5,458,213
Current assets		9,414,428	11,162,618
Total assets		34,787,399	33,711,887
Equity			
Authorised and paid-up share capital		2,500,000	2,500,000
Statutory reserve	16	1,250,000	1,250,000
Capital reserve	17	232,945	232,945
General reserve	18	15,820,782	14,497,839
Reserve for replacement and renewal of property, plant and equipment	19	3,336,691	3,022,691
Remeasurement of defined benefit obligation reserve		(134,076)	(137,354)
Cumulative changes in fair values		840,791	1,022,054
Foreign currency translation reserve		(223,994)	(100,627)
Equity attributable to equity holder of the Corporation		23,623,139	22,287,548
Non-controlling interest		64,392	49,282
Total equity		23,687,531	22,336,830
Non-current liabilities	20	2,656,758	2,385,100
Trade payables		520,280	780,138
Other payables and accruals	21	2,192,573	1,575,128
Taxes payable	14	209,243	206,379
Amounts due to Ministry of Oil	22	1,545,068	2,452,366
Profit available for distribution	23	3,975,946	3,975,946
Current liabilities		8,443,110	8,989,957
Total liabilities		11,099,868	11,375,057
Total equity and liabilities		34,787,399	33,711,887

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

Nizar M. Al Adsani
Deputy Chairman & CEO

Wafaa' Y. Al-Za'abi
MD - Planning & Finance



**Consolidated statement of profit or loss
and other comprehensive income
for the year ended 31 march 2016**

	Notes	2016 KD'000	2015 KD'000
Revenues			
Sales of crude oil, gas, refined products and petrochemicals		19,009,763	31,787,000
Revenues from consultancy and other operations	24	<u>92,382</u>	<u>103,944</u>
		<u>19,102,145</u>	<u>31,890,944</u>
Cost of revenues			
Cost of sales of crude oil, gas, refined products and petrochemicals		(17,710,504)	(30,191,344)
Cost of consultancy and other operations		<u>(71,687)</u>	<u>(87,917)</u>
		<u>(17,782,191)</u>	<u>(30,279,261)</u>
Gross profit		1,319,954	1,611,683
Depreciation and amortisation		(293,388)	(312,426)
General and administrative expenses		(372,336)	(425,450)
Provision for impairment loss on property, plant and equipment and goodwill and others		<u>(208,479)</u>	<u>(147,542)</u>
Operating profit		445,751	726,265
Interest income		42,942	37,969
Interest expense		<u>(25,186)</u>	<u>(17,567)</u>
Net interest income		17,756	20,402
Investment income	25	231,767	171,931
Gain on sale of subsidiaries and joint venture	30	381,614	-
Share of results of equity accounted investees	10	167,254	219,363
Other income (net)	26	308,254	431,518
Directors' remuneration	27	<u>(79)</u>	<u>(58)</u>
Profit before provision for income tax		1,552,317	1,569,421
Income tax benefit	14	<u>94,126</u>	<u>29,810</u>
		1,646,443	1,599,231
Provision for replacement and renewal of property, plant and equipment	19	<u>(314,000)</u>	<u>(345,000)</u>
Profit for the year		<u>1,332,443</u>	<u>1,254,231</u>
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss</i>			
Remeasurements of defined benefit obligations		693	(56,521)
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences for foreign operations		(123,367)	(78,424)
Net change in fair value of available-for-sale investments		<u>(181,263)</u>	<u>584,444</u>
Other comprehensive (loss) / income for the year		<u>(303,937)</u>	<u>449,499</u>
Total comprehensive income for the year		<u>1,028,506</u>	<u>1,703,730</u>
Profit attributable to:			
Equity holder of the Corporation		1,325,528	1,253,774
Non-controlling interest		<u>6,915</u>	<u>457</u>
Profit for the year		<u>1,332,443</u>	<u>1,254,231</u>
Total comprehensive income attributable to:			
Equity holder of the Corporation		1,021,591	1,703,273
Non-controlling interest		<u>6,915</u>	<u>457</u>
Total comprehensive income for the year		<u>1,028,506</u>	<u>1,703,730</u>

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

Kuwait Petroleum Corporation and Subsidiaries
State of KuwaitConsolidated statement of changes in equity
for the year ended 31 March 2016

مؤسسة الكويت للنفط والغاز
Kuwait Petroleum Corporation

Attributable to equity holder of the Corporation

	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 property, plant and equipment KD'000	Remeasurement of defined benefit obligation reserve KD'000	Cumulative changes in fair values KD'000	Foreign currency translation reserve KD'000	Total KD'000	Non- controlling interest KD'000	Total equity KD'000
Balance at 31 March 2014	2,500,000	1,250,000	232,945	13,244,065	2,677,691	(80,833)	437,610	(22,203)	20,239,275	50,835	20,290,110
Total comprehensive income / Profit for the year	-	-	-	1,253,774	-	-	-	-	1,253,774	457	1,254,231
Other comprehensive (loss) / income	-	-	-	-	-	(56,521)	584,444	(78,424)	449,499	-	449,499
Total comprehensive income / (loss)	-	-	-	1,253,774	-	(56,521)	584,444	(78,424)	1,703,273	457	1,703,730
Reserve for replacement and renewal of property, plant and equipment	-	-	-	-	345,000	-	-	-	345,000	-	345,000
Net movement in non- controlling interest	-	-	-	-	-	-	-	-	-	(2,010)	(2,010)
Balance at 31 March 2015	2,500,000	1,250,000	232,945	14,497,839	3,022,691	(137,354)	1,022,054	(100,627)	22,287,548	49,282	22,336,830



Consolidated statement of changes in equity
for the year ended 31 March 2016

Attributable to equity holder of the Corporation

	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 property, plant and equipment KD'000	Re-measurement of defined benefit obligation reserve KD'000	Cumulative changes in fair values KD'000	Foreign currency translation reserve KD'000	Total KD'000	Non- controlling interest KD'000	Total equity KD'000
Balance at 31 March 2015	2,500,000	1,250,000	232,945	14,497,839	3,022,691	(137,354)	1,022,054	(100,627)	22,287,548	49,282	22,336,830
Total comprehensive income	-	-	-	1,325,528	-	-	-	-	1,325,528	6,915	1,332,443
Profit for the year	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income / (loss)	-	-	-	-	-	693	(181,263)	(123,367)	(303,937)	-	(303,937)
Total comprehensive income / (loss)	-	-	-	1,325,528	-	693	(181,263)	(123,367)	1,021,591	6,915	1,028,506
Reserve for replacement and renewal of property, plant and equipment	-	-	-	-	314,000	-	-	-	314,000	-	314,000
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	8,195	8,195
Re-measurement of defined benefits obligation reserve transferred to general reserve on sale of joint venture	-	-	-	(2,585)	-	2,585	-	-	-	-	-
Balance at 31 March 2016	2,500,000	1,250,000	232,945	15,820,782	3,336,691	(134,076)	840,791	(223,994)	23,623,139	64,392	23,687,531



Consolidated statement of cash flows
for the year ended 31 March 2016

	Notes	2016 KD'000	2015 KD'000
Cash flows from operating activities			
Profit for the year		1,332,443	1,254,231
<i>Adjustments for:</i>			
Depreciation and amortisation		293,388	312,426
Provision for replacement and renewal of property, plant and equipment		314,000	345,000
Provision for impairment loss on property, plant and equipment and goodwill and others		208,479	147,542
Write off of unsuccessful exploration	7	81,531	69,140
Provision for employees' terminal benefits and pensions		142,777	332,984
Loss on disposal of property, plant and equipment		1,638	1,563
Share of results of equity accounted investees	10	(167,254)	(219,363)
Gain on sale of subsidiaries and joint venture	30	(381,614)	-
Interest income		(42,941)	(37,969)
Interest expense		25,186	17,567
Income tax benefits	14	(94,126)	(29,810)
Investment income		(231,767)	(171,931)
		<u>1,481,740</u>	<u>2,021,380</u>
<i>Changes in:</i>			
- inventories		330,297	1,007,065
- trade receivables		652,633	1,172,707
- other receivables and prepayments		(263,132)	(8,717)
- non-current liabilities		(240,010)	(232,072)
- trade payables		(259,858)	(190,549)
- other payables, accruals and other credit balances		617,445	(279,333)
- change in amounts due to Ministry of Oil		(600,570)	(576,890)
Cash generated from operations		<u>1,718,545</u>	<u>2,913,591</u>
Interest paid		(25,186)	(17,567)
Taxes paid (net)		(34,955)	(141,428)
<i>Net cash from operating activities</i>		<u>1,658,404</u>	<u>2,754,596</u>
Cash flows from investing activities			
Change in deposits maturing after 3 months		637,048	(97,405)
Change in available-for-sale investments		(15,974)	(112,537)
Net movement in equity accounted investees		61,336	135,543
Acquisition of subsidiary		-	(406,646)
Additions to intangible assets	7	(61,765)	(88,985)
Additions to goodwill	6	-	(5,411)
Proceeds on sale of subsidiaries and joint venture		470,881	-
Change in other non-current assets		616	32,541
Purchase of property, plant and equipment	5	(3,434,054)	(2,843,945)
Proceeds from disposal of property, plant and equipment		3,939	17,626
Interest received		42,941	37,969
<i>Net cash used in investing activities</i>		<u>(2,295,032)</u>	<u>(3,331,250)</u>
Cash flows from financing activities			
Increase in term loans, net		343,520	555,984
Change in non-controlling interest		8,195	(2,010)
<i>Net cash from financing activities</i>		<u>351,715</u>	<u>553,974</u>
<i>Net effect of foreign currency translation adjustments</i>		<u>(106,693)</u>	<u>70,456</u>
<i>Net (decrease) / increase in cash and cash equivalents</i>		<u>(391,606)</u>	<u>47,776</u>
Cash and cash equivalents at beginning of the year		<u>4,399,241</u>	<u>4,351,465</u>
Cash and cash equivalents at end of the year	15	<u>4,007,635</u>	<u>4,399,241</u>
Short-term deposits maturing after 3 months from the date of placement	15	421,924	1,058,972
Bank balances and cash at end of the year	15	<u>4,429,559</u>	<u>5,458,213</u>

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



Notes to the consolidated financial statements
for the year ended 31 March 2016

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/ operations. The principal subsidiaries, associates and joint ventures/ operations are set out in Note 37. 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 2016 were authorised for issue in accordance with a resolution of the directors on 19 June 2016. 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 functional currency. All amounts are rounded to the nearest thousand, unless otherwise indicated.

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.



Notes to the consolidated financial statements
for the year ended 31 March 2016

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 revised and newly issued IFRSs effective for annual periods beginning on or after 1 April 2015:

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact on the financial statements of the Group.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively for annual periods beginning on or after 1 January 2015 and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Other improvements and amendments to IFRSs which are effective for annual accounting period starting from 1 January 2015 did not have any material impact on the accounting policies, financial position or performance of the Corporation.

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 see note 37.

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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is



Notes to the consolidated financial statements
for the year ended 31 March 2016

exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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 ("NCI") principally represent the portion of profit or loss and net assets in subsidiaries of Kuwait Aromatics Company K.S.C. not held by the Corporation directly and are presented separately in the consolidated statement of profit or loss and other comprehensive income and separately from Corporation's equity within equity in the consolidated statement of financial position.

Intra-group balances and transactions, including intra-group profits and unrealised profits and losses are eliminated on consolidation.

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.

Accounting periods of subsidiaries

The Corporation's financial year was from 1 April 2015 to 31 March 2016. 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., whose financial years were from 1 January 2015 to 31 December 2015. Where such subsidiaries do not prepare financial statements up to the same date as that of the Group, adjustments are made for the effects of any significant events or transactions which have occurred in the months following the year end of these subsidiaries.

b) Property, plant and equipment

i. Oil and gas properties

Exploratory wells

The tangible element of exploratory wells is included under drilling, exploration and other assets under construction pending determination of proved reserves. If an exploratory well finds proved reserves, these costs are transferred to wells and surveys under oil and gas properties. If the exploratory well does not find proved reserves the costs are written off as abortive. Costs are considered abortive when they relate to wells, which are permanently abandoned due to the absence of commercially exploitable reserves of crude oil or temporarily abandoned with no plans for re-entry in the foreseeable future.

Costs directly associated with an exploration well are capitalised as exploration and evaluation assets under drilling, exploration and other assets under construction until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials, drilling and contractors' cost.

Geological and geophysical costs are recognised in the statement of profit or loss and other comprehensive income, as incurred.

Development Wells

The cost of development wells is included under oil and gas properties as wells and surveys



Notes to the consolidated financial statements
for the year ended 31 March 2016

and is accounted for under the "successful efforts" method of accounting. Under this method, expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells is capitalized within oil and gas properties.

Oil and gas properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

Other property, plant and equipment

ii. Other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, contractors' costs and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Subsequent costs

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) and is immediately written off. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

Gain or loss on disposal

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in the consolidated statement of profit or loss and other comprehensive income.

iii . Other assets under construction

Assets in the course of construction are carried at cost, less any recognised 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.

iv. Depreciation

Depreciation is based on the cost of an asset less its residual value, where applicable. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is recognized in the consolidated statements of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment except for oil and gas properties, which are depreciated and depleted on a unit of production basis over the commercial proven and probable reserves ("2P reserves"). Other assets under construction and land are not depreciated.



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The estimated useful lives for the current and comparative year, in accordance with the instructions of the Parent Company, as approved by the Supreme Council for Petroleum, are as follows:

Asset category	Depreciation	
	2016 - 2015	2015 - 2014
	Years	Years
Oil and gas		
Oil and gas properties	Unit of production	Unit of production
Plant and machinery	25 - 20	25 - 20
Tankage, pipelines and jetties	-25 20	-25 20
Wells and surveys	20 - 10	20 - 10
Service plant and drilling equipment	5 - 4	5 - 4
Vessels	35 - 30	35 - 30
Other property and equipment		
Land, buildings and roads	25	25
Furniture, tools and computers	10 - 5	10 - 5
Vehicles, ships and marine craft	13 - 5	13 - 5

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

For the year ended 31 March 2015, the Group revised the useful lives of certain items of property, plant and equipment.

c) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for NCI over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred (bargain purchase), before recognising a gain, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of profit or loss and other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Where goodwill forms part of a CGU and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.



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d) Intangible assets

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.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Intangible assets consist of application software, license costs, intellectual property and other agreements etc.

Pre-license costs

Pre-license costs are expensed in the period in which they are incurred.

License and property acquisition costs

Exploration license and leasehold property acquisition costs are capitalised within intangible assets and are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine, that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing.

If no future activity is planned, the carrying value of the license and property acquisition costs is written off through profit or loss. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties.

Exploration and evaluation costs

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalised as exploration and evaluation intangible asset until the drilling of the well is complete and the results have been evaluated.

If no potentially commercial hydrocarbons are discovered, the exploration asset is written off as a dry hole. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), are likely to be capable of being commercially developed, the costs continue to be carried as an intangible asset while sufficient/ continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells, where hydrocarbons were not found, are initially capitalised as an exploration and evaluation intangible asset. All such capitalised costs are subject to technical, commercial and management review as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off to profit or loss.

When proved reserves of oil and natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties. No amortization is charged during the exploration and evaluation phase.



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Gain or loss on disposal

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Amortisation

All intangible assets with finite useful lives are amortised on a straight line basis over the useful economic life, except for certain intangible assets which are amortised on a unit of production basis, where applicable.

The estimated useful lives for current and comparative period is as follows:

	Years
License cost*	30-2
Application software	5
Reservation right fees	25
Seismic survey and others	More than 10

*Included in license costs, certain assets which are amortised over a thirty year period 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.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates prospectively.

e) Available-for-sale investments

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognized in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to the consolidated statement of profit or loss.

Impairment

For financial assets available for sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.



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In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income) is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Any increase in fair value after impairment is recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Subsequent increase in fair value of a debt instrument which is objectively related to an event occurring after the impairment loss was recognised, is credited to the consolidated statement of income.

f) Investments in equity accounted investees

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

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

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.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the



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investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss in the statement of profit or loss.

An impairment loss in respect of investment in equity-accounted investees are measured by comparing the recoverable amount of the investments with its carrying amount in accordance with impairment of non-financial assets (see note m).

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.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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.

g) 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 and 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.



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h) Inventories

i) Crude oil and petroleum products

Crude oil inventory is valued at the lower of weighted 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.

i) 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.

j) 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 Group.

k) 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.

l) Recognition and de-recognition of financial assets and liabilities



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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.

m) 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 greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 the consolidated statement of profit or loss and other comprehensive income.

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 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 of financial assets other than available for sale investments

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.



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The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the consolidated statement of profit or loss and other comprehensive income and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

n) Trade payables

Trade payables are stated at their amortised cost.

o) 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.

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective assets. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term out of money borrowed specifically to finance a project, the income generated from the temporary investment of amounts is also capitalized and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognised in consolidated statement of income in the period in which they are incurred. Even though exploration and evaluation assets can be qualifying assets, they generally do not meet the "probable economic benefits" test and also are rarely debt funded. Any related borrowing costs are therefore generally recognised in profit or loss in the period they are incurred.



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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 of financial instruments

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

For investments and derivatives traded in organised financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the reporting date. The fair value of fund investments or similar investment vehicles is based on the last reported net asset values from the fund managers.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by using valuation techniques such as recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, an earnings multiple, or is based on the expected cash flows of the investment discounted at current rates applicable for items with similar terms and risk characteristics. Fair value estimates take into account liquidity constraints and assessment for any impairment.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.



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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

The Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties whose value changes in response to movements in a reference price, rate, index or similar variable that requires a minimal initial net investment relative to other types of contracts, and that is settled at a future date. Derivative financial instruments include forwards, futures, swaps and options.

Derivatives are stated at fair value. The fair value of a derivative is the amount for which an asset could be exchanged, or a liability settled between knowledge and willing parties in arm's length transaction. 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 the consolidated statement profit or loss and other comprehensive income.

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.



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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 and contribution 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, is charged to profit or loss in the year to which they relate. The difference between Oil Sector Law and Labor Law is also accrued for Kuwaiti employees.

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



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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. During the year, the defined benefit pension scheme in the Netherlands was converted to a defined contribution scheme.

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, Belgium and Netherlands sponsor defined contribution plans for 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 2016 and have not yet been adopted by the Group:

- | | |
|---|---|
| • IFRS 11 (Amendments) – Accounting for acquisitions of interests in joint operations | Effective for annual periods beginning on or after 1 January 2016 |
|---|---|



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• IAS 16 (Amendments) – Clarification of acceptable methods of depreciation	Effective for annual periods beginning on or after 1 January 2016
• IAS 38 (Amendments) – Clarification of acceptable methods of amortization	Effective for annual periods beginning on or after 1 January 2016
• Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective for annual periods beginning on or after 1 January 2016
• Amendments to IAS 1- Disclosure Initiative	Effective for annual periods beginning on or after 1 January 2016
• IFRS 15 – Revenue from contracts with customers	Effective for annual periods beginning on or after 1 January 2018
• IFRS 16- Leases	Effective for annual periods beginning on or after 1 January 2019
• IFRS 9 – Financial Instruments	Effective for annual periods beginning on or after 1 January 2018

Management of the Group is in the process of assessing the impact of the adoption of the 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 and 35 respectively.



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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 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



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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.

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5. Property, plant and equipment

	Oil and gas					Other property and equipment					
	Oil and gas properties KID '000	Plant and machinery KID '000	Tankage, pipelines and jetties KID '000	Wells and surveys KID '000	Service plant and drilling equipment KID '000	Vessels KID '000	Land, buildings and roads KID '000	Furniture, tools and equipment KID '000	Vehicles, ships and marine craft KID '000	Assets under construction KID '000	Total KID '000
Balance at 1 April 2015, net of accumulated depreciation	1,743,147	2,458,443	1,337,863	1,722,859	8,893	551,492	625,931	19,085	7,119	5,478,349	13,953,181
Additions	424,317	10,671	-	149	14	-	5,970	685	439	2,991,809	3,434,054
Disposals	(769)	(1,805)	(18,418)	624	(15)	-	(2,962)	(906)	(200)	-	(24,451)
Disposal of subsidiaries	-	7,016	1,360	-	-	-	-	-	-	(8,376)	-
Change in estimate	22,093	-	-	-	-	-	-	-	-	-	22,093
Transfers	-	655,075	122,638	321,362	1,138	4,839	102,083	5,515	62,650	(1,270,532)	4,768
Foreign currency translation adjustment	(55,913)	8,106	12,890	8,836	-	-	23,552	800	127	41,700	40,098
Depreciation for the year	(131,503)	(174,893)	(74,534)	(133,348)	(3,668)	(23,239)	(39,853)	(7,083)	(4,248)	-	(592,369)
Reclassification of assets	-	52,081	(6,080)	-	-	-	(25,399)	-	(74)	(20,528)	-
Impairment loss	(158,270)	(4,260)	(2,033)	-	-	(42,178)	-	-	(236)	-	(206,977)
At 31 March 2016	1,843,102	3,010,434	1,373,686	1,920,482	6,362	490,914	689,322	18,096	65,577	7,212,422	16,630,397
Property, plant and equipment											
At cost	3,301,467	6,884,254	2,884,726	4,054,840	39,905	815,468	1,268,560	100,984	135,617	7,212,422	26,698,243
Accumulated depreciation and impairment losses	(1,458,365)	(3,873,820)	(1,511,040)	(2,134,358)	(33,543)	(324,554)	(579,238)	(82,888)	(70,040)	-	(10,067,846)
Net carrying amount at 31 March 2016	1,843,102	3,010,434	1,373,686	1,920,482	6,362	490,914	689,322	18,096	65,577	7,212,422	16,630,397

The depreciation charged to profit or loss is reduced by KD 307 million (2015: KD 303 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 523,860 thousand and KD 1,666,842 thousand (2015: KD 399,175 thousand and KD 592,995 thousand) relating to the Group's new refinery project and the Clean Fuels Project respectively.

"Land, buildings and roads" and "Plant and machinery" includes certain building, plant and machinery constructed on land leased from the Government of Kuwait for a renewable period of twenty five years maturing on 25 June 2023 and 2031.

During the year, borrowing costs of KD 7 million (2015: KD 4 million) were capitalised to oil and gas properties. Borrowing costs were capitalised at the rate of 1.54% per annum (2015: 1.56% per annum). Land, buildings and roads includes land amounted to KD 63 million (2015: KD 56 million). Certain "Property, plant and equipment" are secured against borrowing facilities (see note 20).



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S. Property, plant and equipment (continued)

	Oil and gas					Other property and equipment					
	Oil and gas properties KD '000	Plant and machinery KD '000	Tankage, pipelines and jetties KD '000	Wells and surveys KD '000	Service plant and drilling equipment KD '000	Vessels KD '000	Land, buildings and roads KD '000	Furniture, tools and equipment KD '000	Vehicles, ships and marine craft KD '000	Assets under construction KD '000	Total KD '000
Balance at 1 April 2014, net of accumulated depreciation	953,342	2,211,333	1,249,751	1,478,401	9,586	397,339	619,126	20,324	4,299	4,734,545	11,678,046
Additions	866,790	12,562	1,616	1,411	-	-	9,130	257	577	1,951,602	2,843,945
Disposals	-	(2,621)	(9)	-	-	-	284	541	(7)	(10,035)	(11,847)
Change in estimate	96,264	-	-	-	-	-	-	-	-	-	96,264
Transfers	-	398,838	154,440	361,189	2,786	190,916	48,148	5,842	3,917	(1,173,418)	(7,342)
Transfer to intangible assets (see note 7)	-	-	-	-	-	-	-	-	-	(10,871)	(10,871)
Foreign currency translation adjustment	11,004	(42,649)	3,707	9,114	-	-	(26,288)	305	(118)	(7,502)	(52,427)
Depreciation for the year	(153,944)	(186,364)	(71,642)	(127,256)	(3,470)	(20,604)	(36,250)	(8,184)	(1,549)	-	(609,281)
Acquisition	30,148	68,286	-	-	-	-	13,308	-	-	2,904	114,646
Impairment loss	(60,457)	(942)	-	-	-	(16,159)	(1,518)	-	-	(8,876)	(87,952)
At 31 March 2015	1,743,147	2,458,443	1,337,863	1,722,859	8,893	551,492	625,931	19,085	7,119	5,478,349	13,953,181
Property, plant and equipment At cost	3,032,170	6,550,639	2,868,748	3,715,320	39,541	810,629	1,194,830	96,793	73,872	5,494,719	23,877,261
Accumulated depreciation and impairment losses	(1,289,023)	(4,092,196)	(1,530,885)	(1,992,461)	(30,648)	(259,137)	(568,899)	(77,708)	(66,753)	(16,370)	(9,924,080)
Net carrying amount at 31 March 2015	1,743,147	2,458,443	1,337,863	1,722,859	8,893	551,492	625,931	19,085	7,119	5,478,349	13,953,181



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Change in useful life

During the year, KGOC, a subsidiary, reviewed the estimated useful life of certain items under plant and equipment and increased their estimated useful lives. As a result of this change in accounting estimate, the depreciation charge for the year decreased by KD 45 million.

6. Goodwill

	2016 KD'000	2015 KD'000
At beginning of the year	103,853	92,302
Additions during the year	-	5,411
Acquisitions	1,738	61,648
PPA adjustment	-	(19,471)
Impairment	(1)	(7,064)
Currency translation effects	6,679	(28,973)
	<u>112,269</u>	<u>103,853</u>

7. Intangible assets

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

	2016 KD'000	2015 KD'000
At beginning of the year	623,905	223,381
Additions during the year	61,765	88,985
Acquisition	-	410,959
Transfer from assets under construction	1,061	10,871
Amortisation	(15,719)	(16,953)
Write-off of unsuccessful exploration cost	(81,531)	(69,140)
Currency translation effects	15,175	(24,198)
	<u>604,656</u>	<u>623,905</u>

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

8. Other non-current assets

	2016 KD'000	2015 KD'000
Long term portion of trade receivables	30,387	29,297
Deferred expenses	17,912	21,536
Others	20,327	18,509
	<u>68,626</u>	<u>69,342</u>

Deferred expenses represents catalysts used in the refining process which are amortised on a straight line basis over their estimated useful lives.



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9. Available-for-sale investments

	2016 KD'000	2015 KD'000
Managed portfolios and funds	6,848,286	6,780,049
Others	32,322	34,081
	<u>6,880,608</u>	<u>6,814,130</u>

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

10. Investment in equity accounted investees

	2016 KD'000	2015 KD'000
Significant equity accounted investees	627,095	695,986
In-significant equity accounted investees	99,929	89,697
	<u>727,024</u>	<u>785,683</u>
<i>Share of profit of equity accounted investees</i>		
Share of profit of significant equity accounted investees	105,638	220,803
Share of profit / (loss) of in-significant equity accounted investees	11,898	(1,440)
Share of profit from joint ventures disposed off during the year (see note 30)	49,718	-
	<u>167,254</u>	<u>219,363</u>

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Investments in equity accounted investees (continued)

The following table provide summarised financial information of significant equity accounted investees of the Group:

31 March 2016	Ownership	Total assets KD'000	Total liabilities KD'000	Net assets KD'000	Group's share of net assets/ carrying value of investments KD'000	Revenues KD'000	Expenses KD'000	Profit/(loss) KD'000	Share of profit KD'000
<i>Associates</i>									
KDC	49%	300,125	206,929	93,196	45,666	62,063	56,633	5,430	2,661
EQUATE	42.5%	2,177,545	1,999,904	177,641	75,497	513,275	387,742	125,533	48,995
GPIC	33.33%	157,190	41,877	115,313	38,434	88,345	72,873	15,472	5,157
TKOC	42.5%	397,249	221,621	175,628	74,642	206,957	104,856	102,101	43,393
ADPMC	24%	82,642	23,864	58,758	14,102	108,249	104,241	4,008	962
ASFMC	24%	73,101	15,464	57,637	13,833	104,560	100,413	4,147	995
<i>Joint Ventures</i>									
TKSC	57.5%	174,918	87,377	87,541	50,336	167,228	164,298	2,930	1,685
OKQ8 AB	50%	357,830	205,670	152,160	76,080	733,120	714,884	18,236	9,118
NSRP	35.1%	1,720,688	1,041,186	679,502	238,505	-	20,877	(20,877)	(7,328)
		5,441,288	3,843,912	1,597,376	627,095	1,983,797	1,726,817	256,980	105,638

The Group's share in the contingent liabilities of associates was KD 21 million (2014: KD 9 million) representing letters of guarantee issued to third parties.

Equate, an associate of PIC, secured into a US\$ 6 billion (equivalent to KD 1.8 billion) bridge facility from various international, regional and local banks. Equate is jointly and severally a guarantor with TKOC, an associate of PIC. The debt contain a financial covenant that the ratio of the net debts to earnings before interest taxes, depreciation and amortization ("EBITDA") for the twelve month period ending on the last day of the calendar year shall not exceed 4:1 for aggregate numbers of both Equate and TKOC. PIC's share in the commitment of the loan granted to Equate amounted to USD 2.55 billion (equivalent to KD 765 million).

During the year, equity investments in NSRP amounting to US\$ 179 million (2015: US\$ 186 million) have been made in addition to long term loans of US\$ 169 million. The refinery is scheduled for mechanical completion during 2016-2017. The total funding commitment including both equity and loans is expected to be US\$ 1.4 billion.

31 March 2015	Ownership	Total	Total	Net assets	Group's	Revenues	Expenses	Profit/	Share of
				33					



Consolidated statement of changes in equity
for the year ended 31 March 2016

		assets	liabilities		share of net assets/ carrying value of investments		(loss)	results
		KD'000	KD'000		KD'000		KD'000	KD'000
<i>Associates</i>								
KDC	49%	228,655	138,691		44,082	52,697	48,638	1,989
EQUATE	42.5%	910,072	735,254		74,298	511,229	350,284	68,402
GPIC	33.33%	152,198	12,075		33,651	127,425	70,381	19,013
TKOC	42.5%	430,485	256,300		74,029	234,835	100,497	57,094
AOEMC	24%	74,540	19,748		13,150	14,040	10,029	963
ASFMC	24%	67,910	14,427		12,836	15,358	11,264	983
<i>Joint Ventures</i>								
TKSC	57.5%	191,110	102,006		51,235	229,643	193,942	20,528
MEGlobal B.V. and subsidiaries	50%	399,664	223,138		80,620	973,365	945,279	14,043
MEGlobal Canada Inc.	50%	329,293	156,377		86,458	278,874	216,178	31,348
OKQ8 AB	50%	383,032	230,845		76,094	17,934	(1,417)	9,676
NSRP	35.1%	989,458	563,439		149,533	-	9,220	(3,236)
		<u>4,156,417</u>	<u>2,452,300</u>		<u>695,986</u>	<u>2,455,400</u>	<u>1,954,295</u>	<u>220,803</u>
							<u>501,105</u>	

During the year, the Group received cash dividend of KD 98,288 thousand from equity accounted investors (2015: cash dividend received KD 423,988 thousand).



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11. Inventories

	2016 KD'000	2015 KD'000
Crude oil	133,754	207,486
Liquefied petroleum gas	14,218	15,841
Refined petroleum products	321,959	587,501
Finished petrochemical products	6,937	15,958
Spare parts, materials and supplies	495,301	475,680
	<u>972,169</u>	<u>1,302,466</u>

12. Trade receivables

83% (2015: 82%) of trade receivables relates to the Corporation and one of its major subsidiaries who deal mainly with major state owned and international oil companies. Another major subsidiary operating mainly in Europe contributes approximately 13% (2015: 13%) of the consolidated total trade receivables and there receivables relates to a large number of corporate customers in that region. The Group's 12 largest customers account for 55% of outstanding trade receivables at 31 March 2016 (2015: 52%).

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

Trade receivables include KD 341 million (2015: KD 295 million) receivable from Ministry of Electricity and Water.

13. Other receivables and prepayments

	2016 KD'000	2015 KD'000
Marine sub-charter and other receivables	184,773	152,960
Insurance, local tax and other claims	5,803	7,311
Prepaid expenses	34,028	33,589
Bills receivables	8,513	13,051
Receivable from exchange and concession partners	5,442	18,515
Advances to contractors	1,047,284	743,911
Refundable deposits	13,531	15,217
Employee receivables	24,601	79,491
Amount due from the Public Authority for Industry (PAI)	57,463	57,463
Other	383,972	380,770
	<u>1,765,410</u>	<u>1,502,278</u>

Amount due from the Public Authority for Industry (PAI) represents costs incurred by the Group to construct Sea Water Cooling Tower ("Project") on behalf of PAI. The Group started construction on the project in May 2006 and was completed in 2009. On 19 November 2009, the Board of Directors of PAI approved the transfer subject to approval of Fatwa and legislation Bureau which was obtained in October 2012. Various communications were made between both parties towards finalising the transfer, however, due to budgetary constraints of PAI, the project has not been transferred till date.



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Management of the PIC, a subsidiary, is currently in the process of transferring the project to an associated company. A committee was formed in the current year to finalise the necessary due diligence on the project. PIC and its associated company agreed to transfer the asset net of related liabilities at its net carrying value as at 30 April 2015 amounting to KD 32 million.

14. Deferred tax assets and liabilities

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

a. Income taxes

	2016 KD'000	2015 KD'000
Profit or loss		
Current year expense	(94,126)	(101,221)
Deferred tax reversal	-	71,411
	<u>(94,126)</u>	<u>(29,810)</u>
Consolidated statement of financial position		
Deferred tax assets	349,391	199,175
Deferred tax liabilities (see note 20)	<u>(144,908)</u>	<u>(101,527)</u>
	<u>204,483</u>	<u>97,648</u>

b. Other taxes receivable/ (payable)

	2016 KD'000	2015 KD'000
Taxes receivable	19,199	17,535
Taxes payable	<u>(209,243)</u>	<u>(206,379)</u>
	<u>(190,044)</u>	<u>(188,844)</u>

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

15. Bank balances and cash

	2016 KD'000	2015 KD'000
Cash and current accounts at banks	1,434,525	2,429,822
Short-term bank deposits and highly liquid investments maturing within 3 months	<u>2,573,110</u>	<u>1,969,419</u>
Cash and cash equivalents	4,007,635	4,399,241
Short-term bank deposits maturing after 3 months	<u>421,924</u>	<u>1,058,972</u>
	<u>4,429,559</u>	<u>5,458,213</u>

Bank balances and cash include Pound Sterling 180 thousand (KD 78 thousand) (2015: Pound Sterling 143 thousand (KD 64 thousand)) recovered from former employees against whom the Corporation has initiated legal proceedings for financial irregularities (see note 35).

The corresponding amount of KD 78 thousand (2015: KD 64 thousand) is reported under other credit balances (see notes 21 and 35).



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The interest rate on short term deposits ranges from 0.1% to 3.5% (2015: interest rate ranges from 0.1% to 2.1%) per annum.

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 (see 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' property, plant and equipment, 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 314 million to the reserve as at 31 March 2016 (2015: KD 345 million), which is subject to approval of the Supreme Council for Petroleum.

20. Non-current liabilities

	2016 KD'000	2015 KD'000
Employees' terminal benefits (see note 20.1)	791,806	743,217
Pension fund liabilities (see Note 20.1)	32,119	46,806
Long-term loans (see note 20.2)	1,209,002	949,110
Deferred tax liabilities (see note 14a)	144,908	101,527
Provisions (see note 20.3)	56,206	113,619
Others (see note 20.4)	422,717	430,821
	<u>2,656,758</u>	<u>2,385,100</u>



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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, Belgium and Italy and during the year, the scheme in the Netherlands was converted to a collective defined contribution scheme. 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 2015 to 31 March 2016, and these showed that the funds and schemes in the United Kingdom, Belgium, Germany and Italy had a net deficit. The main assumptions used in the actuarial valuation were a rate of pension increase ranging from 1.75% to 3% per annum (2015: 0% to 3% per annum), an annual salary increase ranging from 0% to 4.5% per annum (2015: 0% to 4.6% per annum) and a discount rate ranges from 1.4% to 3.5% per annum (2015: 1.4% to 3.2% per annum).

Sensitivity analysis

A 0.25% increase/ decrease in the rate of pension increase, discount rate and annual salary at 31 March 2016 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) ("KARO"), an indirect subsidiary of the Corporation, signed a USD 1,400 million term debt facility agreement with a consortium of banks which includes commercial facilities of USD 1,053 million and an Islamic loan facility of USD 347 million. The term loan is repayable over a period of 11 years in biannual instalments starting from 15 December 2010 and maturing on 15 June 2021. The coupon rate on this facility is LIBOR+0.4% till 10th anniversary of the project and LIBOR+ 0.7% for the rest of the period until date. The effective interest rate on the outstanding loan was 0.83% per annum (2015: 0.76% per annum). The facility agreement includes financial covenants that stipulate a minimum debt to equity ratio of 65%. The facility is secured by a charge over the property, plant and equipment and assignment of certain bank accounts of KARO's subsidiary.

The long term loans to KPC Holdings (Aruba) A.E.C., a subsidiary, are denominated in Euro and bear various interest rates, however the majority of the loan balance bears interest at applicable market rates. In 2015, the subsidiary secured a Euro 450 million long term loan (equivalent to USD 484 million), the proceeds of which were used for the acquisition of certain entities.

During the year, the Group renegotiated the above long-term loan facility of Euro 450 million (US\$512 million as of 31 March 2016). Under the new terms of the agreement, 30% of the amount borrowed is payable in 2017-18, 30% in 2018-19, 20% in 2019-20 and the remaining 20% in 2020-21. The loan bears interest at 6 monthly EURIBOR plus 0.85% (previously 1.4%). The covenant requirements for the loan are as follows:



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- leverage - consolidated total net debt cannot exceed 3.8 times consolidated EBITDA;
- interest coverage - the ratio between consolidated EBIT and consolidated net finance costs must not be less than 3.5.

These covenant requirements were met at the reporting date i.e. 31 March 2016.

As of 31 December 2015, Kuwait Foreign Petroleum Exploration Company K.S.C. (Closed), a subsidiary, had two borrowing facilities.

First borrowing facility with principal amount of US\$ 1,000 million is unsecured and its average interest rate during 2015 was 1.54% (2014: 1.56%) per annum. It is repayable in 7 half yearly instalments of US\$ 143 million from July 2015 until July 2018.

Second borrowing facility with principal amount of US\$ 2,000 million is unsecured and its average interest rate during 2015 was 1.59% (2014: 1.46%) per annum. It is repayable in 7 half yearly instalments of US\$ 357 million starting from 2016 and will be fully repaid in year 2019.

20.3 Provisions

Provisions relate to one of the Corporation's subsidiaries in Europe mainly represents environmental provisions in connection with closure of a refinery and relocation of certain of the subsidiary's management together with restructuring of operations in France, Belgium, Italy and Germany.

	2016 KD'000	2015 KD'000
Environmental (see note i)	55,436	112,495
Restructuring and others (see note ii & iii)	770	1,124
	<u>56,206</u>	<u>113,619</u>

i. Environmental

The Group has accrued for costs associated with environmental clean-up, principally relating to Belgium and Italy. 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 up by the Belgian government. Costs related to logistic facilities and the ex-refinery at Naples in Italy are now expected to be incurred in the next 7 years which is sooner than previously foreseen and results in the substantial increase in the current portion of the provision. These remediation costs have been adjusted for inflation and discounting costs related to logistic facilities at Silone in Italy are expected to be incurred following the closure of the facility expected in 2017. These remediation costs have not been adjusted for inflation and discounting as the impact is not considered material.

Previous provisions made in respect of the refinery at Europoort are no longer included in the Group's provisions subsequent to the disposal of the subsidiary.



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ii. Restructuring

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

iii. 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 2016 is an amount of KD 243,321 thousand (2015: KD 227,092 thousand) which represents a provision made for decommissioning costs related to a subsidiary.

The subsidiary makes full provision for the future cost of decommissioning oil producing facilities and pipelines on a discounted basis on the installation of those facilities. The decommissioning provision represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred when the producing oil and gas properties are expected to cease operations. These provisions have been estimated based on the Subsidiary's internal estimates using operators estimates where applicable. The discount rate used in the calculation of the provision equaled to 3.5% (2015: 3.5%).

21. Other payables and accruals

	2016 KD'000	2015 KD'000
Other payables and marine sub-charter	781,289	567,224
Short-term bank loans	353,616	216,766
Provision for annual leave and accrued compensation	163,997	181,676
Payable to contractors	432,207	138,271
Accruals	216,619	246,902
Payable to exchange partners	64,271	37,588
Other credit balances	180,574	186,701
	<u>2,192,573</u>	<u>1,575,128</u>

Short-term bank loans include secured and unsecured facilities and bear interest at prevailing market rates (see 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 35).



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22. Amounts due to Ministry of Oil

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

These services 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 available for distribution

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.

24. Revenues from consultancy and other operations

	2016 KD'000	2015 KD'000
Consultancy and construction	8,883	34,477
Marine operations	38,149	30,101
Merchandise and other services	45,350	39,366
	<u>92,382</u>	<u>103,944</u>

25. Investment income

Investment income mainly represents income from managed portfolios.

26. Other income (net)

	2016 KD'000	2015 KD'000
Loss on disposal of property, plant and equipment	-	(1,563)
Recovery of financial cost	216,676	187,238
Foreign currency exchange gain	66,970	213,437
Miscellaneous income- net	24,608	14,505
UN compensation claims (see note 29)	-	17,901
	<u>308,254</u>	<u>431,518</u>

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.



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28. Staff costs

Total staff costs for the year amounting to KD 1,405,654 thousand (2015: KD 1,390,883 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 1,032,380 thousand (2015: KD 1,083,656 thousand) has been included in cost of revenues and KD 373,274 thousand (2015: KD 307,227 thousand) has been included in general and administrative expenses.

Staff costs consist of the following:

	2016 KD'000	2015 KD'000
Salaries, wages and other benefits	1,366,489	1,409,580
Pension and other retirement benefit expenses:		
- defined contribution	6,314	1,441
- defined benefit	22,405	(31,041)
Compensation of key management personnel (see note 32):		
- short-term benefits	6,593	5,978
- termination benefits	3,853	4,925
	<u>1,405,654</u>	<u>1,390,883</u>

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 USD 18,864 million (equivalent to KD 5,689 million) to the Group and the Government of the State of Kuwait for payment as and when funds become available. As at 31 March 2016, the Corporation received USD 12,932 million (KD 3,900 million).

In 2015, an amount of KD 17.9 million was received in part settlement and recognised as other income (see note 26) (2016: nil).

30. Gain on disposal of subsidiaries and joint venture

	2016 KD'000
KP Europoort B.V. (see I below)	112,187
PICCAN Holding Inc. (see II below)	186,781
MEGlobal B.V. (see III below)	82,646
	<u>381,614</u>

- I. On 31 January 2016, KPC Holdings (Aruba) A.E.C. ("KPI"), a subsidiary, sold its refinery in the Netherlands, KP Europoort B.V. including all related assets and liabilities of the refinery to Sandcape B.V. (part of the Gunvor group of companies) for total net proceeds of US\$ 102.2 million. Based on the book value of the net assets sold, the related proceeds and the effect of recycling accumulated foreign exchange difference, the gain on the disposal is US\$ 371.5 million (equivalent to KD 112,187 thousand) and is summarized below;



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	2016 US\$'000
Total assets	189,795
Total liabilities	(241,792)
Net liabilities disposed	(51,997)
Consideration received	102,200
	154,197
Recycle of cumulative exchange difference	223,317
Related selling expenses	(5,974)
Gain on disposal of subsidiaries	371,540
<i>Cash flows on disposal of subsidiary</i>	
Consideration received in cash and cash equivalents	102,200
Cash and cash equivalents balance disposed	(50,045)
	52,155
<i>Results of disposal subsidiary up to date of disposal</i>	
Revenue	1,650,690
Cost of sales	(1,535,003)
	115,687
Operating expenses	(130,587)
Finance expense	(639)
Loss	(15,539)

- II. After a series of restructuring steps in PICCAN Holding Inc ("PICCAN"), a subsidiary based in Canada which holds a 50% equity interest in MEGlobal Canada Inc. PIC disposed off its entire shares in PICCAN, including MEGlobal Canada Inc., for a total consideration of KD 283 million. The disposal resulted in a gain of KD 186 million and is summarized below:

	2016 KD'000
Investment in MEGlobal Canada Inc.	95,886
Other assets	288
Accounts payable and accruals	(96)
Net assets disposed	96,078
Consideration received	282,859
Gain on disposal	186,781

- III. On 21 December 2015, and as part of restructuring of its operations, PIC sold its entire equity interests in its direct joint venture MEGlobal B.V. and recorded a gain of KD 83 million. The consideration received from the sale of joint venture amounted to KD 172 million and is summarized below:

	2016 KD'000
Consideration received	172,254
Net assets disposed off	89,608



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Gain on disposal of joint venture

82,646

PIC recorded an amount of KD 49,718 thousand (see note 10) in respect of its share of profit from MEGlobal Canada and MEGlobal B.V. for the period from 1 April 2015 to 21 December 2015 i.e. the date of loss of joint control over the joint venture.

31. Fair value information

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date. Fair values are determined from quoted prices in active markets for identical financial assets or financial liabilities where these are available. Where the market for a financial instrument is not active, fair value is established using a valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data. Investment securities classified as 'Available for sale' are stated at fair values except for certain investments carried at cost. For other financial asset and liabilities carried at cost less impairment or amortized cost, the carrying value is not significantly different from their fair values as most of these assets and liabilities are of short term maturity or re-priced immediately based on market movement in interest rates.

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.

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:

	2016 USD'000	2015 USD'000	2016 KD'000	2015 KD'000
Foreign exchange contracts	619,226	1,066,055	187,208	320,589

The net fair value of these contracts was a liability of KD 5,049 thousand (2015: KD 10,646 thousand), level 2 inputs.

Determination of fair value and fair value hierarchy:

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: quoted prices in active market for the same instrument.
- Level 2: quoted prices in active market for similar instruments or other valuation techniques for which all significant inputs are based on observable market data and
- Level 3: valuation techniques for which any significant input is not based on observable market data



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The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
31 March 2016				
Available-for-sale financial assets	6,708,470	63,773	-	6,772,243
31 March 2015				
Available-for-sale financial assets	6,606,330	72,011	-	6,678,341

There have been no transfers between fair value levels during the year ended 31 March 2016.

The above table does not include KD 108 million (2015: KD 136 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.



Consolidated statement of changes in equity
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32. Related parties

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

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

	Associates and joint ventures KD'000	Other related parties KD'000	Total 2016 KD'000	Total 2015 KD'000
Purchases	27,641	-	27,641	32,225
Sales	57,769	-	57,769	98,076
Cost of production	36,546	-	36,546	13,231
Marketing fees received	1,596	-	1,596	1,947
Compensation of key management personnel (see note 28)	-	10,446	10,446	10,903

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

	Associates and joint ventures KD'000	Other related parties KD'000	Total 2016 KD'000	Total 2015 KD'000
Non-current receivables from joint venture	63,647	-	63,647	14,063
Due from related parties	4,428	940	5,368	5,110
Other receivables and prepayments	-	8,513	8,513	13,051
Other payables and accruals	-	10,448	10,448	9,893
Due to related parties	4,588	418	5,006	10,338



Notes of the consolidated financial statements
for the year ended 31 March 2016

33. Financial risk management

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

- credit risk
- liquidity risk
- market risk.

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

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

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

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

Credit risk

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 55% (2015: 52%) of the Group's outstanding trade receivables is attributable to transactions with 12 customers (Notes 8 and 12). However, geographically there is no significant concentration of credit risk.



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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:

	2016 KD'000	2015 KD'000
Other non-current assets (other than deferred expenses)	114,261	47,806
Available-for-sale investments	3,909,388	3,868,249
Trade receivables	2,164,544	2,882,126
Bank balances and cash	4,429,559	5,458,213
	<u>10,617,752</u>	<u>12,256,394</u>

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

	2016 KD'000	2015 KD'000
Domestic	713,503	459,184
Europe (other than United Kingdom)	1,128,913	2,018,659
United Kingdom	361,670	392,231
Other regions	74,719	59,858
	<u>2,278,805</u>	<u>2,929,932</u>



Notes of the consolidated financial statements
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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:

	2016 KD'000	2015 KD'000
Government	738,357	838,749
Private sector	1,540,448	2,091,183
	<u>2,278,805</u>	<u>2,929,932</u>

Impairment losses

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

	Gross 2016 KD'000	Impairment 2016 KD'000	Gross 2015 KD'000	Impairment 2015 KD'000
Not past due	1,626,610	-	2,679,459	-
Past due not more than one year	653,810	-	221,342	-
Past due more than one year	116,314	(23,443)	39,655	(25,255)
	<u>2,396,734</u>	<u>(23,443)</u>	<u>2,940,456</u>	<u>(25,255)</u>

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

	2016 KD'000	2015 KD'000
Balance at 1 April	25,255	25,255
Provision recognised	256	-
Provision no longer required	(2,068)	-
Balance at 31 March	<u>23,443</u>	<u>25,255</u>

Investments

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

Liquidity risk

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



Consolidated statement of changes in equity
for the year ended 31 March 2016

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

At 31 March 2016

Non-derivative financial liabilities

Term loans and short term borrowings
Trade payables
Other payables and accruals
Taxes payable
Amounts due to Ministry of Oil

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
1,378,886	1,378,886	-	353,336	40,558	959,949	25,043
536,243	536,243	-	536,243	-	-	-
1,968,837	1,968,837	-	1,968,837	-	-	-
31,418	31,418	22,403	9,015	-	-	-
1,545,068	1,545,068	1,545,068	-	-	-	-

At 31 March 2015

Non-derivative financial liabilities

Term loans and short term borrowings
Trade payables
Other payables and accruals
Taxes payable
Amounts due to Ministry of Oil

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
1,005,218	1,338,608	-	77,552	276,128	859,184	125,744
780,138	780,138	-	780,138	-	-	-
1,575,128	1,575,128	-	1,575,128	-	-	-
206,379	206,379	206,379	-	-	-	-
2,452,366	2,452,366	2,452,366	-	-	-	-



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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.

	2016 Equivalent position long/(short) KD'000	2015 Equivalent position long/(short) KD'000
EURO	274,897	11,665
USD	9,142,030	8,424,981
GBP	128,590	556
AUD	95	(3,890)
JPY	4,781	105
BHD	46,113	33,652
Others	2,916,959	(18,410)

Sensitivity analysis

A five percent strengthening of the KD against the following currencies at 31 March 2016 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 2015.

Effect in thousands of Kuwaiti Dinars

	Equity	Profit or (loss)
31 March 2016		
EURO	13,745	13,745
USD	457,102	133,105
GBP	6,429	6,429
AUD	5	5
JPY	239	239
BHD	2,306	2,306
Others	145,848	145,848
	<u>625,674</u>	<u>301,677</u>



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<i>Effect in thousands of Kuwaiti Dinars</i> 31 March 2015	Equity	Profit or (loss)
EURO	583	583
USD	421,249	97,253
GBP	28	28
AUD	(195)	(195)
JPY	5	5
BHD	1,683	1,683
Others	(921)	(921)
	<u>422,432</u>	<u>98,436</u>

Interest rate risk

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

	2016 KD'000	2015 KD'000
<i>Variable rate instruments</i>		
Financial assets	6,947,414	6,896,643
Financial liabilities	1,093,217	746,258

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 58,542 thousand (2015: KD 68,966 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 3% increase or decrease in stock prices at the reporting date would have increased or decreased equity by KD 85,262 thousand (2015: an increase or decrease of KD 82,642 thousand). The analysis is performed on the same basis for the year ended 31 March 2015.



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Capital management

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

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

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

34. Expenditure commitments

a) Operating lease commitments

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

	2016 KD'000	2015 KD'000
Future minimum lease payments:		
Within 1 year	33,363	25,273
Between 1 and 5 years	97,299	79,129
After 5 years	93,319	135,409
Aggregate operating lease expenditure contracted for at the reporting date	<u>223,981</u>	<u>239,811</u>

b) Capital expenditure commitments

	2016 KD'000	2015 KD'000
<i>Capital expenditure commitments</i>		
Estimated capital expenditure contracted for at the reporting date	4,308,942	4,390,289
Supply commitments	493,716	-

As a result of the sale of the Europoort refinery, the Group's foreign subsidiary fuel marketing operations in Belgium and The Netherlands have entered into third-party supply contracts with BP, Lotos and VARO which require certain contractual volume uplifts. Such binding commitments are lower than existing operational needs and the monetary value of these commitments will rise and fall in line with the market price of the products involved.

35. Contingent assets/ liabilities

Contingent assets

Legal case

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



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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 (2014: 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. 275/93. 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



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inclusive of the interest, till August 2005, amounting to US\$ 123,559 thousand plus such amounts, being the difference between the amounts claimed before London Court and those mentioned in the Public Prosecution Charge Report in connection with crime No. 275/93, amounting to US\$ 25,000 thousand, for which a civil case was filed where a final verdict was announced in the session dated 7 March 2011 by rejecting the appeal, plus an amount of US\$ 3,150 thousand (Chesapeake – selling debris of Surf City Vessel) for which a case was filed 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. 275/93, while the other cases are still being deliberated before the courts and experts. In one of these cases, the attorney of the subsidiary company filed civil case No. 2008/3019 (commercial/ civil/ total/ government)/8 against four accused parties for a temporary civil compensation amounted to KD 5 thousand. The court decided to refer the case to Sixth Civil Department where the case number was changed to 2009/1321 (civil/total)/6 and a first degree verdict has been issued against the second, third and fourth accused parties to pay an amount of KD 5 thousand as a compensation. This verdict has been appealed by one of the accused heir. On 19 December 2011, a verdict has been issued by Court of Appeals against 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. 2012/603 cassation V/2 to the verdict issued by Court of Appeals No. 2012/271 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 180 thousand (KD 78 thousand) as at 31 March 2016 (2015: Sterling Pounds 143 thousand (KD 64 thousand)), and will be distributed later, according to the above agreed distribution share.

Further, the subsidiary company's attorney in Kuwait filed a lawsuit No. 2025/2010 (Commercial/ 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. 1212/2004 and its appeals. Also, he requested to annex the verdict in its executive formula pursuant to provision of Article No. (1) of Law No. 38 for 2007 concerning amending



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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. 3273/2010 to commercial appeal / 5 and case under No. 133/2011 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. 3560/2010 (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. 1527/2012 civil total / 12 against the heirs of a former employee and others to claim the final compensation which includes the sentence in crime No. 275/1993, 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 and on 4 December 2014, the Court sentenced to reject the case and the verdict has been appealed and registered under No. civil 5621/2014. A final verdict is expected to be on next hearing scheduled on 9 June 2015.

Dry Cargo (358/94 crimes)

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

In the hearing on 17 June 2006, the court ruled for the imprisonment of indictees for five years with labour and execution, to dismiss them from their jobs, oblige them to refund the embezzled funds, and fine each of them an amount equivalent to that embezzled by him, as well as to deport the third, fourth and fifth accused parties from the country after serving the said penalty,



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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.



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Contingent liabilities

The Group had contingent liabilities of approximately US\$ 54.4 million (KD 16.5 million) at 31 March 2016 (2015: US\$ 46.3 million (KD 13.9 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.

During the financial year, there was an accusation in Italy that a subsidiary and its management failed to comply with environmental laws and regulations. As a precaution the local Public Prosecutor has ordered the seizure of certain company assets which may not be disposed pending resolution of the case. Management believes that it has always complied with the laws and regulations and will defend itself from these charges both in the investigative phase and before the Court through the most appropriate legal actions. Evidence and other defence arguments will be presented to the Court but the timing of such proceedings remains unknown. At this early stage it is not possible to reliably estimate the potential liabilities.

On 21 January 2013, Alitalia in temporary receivership summoned Kuwait Petroleum Italia S.p.a. and other oil companies before the Court of Rome for generic damages due to anti-competitive activities related to the supply of jet fuel. The Group's legal counsel confirms the likelihood and existence of a contingent liability is possible. Because the amount requested is exorbitant and disclosure of potential loss could seriously prejudice the position of the Group, only the general nature of the dispute has been described. No amounts have been accrued in the consolidated financial statements. The Group will present its defence at the next hearing in May 2016 and will reply to any further requests. KAISrl is also party to the litigation described above.

36. Investment in joint operations

Kuwait Gulf Oil Company K.S.C.C, a subsidiary, has participation in two joint operations for exploration, drilling, and production of oil and gas, which are as follows;

- Al Khafji Joint Petroleum Operation ("KJO"); and
- Wafra Joint Operation ("WJO").

The consolidated financial statements include the following items that represent the Group's interest in joint operations:

	KJO		WJO	
	31 December 2015 KD'000	31 December 2014 KD'000	31 December 2015 KD'000	31 December 2014 KD'000
Statement of financial position				
Total assets	936,076	876,633	413,545	388,133
Total liabilities	(185,188)	(154,611)	(50,944)	(76,305)
Net assets	750,888	722,022	362,601	311,828
Statement of profit or loss and other comprehensive income				
Income	16,924	321	2	914
Expenses	(169,567)	(175,362)	(123,218)	(162,471)
Net expenses for the year	(152,643)	(175,041)	(123,216)	(161,557)



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37. Subsidiaries, associates and joint ventures

a) Principal subsidiaries registered in the State of Kuwait:

<i>Directly held</i> 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 Sector Service Company K.S.C. (Closed)	100%	Liaison, public services and oil sector supporting services.

<i>Indirectly held</i> 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



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c) Principal associates

Name of company	Country of incorporation	Proportion held	Principal activities
Kuwait Drilling Company K.S.C. ("KDC")	Kuwait	49%	Contract drilling
Equate Petrochemical Company K.S.C.C. ("EQAUTE")	Kuwait	42.5%	Petrochemicals
Gulf Petrochemical Industries Company B.S.C. ("GPIC")	Bahrain	33.33%	Petrochemicals
The Kuwait Olefins Company K.S.C.C. ("TKOC")	Kuwait	42.5%	Petrochemicals
Al-Oula Local Fuel Marketing Company K.S.C. ("OLPMC")	Kuwait	24%	Fuel marketing
Al-Sour Fuel Marketing Company K.S.C. ("ASFMC")	Kuwait	24%	Fuel marketing
Equate Marketing Company E.C. ("EMC")	Bahrain	49.9%	Fuel marketing

d) Principal joint ventures

Name of company	Country of incorporation	Proportion held	Principal activities
The Kuwait Styrene Company K.S.C.C. ("TKSC")	Kuwait	57.5%	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 at 31 March 2016
Raffineria di Milazzo S.p.A.	Italy	50%
Al Khafji Joint Petroleum Operation ("KJO")	Kuwait	50%
Wafra Joint Operation ("WJO")	Kuwait	50%



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38. Oil and gas reserves of a local subsidiary with foreign operation (unaudited)

	Crude Oil (mmbbls)	Gas (mmboe)	Total (mmboe)
Proved and probable reserves at beginning of year			
- Fields in production	47.57	708.46	153.14
- Projects under development	30.61	1,924.45	313.61
	<u>78.18</u>	<u>2,632.91</u>	<u>466.75</u>
Changes during the year			
- Discoveries	14.26	76.41	15.29
- Revision of previous estimates	9.93	(194.9)	(0.34)
- Purchase of reserves in place	-	-	-
- Production	(7.87)	(121.49)	(25.74)
	<u>16.32</u>	<u>(239.98)</u>	<u>(10.79)</u>
Proved and probable reserves at end of year			
- Fields in production	42.40	602.32	132.51
- Projects under development	52.10	1,790.61	323.45
	<u>94.50</u>	<u>2,392.93</u>	<u>455.96</u>

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

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.

39. Strategic acquisition

As of 21 January 2016, PIC, a subsidiary, has entered into agreement with SK Gas Company Ltd. ("the Seller") to purchase 25% equity interest of SK Advanced Co. Ltd. which operates in a propane dehydrogenation facility in Ulsan, Korea with a total consideration price of KD 29 million.

At the reporting date, the risk and rewards have not been transferred by the seller to PIC subject to the finalization of certain legal documents and approvals. PIC also still did not transfer the total consideration price to the Seller.

40. Comparative figures

Where necessary, certain comparative figures have been reclassified to conform to the current year's presentation. Such reclassifications did not affect previously reported profit or loss, equity or opening balances of the earliest comparative period presented.

