

عاماً على تأسيس 75th Anniversary

شركة نفط الكويت Kuwait Oil Company

1934 - 2009

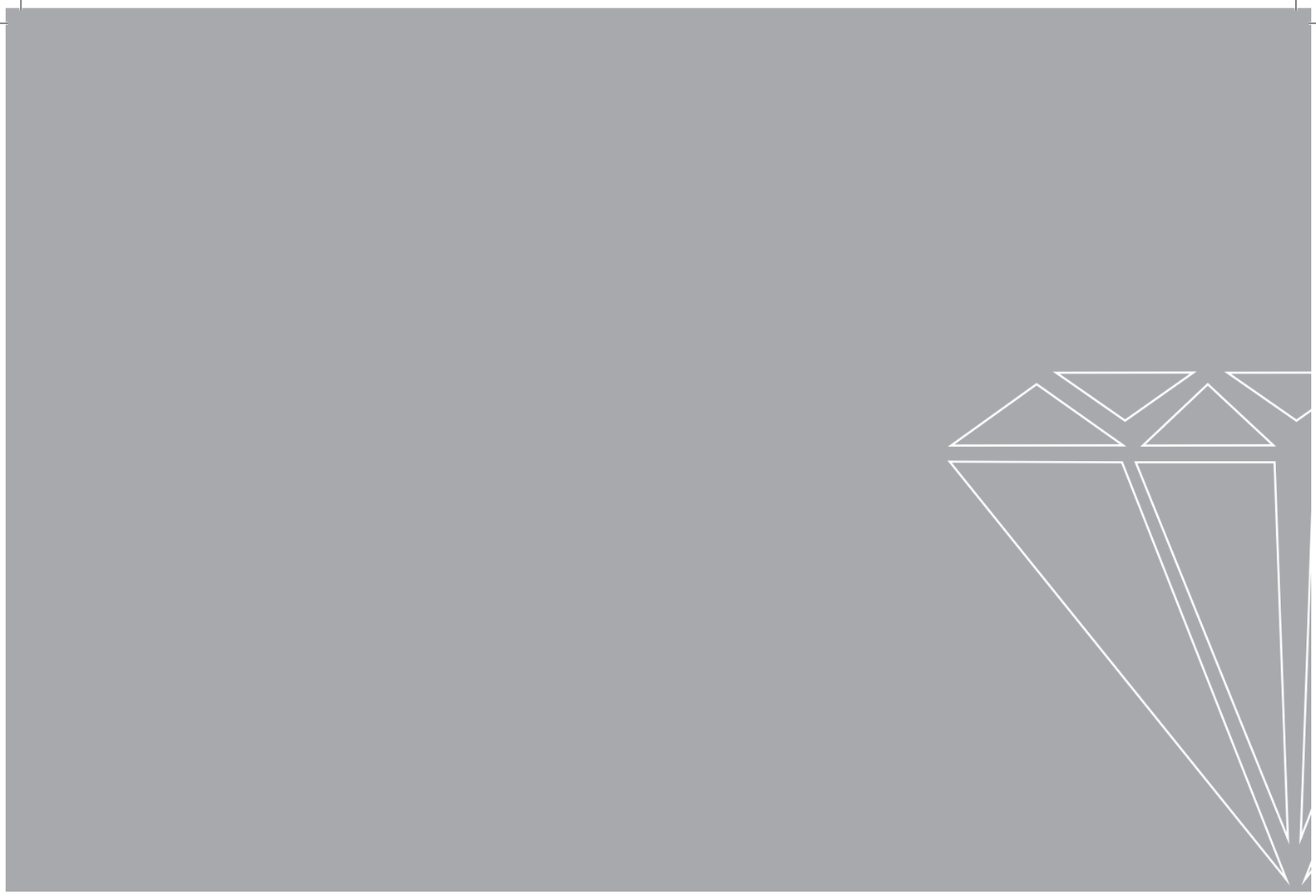
subsidiary of KPC

احدى شركات مؤسسة البترول الكويتية

ANNUAL REPORT

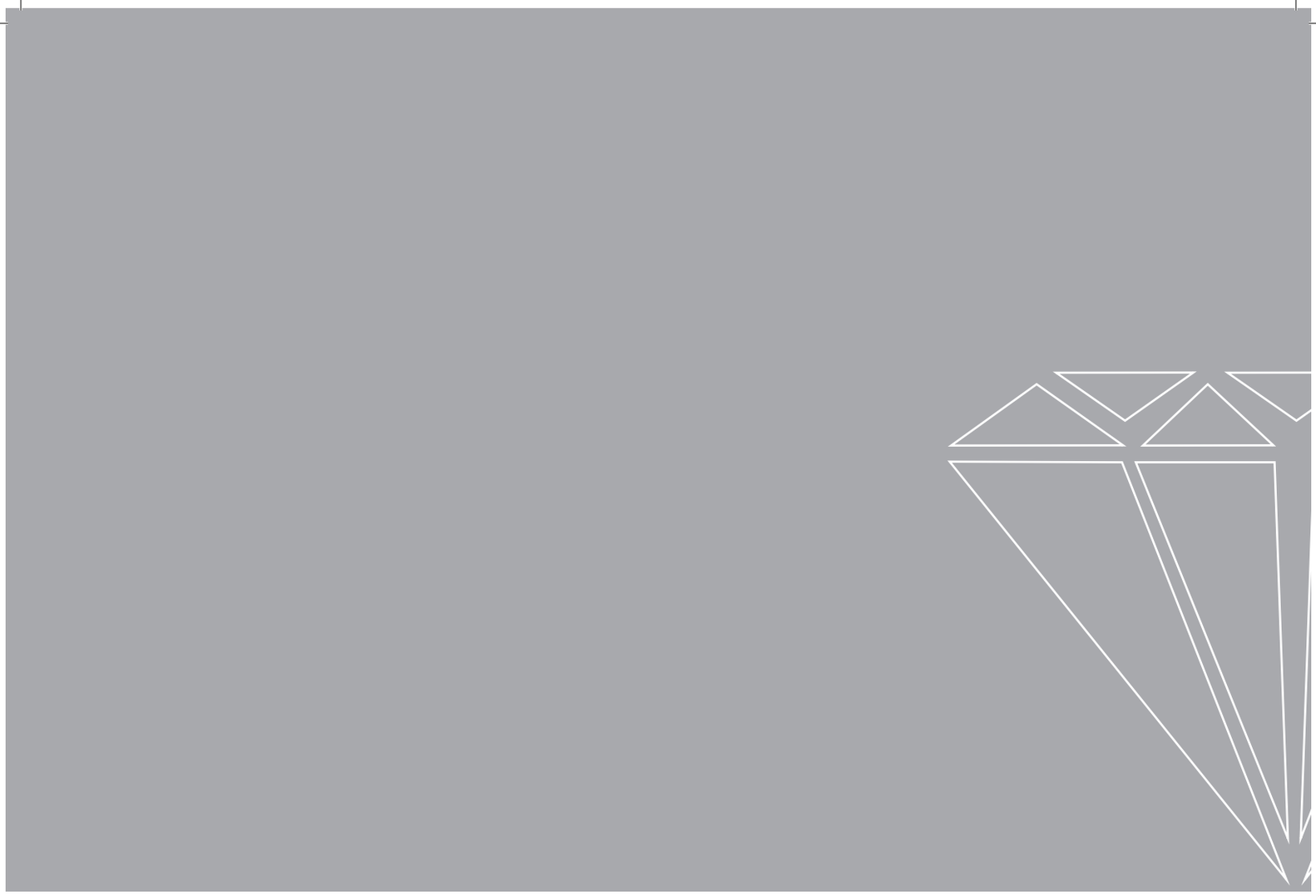
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H. H Sheikh
SABAH AL-AHMED AL-JABER AL-SABAH
AMIR OF KUWAIT





H. H Sheikh
NAWAF AL-AHMED AL-JABER AL-SABAH
CROWN PRINCE



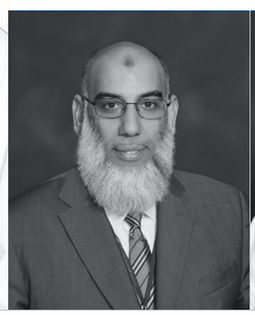
H. H Sheikh
NASER AL-MOHAMAD AL-AHMED AL-SABAH
PRIME MINISTER



H.E Sheikh
AHMAD AL-ABDULLA AL-AHMED AL-SABAH
Minister of Oil & Information

Board of Directors





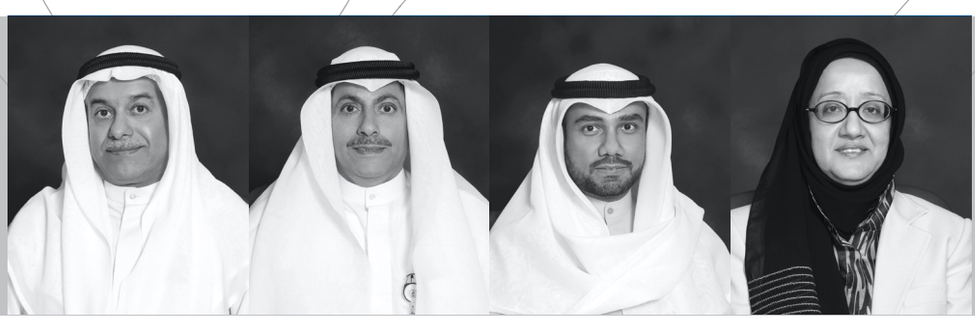


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Chairman

2 - Mohammed Husain
Deputy Chairman

5 - Fahad Al-Ajmi
Board Member



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3 - Bader Al-Khashti
Board Member

4 - Jamal Al-Noori
Board Member

6 - Dr. Waleed Bu Hamra
Board Member

7 - Nawal Al- Fuzaie
Board Member

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Director –Planning & Gas

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Mazen Dawood Al-Sardi

Deputy Managing Director
Technical Services

Khalid Ali Al-Sumaiti

Deputy Managing Director
Exploration & Production Development

Hosnia Sayed Hashem

Deputy Managing Director
North Kuwait

Hashem Sayed Hashem

Deputy Managing Director
South & East Kuwait

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Deputy Managing Director
West Kuwait

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Gas Management Group

Mohd Abdul Wahab Al-Fodari
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Shafeeqa Idrees Mubarak
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Adnan Darweesh Al-Aradi
Manager
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Development Drilling Group

Saeed Mohd. Al-Shaheen
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Well Surveillance Group

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Support Services Group (North Kuwait)

Hamed Yousef Al-Anezi
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Fields Development Group (North Kuwait)

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Abdullah Mohd. Al-Awadhi
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Ali Husain Al-Kandary
Manager
Operations Group (West Kuwait)

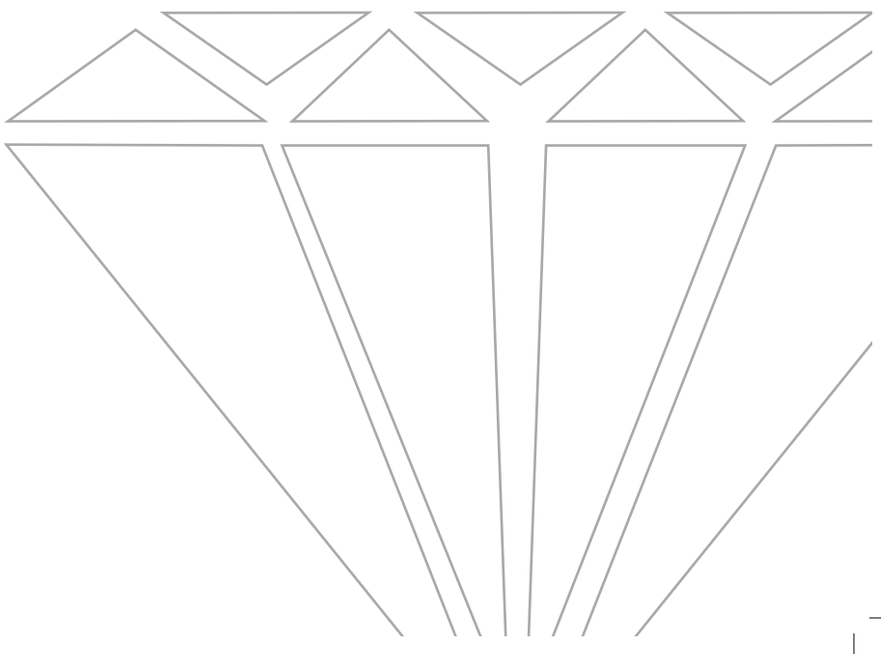
Hasan Ali Bunain
Manager
Fields Development Group (West Kuwait)

Ismail Abdulla Ali
Manager
Support Services Group (West Kuwait)

Fadil Majid Buresli
Manager
Export & Marine Operations Group

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Letter from the Chairman and Managing Director



One event that brought me immense pleasure this year was the great ceremony celebrating the Kuwait Oil Company's 75th Anniversary, which was held under the auspices and in the presence of His Highness the Amir Sheikh Sabah Al-Ahmad Al-Sabah, and attended by prominent dignitaries from around the world. This event emphasized the high-ranking international status which the company has achieved.

Since its establishment in 1934, the Kuwait Oil Company has maintained a leading role in the national economy and the construction of modern-day Kuwait. The company has great confidence in its highly-skilled and capable national workforce and in its members' ability to manage the oil sector in order to make further progress.

The ceremony coincided with numerous achievements along the path to increasing the company's production capacity to four mmbopd by 2020, and several vital projects were commissioned during 2009/2010. The Facilities Modernization Project (A & B) has improved safety levels and enhanced our production capacity to 2.787 mmbopd, i.e. a 12 percent increase on the last fiscal year.

The four phases of the Export Upgrading Project are also nearing completion, which, for the first time, has allowed four supertankers to berth simultaneously at four Single Point Moorings (SPM) in Ahmadi seaport in order to be loaded with Kuwaiti crude oil, marking a new milestone in the company's history.

Also, the new Gathering Center, No. 24, with a 165 mbopd capacity, was tested six months ahead of schedule. This facility represents a major step on the road to achieving North Kuwait's production strategy of one mmbopd.

The free gas production rate by the end of the fiscal year, was 121 mmscfpd compared to last year's 80 mmscfpd, a 46 percent increase. The overall production rate of free and associated gas, meanwhile, was 1.314 billion scfpd.

Our efforts continue unabated to boost our free gas production capacity, and a new tender for Phase Two of free gas production in North Kuwait will be announced shortly.

Another source of pride for us is the continuation of the produced oil replacement program, with the 2009/2010 replacement ratio coming to 118 percent.

We began the implementation of the first automated reserves management system to improve our reserves' security and efficiency. In addition, new prospects were identified and evaluated at the Zubair reservoirs. Other long-term production tests were carried out in several Jurassic wells in North Kuwait by a special test unit.

Our hopes are great for a secured future for the new generations. Our optimism came after our first commercial discoveries in the Middle Marrat reservoirs at the Mutriba reservoirs in - North Kuwait. Estimations indicate a production capacity of 80 mbpd of light crude and 110 mmscfpd. This deepest reservoir is very important as it opens the way for the expanded exploration of Jurassic areas in North Kuwait.

The second commercial discovery at Lower Marrat appeared in the Rawadatin field in North Kuwait.

Here, I should highlight the great efforts and investments which aimed at enhancing the safety levels in our facilities and reducing the environmental impacts of our operations. A major positive result has been the reduction of gas flaring. In March 2010, the annual average rate was 2.6 percent, i.e. 34 percent less than the previous year. The South and East Kuwait area recorded the lowest gas flaring rate at 0.36 percent; this is the lowest percentage achieved in the Kuwait Oil Company's entire history. This remarkable achievement represents an optimal exploitation of our natural resources and a reduced impact on the environment. We continue with our efforts to reach our target of 1 Percent.

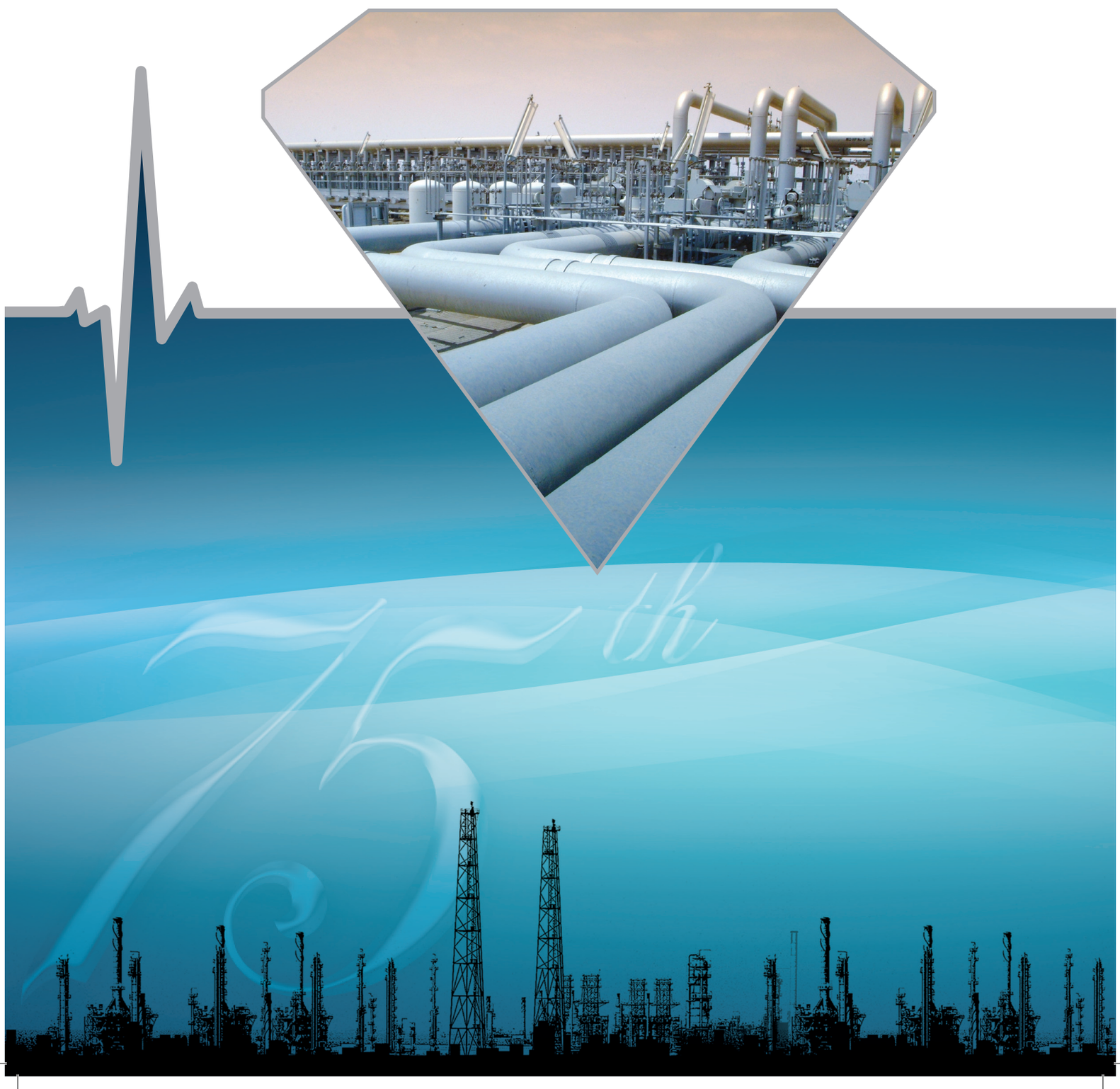
The company has also signed an agreement with the Environment Public Authority to improve air quality in Kuwait and reduce gas emissions in the operation areas.

Having a skilled and well-qualified workforce is vital for achieving the ambitious targets and facing the ever-increasing number of challenges in front of us. In this regard, 13,986 multi-discipline training courses were conducted during this period, both inside and outside Kuwait. On average, each employee completed 46.8 training hours. A special plan has been drawn up for leaders to build the necessary capabilities for running the Company in future.

Finally, I would like to express my thanks to all the employees in the company who were behind our tremendous achievements this year.

On this occasion, I should stress that our achievements could not have been accomplished without the firm support of His Highness, the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, His Excellency the Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah and His Highness the Prime Minister Sheikh Nasser Al-Muhammad Al-Ahmad Al-Sabah, to whom we would like to express our sincere gratitude for their continued support.

Sami Fahad Al-Rushaid



Production Capacity

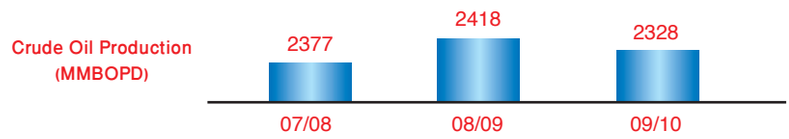
The 2020 Strategy involves increasing Kuwait's production capacity. The company is exerting a great deal of effort to achieve the target, but this is not an easy task and many challenges lie ahead, not least in the development of the production structure through numerous megaprojects.

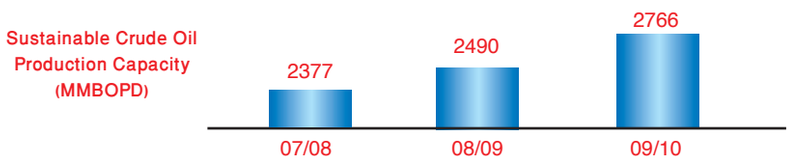


Production Capacity

The 2020 Strategy involves increasing Kuwait's production capacity. The company is exerting a great deal of effort to achieve the target, but this is not an easy task and many challenges lie ahead, not least in the development of the production structure through numerous megaprojects.

The average daily production rate during 2009/2010 amounted to 2.328 MMBOPD, whereas the production capacity of all the Company's assets was 2.766 MMBOPD.





North Kuwait maintained a production rate of 630 MBOPD, which confirmed the expected NK subsurface potential.

Total volume of light crude produced from April 2009 to March 2010 was 42.24 MBOPD.

Construction of 132 KV Magwa "A" Substation project
The project was successfully tested and commissioned in February 2010, ahead of schedule. This was the second project executed by the Company since the transfer of responsibility of such projects from MEW to KOC.

GC-28 Capacity Expansion Project
All works completed and expected turnover of the project by May 2010.

New GC-24 at Sabriyah Field Project at North Kuwait
Construction completion certificate was issued in February, 2010 and the turnover was achieved 6 months ahead of plan. The GC has a capacity of 165 MBOPD.
This achievement was a result of the cooperation between all directorates within KOC and accomplished the following:
- Implementation of a large part of the drilling program for new wells, with the required pipelines connected to the GC.
- Segregation of flowlines in North Kuwait for an optimized production process.

- Reconstruction of shut-down wells and reconnection to the GC.
- Installation of more than 100 ESPs in low pressure wells to increase production capacity.
- All the achievements have been made according to HSE protocols and applying all safety measures.

Crude Oil Export Facilities at NTF, STF & MAA pumps, Infrastructure and Offshore Facility Project

99.5% of the project was completed during the fiscal year and total completion is expected by 2010.

For the first time in the history of KOC, four crude oil export ships have been anchored from the four loading facilities of the Company. Accordingly, the crude export capacity reached 3 MMBOPD, which is considered to be a great achievement in the history of KOC.

The fast track development of minor reservoirs (16 mbopd) were completed as a part of 1 million bopd strategy from NK by 2014/15. Special focus was given to minor reservoirs for fast track development/ production (likely to contribute about 10% of 1 mmbopd strategy). New reservoirs such as SA/ZU; SA/RT & SA/MB were tested and brought to production status. Short term development plan was made using analytical model for SA/ZU & SA/RT. Testing of ESP at one of the Tuba wells has been planned.

Wells for deepening/appraising SA/ZU/RT have been identified.

The number of well surveillance jobs executed was around 8000 for all assets; this has increased production by 54.850 mbopd.

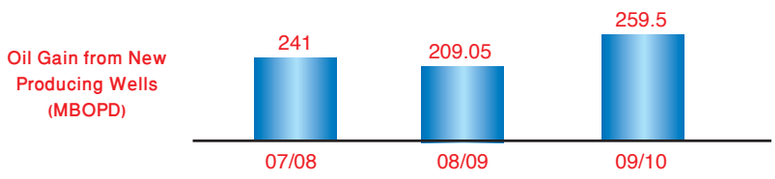
Nine new ESPs were installed in RA & SA fields (3 in RA, and 6 in SA) for building up NK potential to meet the target production by adding a potential of 21.5 MBOPD.

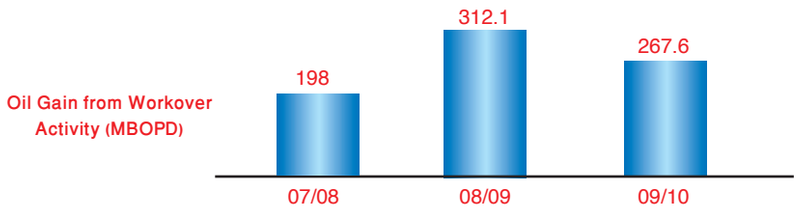
100 new Artificial Lift (ESPs) were installed and achieved the new Artificial Lift requirements set by the assets to meet the targeted production.

14 new Artificail Lift (Gas Lift) were installed to sustain the production rates and capability.

89 ESPs replacements were conducted to sustain the production rates and capability.

527 mbopd were achieved as a result of well workovers.





The start-up and commissioning of six new 3000 HP deep drilling rigs over a six month period was executed. This was recognized as one of the largest HPHT rig start-up projects carried out in the industry worldwide.

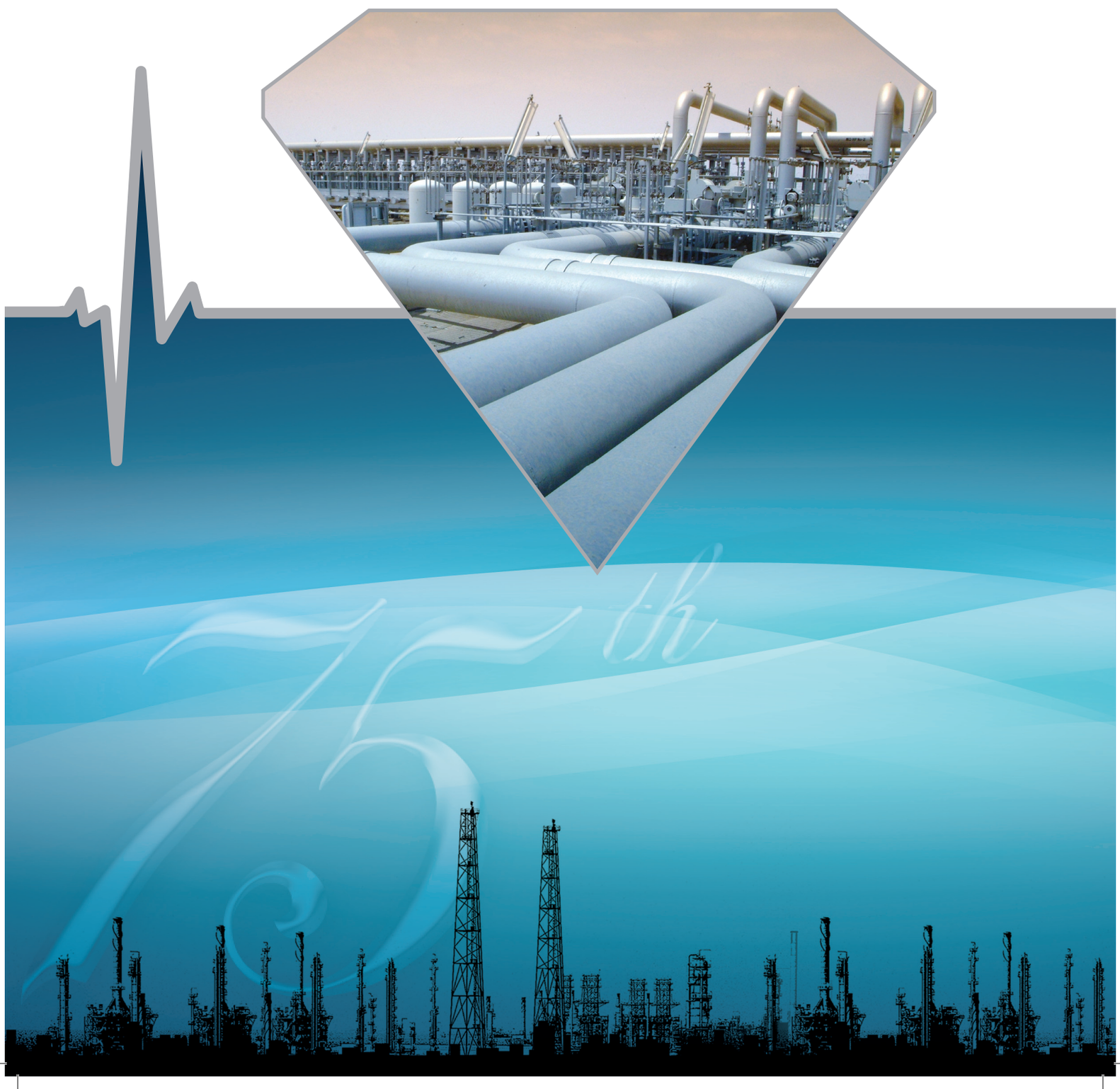
Out of 264 new well planned for drilling at the start of 2009/2010, only 211 were actually drilled according to the following details:

Cretaceous wells	156
Heavy oil wells	47
Gas development wells	3
Jurassic wells	2
Exploratory wells	3

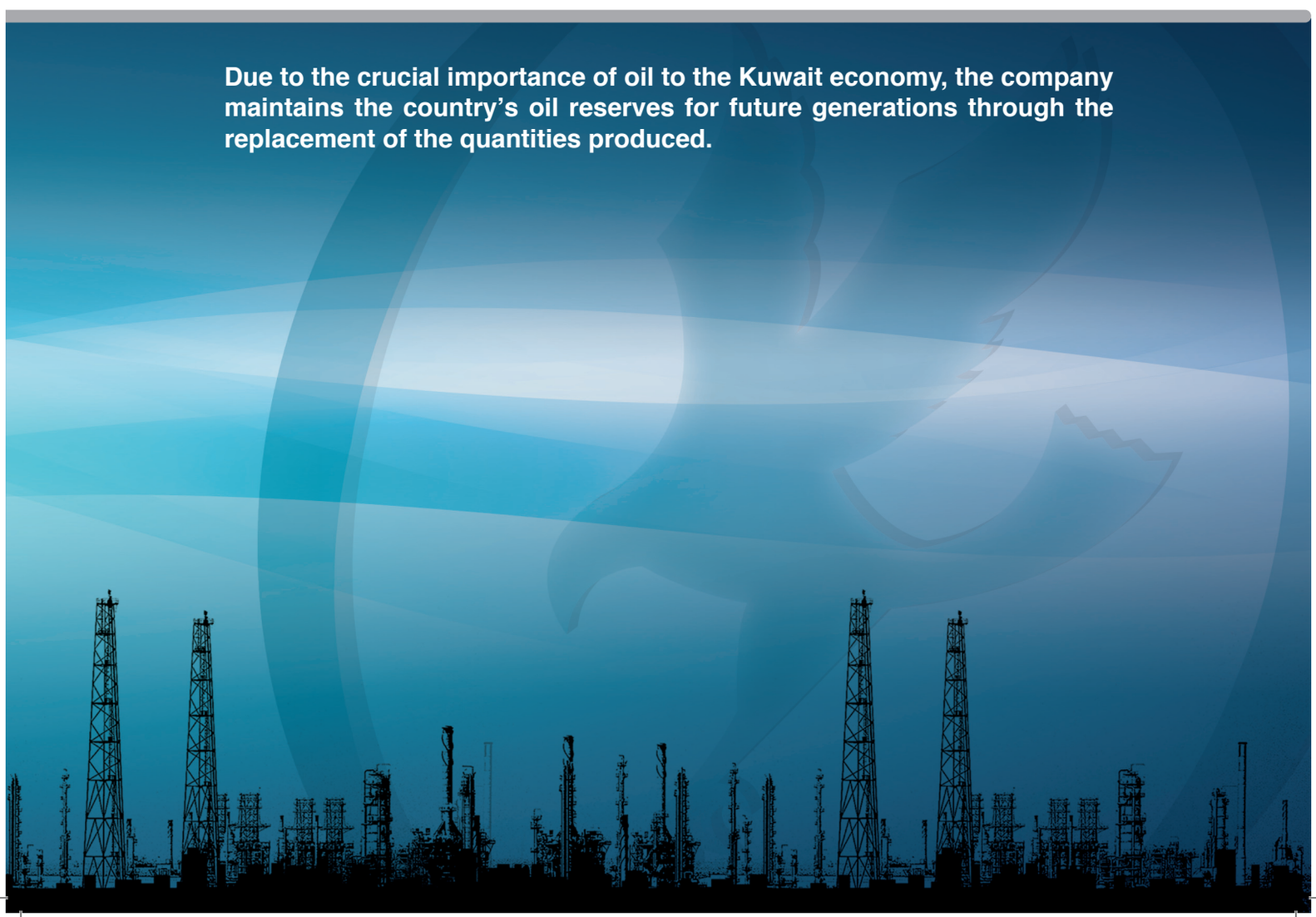
The delay in bringing in the new 10 drilling rigs, using the existing rigs for well completions/ workovers and breakdown of the new drilling equipment, caused the delay in the drilling plan.




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Reserves Growth



Reserves Growth

Due to the crucial importance of oil to the Kuwait economy, the company maintains the country's oil reserves for future generations through the replacement of the quantities produced.

The first automated reserves management system was implemented to improve reserves security and efficiency.

118% of the planned three-year average of Proven Reserves Replacement Ratio has continued to be achieved.



A new prospect was identified and evaluated in Zubair in RQ-MU Saddle area in NK Asset. This resulted in added reserves to the P-inventory.

The first commercial discovery within Jurassic Reservoir (Marrat) in the Mutriba structure has been a tremendous success. The Mutriba-12 well is located in northwest Kuwait; MU-12 has produced under severe mechanical constraints (the zone is tested through two casings). The discovery of 45° API oil has extended the light oil pool in the northern fields. This deepest Jurassic hydrocarbon has an area of around 180 Km^2. This discovery has brought new impetus to the Jurassic exploration efforts in Kuwait and will immensely contribute toward the corporate objectives of KOC. Well test results give an oil rate of 1,907 BOPD and Gas rate of 2.76 MMSCFD



The lower Marrat discovery in Rawdatain field is the second commercial discovery of Lower Marrat in NK area.

Success was achieved by drilling the first horizontal well in the lower Minagish reservoir, MN-0160; it was realized based on porosity volume delivered by the Seismic Property Prediction sub-team. Two more horizontal wells, LMN-002 & LMN-003, have been recently realized based on an inversion study in 2008-09.

The first exploration well of the Umm-Al-Ross field (UR-01) was put on long-term testing.

Evaluation of the northern offshore area has been completed. A major NE-SW trending structure named Ras Al-Ardh High has been mapped. One exploratory location (Ruwaisiyah) has been selected to test Jurassic zone.





Gas Exploration and Production



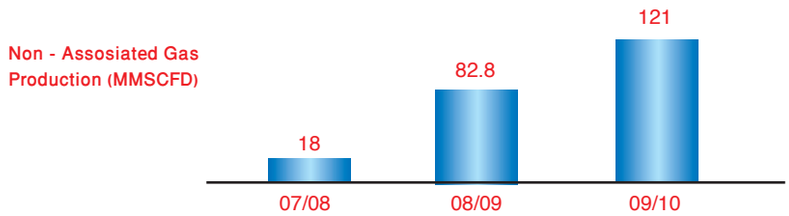
The gas figures make us optimistic about the future of this important resource. In order to optimize gas production, more effort is also being exerted to reduce gas flaring, which, in turn, means a reduced environmental impact.

Gas Exploration and Production:



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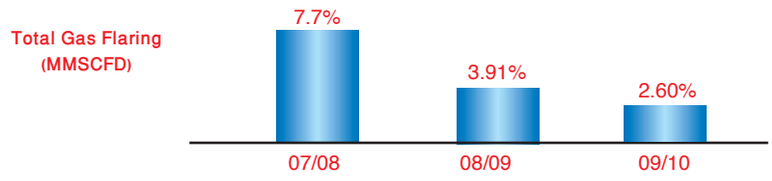
Total produced free gas volume from April 2009 to February 2010, was about 121 MMSCFD compared to the set target of 140 MMSCFD. Several impediments caused the failure in achieving the targets, such as the closure of the LPG plant at the KNPC for the full month of April 2009, the 6-day normal maintenance shutdown and winter operational problems.



New NK 40" Gas Line from BS-131 to LPG Plant Project
This contract commenced on December 15th, 2008, and the expected contractual turnover is August 22nd, 2010. Once commissioned, this line will significantly increase the gas export capabilities of North Kuwait.

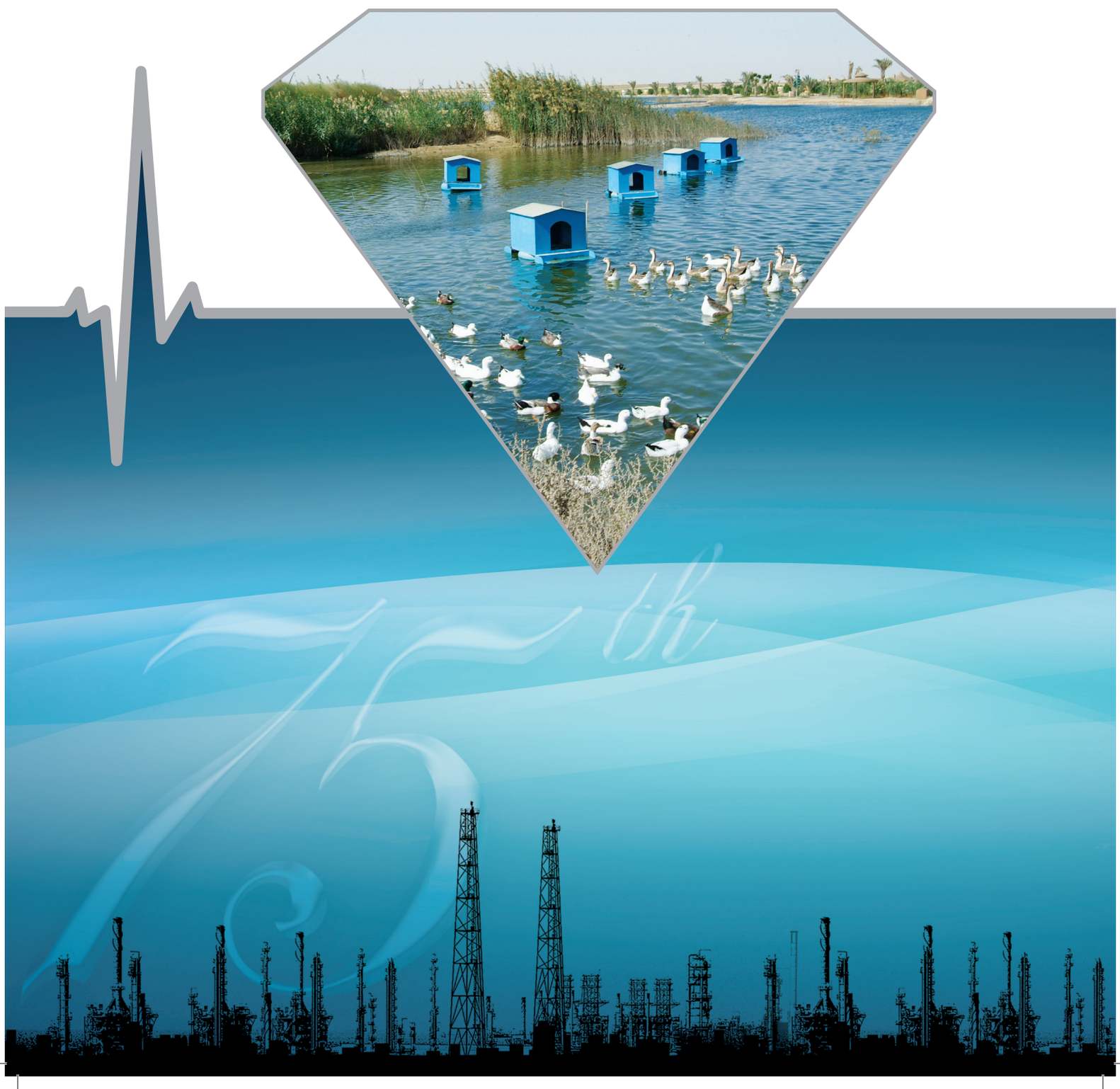
Four deep wells in North Kuwait were drilled for gas development.

The gas flaring percentage up to the end of March, 2010, was 2.6%, against a tolerance for the year of 3.4%, which is a decrease of 34% from the previous year. The lowest gas flaring percentage was 0.36%, achieved in the South and East Kuwait area.









Health, Safety and Environment



A high level of priority is given to Health, Safety and Environment policies in the company's programs and plans. Adherence to HSE rules and regulations is now an integral part of all our operations.

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A high level of priority is given to Health, Safety and Environment (HSE) policies in the company's programs and plans. Adherence to HSE rules and regulations is now an integral part of all our operations.

An initiative was adopted to establish an HSE Training Centre to handle the following:

- To increase and enhance the awareness of HSE and to brief about inherent risks in KOC business, PPE, HSEMS Procedures, safety precautions and desired behaviour. This is done prior to allowing new employees, contractors, and/or visitors into KOC controlled areas.

- Provide KOC employees and contractors with the required knowledge and skills for the related HSEMS procedures, so that they can apply these procedures in their business.



- Implement TIU's HSE Action plan by using T&CD resources, which will lead to better service to Groups /Teams.

- Reduce HSE accidents / fatalities.

- Better utilization for our HSE experienced staff to train other staff.

- The Health Insurance for oil sector employees has been approved by the KPC board and this is a step forward to improving health services provided to the oil sector since it will ease the pressure on Ahmadi Hospital and will allow management to improve the services in the Medical Group.

KOC conducted HSE awareness campaigns at a number of schools and conducted lecture programs for Kuwait University students as part of corporate social responsibility.

KOC and Kuwait EPA declared a strategic plan and signed a memorandum of agreement to improve quality of air in Kuwait and reduce gas emissions.

A three-day awareness campaign on "Safe Driving" was conducted under the patronage of HE Minister of Oil Sheikh Ahmed Abdullah Al-Sabah. The campaign was co-organized by the Ministry of Interior's Traffic Department and the Fire Department.

KOC New Office Complex Project
All six office buildings have been occupied by KOC employees since August, 2009, and as a result, a large number of employees now work closely together, thereby facilitating communication.

Two new male wards (Surgical and Medical) were opened in the Ahmadi Hospital to further improve medical services provided to all employees and their families. The two wards consist of 38 beds, which have been placed in 7 single and 6 double rooms. The new building was designed to become a smart building.

Physiotherapy expansions and renovations were completed to enhance services by increasing the unit capacity and introducing new services i.e. hydrotherapy treatment.

The accident & emergency extension was opened to enhance medical services and eventually increase current Ahmadi Hospital bed capacity.

A new automatic enquiry system is to be added to the services offered by Ahmadi Hospital, enabling users to enquire about visit timings or alter their appointments. It is hoped that this will save a great deal of time and effort.

Electronic work permit in S&EK, WK and NK Assets were implemented. They are to provide end-users with a more efficient, convenient and effective way of managing the work permits, ultimately leading toward a safe and healthy work environment and allowing senior management to monitor the progress of work permits at individual facilities as well as tracking records of all issued permit,s enabling audits on the safety requirements to be carried out at any point in time.

A work site verification process for monitoring HSE assurance at the worksite was developed for all Circular Appointed Employees and Non-Circular Appointed Employees alike.

Replacement of Nine Crude Oil Filling Lines Project
The project Turnover was achieved on January 28th, 2010, 76 days ahead of schedule, with the result of enhanced technical integrity and safety of tank farm filling lines.

During 2009/2010, six unfortunate work fatalities occurred. All were contractors' employees. As a result, regular field visits are conducted to ensure the full implementation of safety and security procedures to reduce losses and prevent recurrence of such accidents.



Research and Technology



The company realizes the importance of keeping abreast of the fast-moving advances in the oil industry in order to maintain leadership and competitiveness. For this reason, acquiring the latest technological applications is a major concern for the company.

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Provision of a wide range of state-of-the-art E&P software (e.g. simulation, modeling, drilling engineering and reporting system, etc.), powerful workstations and extensive training programs for the E&P user community was completed. In-house solutions have also been developed such as Intellectual Property (enables submission, storage and protection of KOC's patents, trademark and copyrights) and the Technical Review Committee (TRC) solution, which automated the publishing and presenting of technical abstracts, papers, posters, reviews, and facilitating knowledge sharing on the international arena. All of the above eventually helped users to achieve their strategic goals and addressed their business challenges and needs.



Completed the Enhanced Oil Recovery (EOR) Phase-2 with an objective of demonstrating the viability of CO2 injection as an improved oil recovery technique in selected reservoir(s) of the North Kuwait Sabiriyah and Raudhatain Fields. Further, developed conceptual details facility design for the pilot(s) were developed.

New technology through installation of Dual Concentric ESP's at SA-186 in NK area was successfully implemented. The well produces from two zones in a single well. Oil potential achieved is 2.434 MBOPD from both zones.

PCP Pumps Pilot Project in three wells in the North Kuwait area (heavy oil wells), essential to KOC to evaluate the performance of PCP pumps and reservoir performance were installed and commissioned. This will also provide the opportunity to determine the future plans on how to handle and produce the wells.

Key initiatives in bit technology development were introduced, which resulted in a new world record for longest footage with a 28" TCI bit. Technology implemented were the introduction of 'Speed-Drill' bits plus two further industry firsts for PDC bits in the 16" section of North Kuwait wells.

Real-time automation of workflows and production estimates for the North Kuwait Asset automated five NK-border field workflows with real-time production estimation

utilizing the NK-SCADA-POIS system, and interfaced via the Sahala E&P gateway to enhance decision-making and deliver a digital and 'smart' oil field.

WiMax services in KOC to provide WiMax media in all KOC fields were nitiated, contracted and implemented.

Online heavy oil production workflows and knowledge base were built and implemented. A data fusion application to automate and visualize production data flow was developed; this will provide more accurate information of reservoir performance, a knowledge base for forecasting, and assessment of historical data.

The Kuwait Oil Company signed an advanced technical service agreement with Shell, whereby the latter provides technical services with the aim of developing the Jurassic oil fields in north Kuwait. The agreement provides essential services for the Company including manpower, expertise and Shell's technological know-how necessary to develop gas fields. The agreement also includes the training of Kuwaiti manpower to allow them to be able to deal with these sorts of fields.

KOC recently signed a contract with University of South California giving our employees the chance to complete or advance their further education. Fourteen employees have already been accepted for PhD and two for Masters' degrees.

R&T Group signed a number of technical consortia agreements with leading academic universities such as Heriott Watt, etc. The focus area is the core business, and the knowledge gained from such consortia will enhance KOC's performance.





Corporate Culture and Image



It goes without saying that the company's achievements and success are closely related to its corporate culture and image. Several activities have been organized over the past 12 months to enhance the company's image and status among the world major oil companies, regionally and internationally.

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In December 2009, KOC celebrated its 75th Anniversary under the auspices of HH the Amir Of Kuwait, Sheikh Sabah Al-Ahmed Al-Sabah, where all KOC achievements during the past 75 years were highlighted.

To enhance and develop the Company's performance, all four Directorates (WK, A&F, NK and A&F) have successfully attained the ISO 9001 Certification during 2009/2010.

KOC has won the Recognition Award of the Year for its Best Practice in IT systems during IBM's annual conference in the USA.

KOC received award for KPC best practice (Inspection Practice) among the K-Companies, which highlights the commitment of our employees in following the guidelines and coming up with best practices within the industry. This also ensures that we are up to date with our inspection capabilities

The KOC Standard for Internal Lining of Tanks has been adopted by the GCC Standardization Committee to be used as a standard by all GCC countries. This emphasizes KOC's grip on technical knowledge and enhances KOC's image within the GCC.

New policy and procedures for the Company's land investments were completed, which will:
- Enhance quality of work.
- Establish uncomplicated and easier procedures.
- Accelerate the average cycle time of land investments requests.

An emergency support center for WK was established to support any major incident within KOC.

A Beach Cleaning Campaign (Clean-up Arabia) at Abu-Halifa Beach on December

10th, 2009 wa executed.

KOC continued to organize a special summer hotels booking offers for KOC employees and their families.

Thee SAMO Project "Self Assisted Management of Obesity" was launched to manage and control weight through the guidelines and instructions listed in manuals which included weight schedules that indicate an ideal weight scale for human body.

The Ahmadi Hospital Blood Donation Campaign was conducte to contribute in community social activities.

The first KOC Book Fair in 2009 was conducted to address a major pillar of the Code of Conduct which stipulates giving back to the community with services that will be of benefit to the citizens of the State of Kuwait. KOC promoted a wider reading culture, and connected people with up-to-date knowledge and latest developments. Automated information in various forms were provided as a source for the innovative leaders, and awareness about technology and the importance of petroleum education to KOC staff and their families through e-Book.

KOC participated in seven local and six international exhibitions to reflect a positive company image.

The 4th Travel & Tourism Exhibition was held in May, 2009, to promote social activities and improve KOC's reputation / image locally and externally.





Support Services



The Support Services plays a major role in the Company's development and preparation of its manpower. KOC is meticulously and comprehensively working to improve its systems and advance its workforce capacities through the latest available methods.

Support Services:



Given the vital need to build special capabilities among the new generation of managers, the company has introduced a new leader development strategy.

In coordination with some of the other K-Company's exploration and production sectors, KOC outlined the 2030 Strategic Plan for the oil sector. A clear decision making mechanism was pursued to this effect. The oil sector immediately began the implementation of relevant positive ideas that can be quickly achieved, "Quick Wins", within a comprehensive plan to implement the Strategy.

KOC has come up with a new initiative which is aimed at enhancing efficiency and minimizing cost in the Company. The initiative seeks to save about KD 150 million in the fiscal year 2009/2010. The Company managed to save about KD 129 million up to the third quarter of the year. It's expected that an amount of KD 135 m will be saved by the end of the fiscal year

Electronic project progress review (ePPR) was automated to provide an automated system to collect project related information from Assets and Groups and enable the concerned groups to conduct analysis

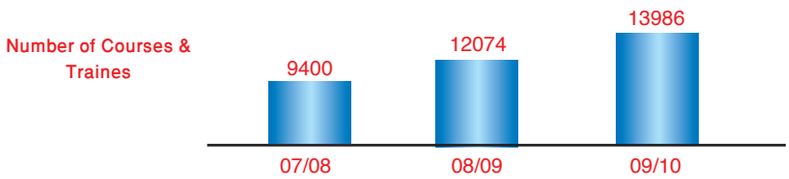
Designing and Building Succession Management Capability in KOC
In line with efforts to further upgrade senior company employees, particularly the new ones, the Succession Management Capabilities (SMC) has been endorsed. The executive plan has been recently approved based on the outcomes of the project, in preparation for implementation in 2010/2011. Also, the Training Implementation Unit (TIU) has been designed for senior officials. Members have been appointed under the C&MD and include the concerned DMDs, who will follow up the implementation of the upgrading plans. At the managerial level, KOC is cooperating with the Kuwait Petroleum Corporation (KPC), as part of an approved program meant for managers in the oil sector.
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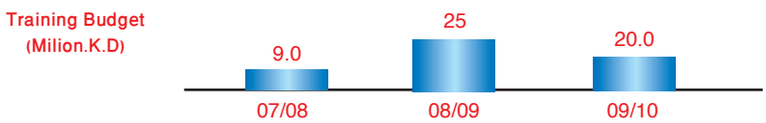
Learning and Talent Strategy
Within the KPC 2030 Upstream Strategic Objectives, being an employer of choice is a

strategic function for recruitment, development and retaining leadership and technical talent. The T&CD Group decided to migrate from training to a strategic learning & development archetype; the purpose was to design the L&TD Strategy and have it built into the business strategy. The Learning & Talent Development is the strategic framework and roadmap for ensuring development of leadership and technical capabilities, as it is expected for the 2030 Strategy.

13,986 of various specializations and job-related training courses were conducted inside and outside of Kuwait. Each employee was provided with an average of 46.8 hours of training.

259 Kuwaiti employees were newly recruited bringing the Kuwaitization ratio to 73.5% of the Company's total employees.





Reducing Local Operational Recruitment Process

Based on senior management directives and the employees' outstanding efforts, the process of recruiting local operational employees was reduced by 75%. The process includes interview with candidates, results evaluation and acquiring the required approvals within KOC.

Mentoring Scheme for UD's and UT's

The company managed the development of a Mentorship Scheme for UDs, which was completed in Q3. It aims to:

- Provide UDs with experiential learning, reflection opportunities & guidance to ensure relevant engagement, and accelerated readiness for outstanding performance.
- Ensure UDs accelerated competence acquisition and readiness.
- Foster Mentees engagement and commitment to their careers and to KOC.
- Promote HSE values, best practice, and safety conscious behaviour.
- Promote transference of core business knowledge and organizational values from

role model senior professionals.
- Promote “Mentoring Culture” by acknowledging Mentees and Mentors.
- Retain talented fresh graduates by contributing to reduce turnover.

KOC completed the 360 Assessment for KOC Senior Management (C&MD / DMDs / Managers), which is one of the most effective assessment tools used by companies to get an in-depth insight of their people through the following:
- Assess where we are today against the model
- Perform a Gap Analysis
- Develop an “Individual Development Plan”.
- Provide development opportunities/training

The integrated voice response system in the Ahmadi Hospital was commenced to allow patients to check their appointments through one phone call. It also allows ordering a refill for some medical prescriptions, which helps to minimize the waiting time in the pharmacy queue.



Kuwait Oil Company major future objectives

The Company is seeking to develop its work mechanisms and to utilize the latest technological applications for achieving its aspirations and strategic visions. First and foremost, the Company top priority to the development of its most important investment, namely its manpower. Major objectives are:

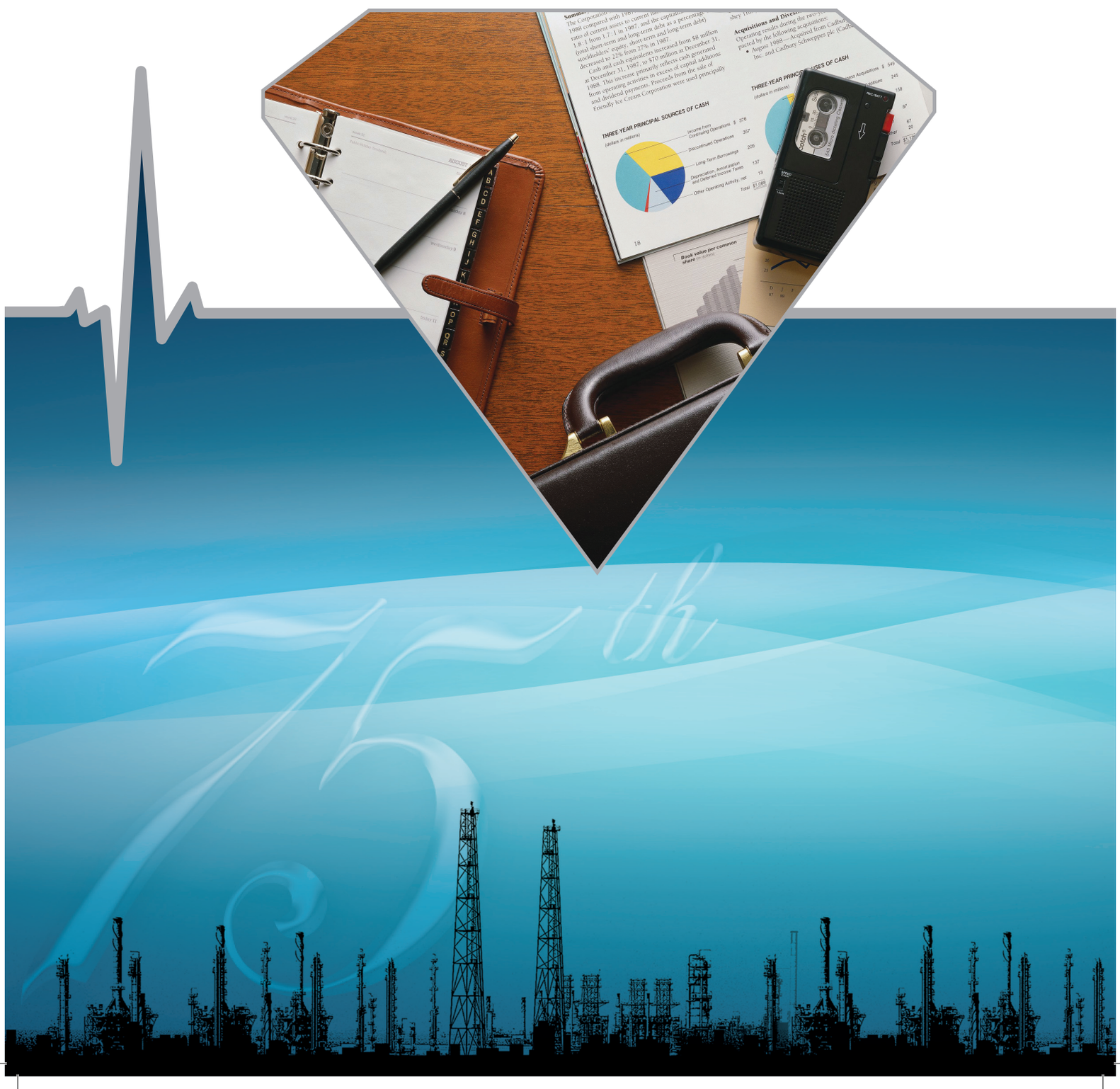
- To employ a well-qualified and trained national workforce to run the oil facilities using the best international practices.
- To achieve a production capacity of 3.65 mmbopd of crude oil by 2020 and maintain the capacity to 2030.
- To achieve a production capacity of 2.5 billion scfpd of free gas by 2030.
- To develop the heavy oil reservoirs in North Kuwait through acquiring the necessary technology and utilizing trained personnel to access it in order to reach a production capacity of 60,000 bpd by 2015.
- To expand the company's onshore and offshore exploration operations in order to support its production capacity.
- To enhance and develop the production methods used by implementing state-of-the-art technology.

Major projects due for commissioning during 2010/2011:

- The construction of a 40" gas pipeline from BS 131 to the LPG plant at Ahmadi seaport (KNPC). The 141-kilometer pipeline, with 900 psi pressure, is due for completion in August 2010.

- The installation of remote metering system for gas and condensate networks in all areas. This will be used to control and monitor the rich gas, condensate and fuel gas distribution networks. The project is due for completion in June 2010.

- Increasing the capacity of GC 28 and installing a gas pressure unit, as well as a medium moisture crude oil unit, there. This project involves the construction of a new separator for high pressure crude oil which flows to the current Wara / Burgan low-pressure crude oil unit. The new separator will increase Minagish crude oil production levels to 60,000 bpd, all of which will be treated at GC 28, while, at the same time, the existing unit will continue the treatment of Wara/Burgan crude oil. The project is due for completion in April 2010.


THREE-YEAR PRINCIPAL SOURCES OF CASH
(dollars in millions)
Income from Continuing Operations $ 376
Discontinued Operations 357
Long Term Borrowings 205
Depreciation, Amortization and Deferred Income Taxes 137
Other Operating Activity, net 13
Total $1,088
Book value per common share
18

Financial Report



Kuwait Oil Company K.S.C.
State of Kuwait

Statement of financial position
as at 31 March 2010

	Note	2010 KD'000	2009 KD'000
Assets			
Non-current assets			
Property, plant and equipment			
Crude oil and general purpose		1,662,447	1,182,001
Gas collection and transmission		15,146	17,037
Drilling and exploration		55,569	82,107
Export operations		290	292
Mobile plant		4,500	1,290
Capital work in progress		1,985,575	1,940,122
Total property, plant and equipment	*5*	3,723,527	3,222,849
Intangible assets	*6*	19,423	6,410
Construction and maintenance inventories	*7*	172,218	187,918
Receivable from Parent Company	*9*	15,094	15,094
Total non-current assets		3,930,262	3,432,271
Current assets			
Consumable inventories	*7*	79,688	101,435
Advances and other receivables	*8*	166,545	124,625
Amounts due from group companies	*15*	46,396	40,979
Cash and cash equivalents	*10*	9,658	6,183
Total current assets		302,287	273,222
Total assets		4,232,549	3,705,493
Shareholder's equity and liabilities			
Shareholder's equity	*11*		
Share capital – authorized, issued and fully paid shares of KD 1 each		30,188	30,188
Shareholder's current account		2,116,542	2,116,542
Statutory reserve		15,094	15,094
Total shareholder's equity		2,161,824	2,161,824
Non-current liabilities			
Due to Parent Company, net	*9*	924,845	411,085
Post employment benefits	*12*	102,513	93,108
Total non-current liabilities		1,027,358	504,193
Current liabilities			
Accounts payable and other liabilities	*13*	375,309	256,483
Amounts due to group companies	*15*	522	-
Dividend payable	*14*	667,536	782,993
Total current liabilities		1,043,367	1,039,476
Total Shareholder's equity and liabilities		4,232,549	3,705,493

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

Sami Fahad Al-Rushaid
Chairman and Managing Director

Khaled M. Al-Khamees
Dy. Managing Director (Admin & Finance)

Kuwait Oil Company K.S.C.
State of Kuwait

Statement of comprehensive income
for the year ended 31 March 2010

	Notes	2010 KD'000	2009 KD'000
Revenue			
Revenue (net of royalty, levy and marketing fees)	*16*	3,123,134	3,453,896
Operating cost (cost of production):			
Contract services		(237,673)	(204,861)
Employee cost		(267,484)	(244,656)
Material cost		(34,393)	(32,486)
Depreciation and amortization		(212,313)	(178,246)
Total operating cost	*17*	(751,863)	(660,249)
Other operating income	*18*	12,063	14,338
Recoverable costs	*19*	51,626	45,643
Cost of production		(688,174)	(600,268)
Deferred cost recognized		(13,975)	(9,562)
Deferred cost		22,278	13,975
Total cost of sales		(679,871)	(595,855)
Gross profit		2,443,263	2,858,041
General and administrative expenses	*20*	(59,253)	(61,860)
Net operating profit		2,384,010	2,796,181
Interest income		90	265
Directors' remuneration	*21*	(42)	(42)
Net profit before contribution to shareholder		2,384,058	2,796,404
Contribution to the shareholder	*22*	(1,716,522)	(2,013,411)
Net profit and total comprehensive income for the year (transferable to Parent Company)	***14***	667,536	782,993

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

Kuwait Oil Company K.S.C.
State of Kuwait

Statement of changes in shareholder's equity
for the year ended 31 March 2010

	Share capital KD'000	Shareholder's current account KD'000	Statutory reserve KD'000	Dividend payable KD'000	Total KD'000
Balance at 1 April 2008	30,188	2,116,542	15,094	-	2,161,824
Net profit and total comprehensive income for the year	-	-	-	782,993	782,993
Total Comprehensive Income for the year	30,188	2,116,542	15,094	782,993	2,944,817
Dividend payable (note 14)	-	-	-	(782,993)	(782,993)
Balance at 31 March 2009	30,188	2,116,542	15,094	-	2,161,824
Balance at 1 April 2010	30,188	2,116,542	15,094	-	2,161,824
Net profit and total comprehensive income for the year	-	-	-	667,536	667,536
Total Comprehensive Income for the year	30,188	2,116,542	15,094	667,536	2,829,360
Dividend payable (note 14)	-	-	-	(667,536)	(667,536)
Balance at 31 March 2010	30,188	2,116,542	15,094	-	2,161,824

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

Kuwait Oil Company K.S.C.
State of Kuwait

Statement of cash flows
for the year ended 31 March 2010

	Note	2010 KD'000	2009 KD'000
Cash flows from operating activities			
Net profit and total comprehensive income for the year		667,536	782,993
Adjustments for:			
Abortive drilling expenditure	*17*	2,219	3,713
Provision for obsolete and slow moving inventories	*7*	(404)	660
Depreciation and amortization	*6&5*	212,320	178,246
Contribution to shareholder	*9*	1,716,522	2,013,411
Provision for past employment benefits	*12*	16,189	28,474
		2,614,382	3,007,497
Decrease / (increase) in consumable inventories		25,089	(20,495)
Increase in Advances and other receivables		(41,920)	(8,825)
Increase in receivable from Parent Company		(3,123,134)	(3,453,895)
Increase in accounts with group companies		(4,895)	(19,422)
Increase / (decrease) in accounts payable and other liabilities		118,827	(2,096)
Cash (used in) operations		(411,651)	(497,236)
Post employment benefits paid	*12*	(6,784)	(2,632)
Net cash used in operating activities		(418,435)	(499,868)
Cash flows from investing activities			
Purchase of property, plant and equipment (net of disposal)		(726,012)	(617,052)
Abortive drilling		(2,219)	(3,713)
Decrease / (increase) in construction and maintenance inventories		12,762	(39,228)
Net cash (used in) investing activities		(715,469)	(659,993)
Cash flow from financing activities			
Funding from Parent Company	*9*	1,137,379	1,162,132
Principal repayment of finance lease obligations		-	(2,685)
Net cash from financing activities		1,137,379	1,159,447
Net (decrease)/ increase in cash and cash equivalents		3,475	(414)
Cash and cash equivalents at beginning of the year		6,183	6,597
Cash and cash equivalents at end of the year	*10*	9,658	6,183

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

Kuwait Oil Company K.S.C.
State of Kuwait

Notes to the financial statements
for the year ended 31 March 2010

1. Corporate and principal activities

Kuwait Oil Company K.S.C. ("the Company") is a wholly owned subsidiary of Kuwait Petroleum Corporation, ("the Parent Company" or "KPC"). The Parent Company is wholly owned by the Government of State of Kuwait.

The Company is engaged in exploration, drilling, production and transportation of hydrocarbon resources within the State of Kuwait. The Company is also engaged in the storage of crude oil and its export. Hydrocarbon resources managed by the Company are the sovereign property of the State of Kuwait. Crude oil is extracted from reserves in Kuwait and, on the instructions of the Parent Company, is exported as blended crude or passed to Kuwait National Petroleum Company K.S.C. ("KNPC") for further processing or to the Ministry of Electricity and Water for power generation. Gas produced is treated similarly. The sales and marketing of crude oil produced by the Company is undertaken by the Parent Company.

The Company owns no oil and gas reserves and any oil and gas inventory other than those required for operations.

The Company also provides marine services to KNPC's Mina Al-Ahmadi and Mina Abdulla refineries and the oil pier at Mina Al-Shuaiba. KNPC is charged for direct and certain indirect costs relating to these activities. The Company charges Group companies for medical and other services provided to their employees.

Effective 1 April 2007, the Parent Company changed the reporting structure of the Company to become a profit centre. Prior to 1 April 2007, the Company was reporting to the Parent Company as a cost centre with its costs fully reimbursed by the Parent Company. Under these revised arrangements, the Company's revenue is determined as the revenue from the sale of crude oil net of certain charges by the Parent Company (see policy on revenue recognition). In addition, 72% of the net profit is payable to the Parent Company as a contribution (Note 22).

At 31 March 2010, the Company had 6,527 employees (31 March 2009: 6,380 employees).

The Company's registered office is P.O. Box 9758, Ahmadi 61008, State of Kuwait.

These financial statements were approved and authorized for issue by the Board of Directors on 20 April 2010 and are subject to approval of the Shareholder at the annual general assembly.

2. Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, that are effective on annual periods ending 31 March 2010, the requirements of the Kuwaiti Commercial Companies Law of 1960 as amended, and the Company's Articles of Association.

The accounting policies set out below have been applied consistently by the Company to all periods presented in these financial statements, except adoption of new and amended standards during the year as disclosed in note 2(c).

b) Basis of measurement

These financial statements are prepared under the historical cost or amortized cost basis.

c) Adoption of new and revised International Financial Reporting Standards (IFRSs)

The following are new standards, amendments and interpretations that become effective for period beginning on or after 1 April 2009 and are required to be applied in annual period ending 31 March 2010:

IFRS 1: *First-time Adoption on International Financial Reporting Standards*

IAS 27: *Consolidated and Separate Financial Statements – Cost of an Investment*

in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amended): Share-based Payment: Vesting Conditions and Cancellations
IFRS 7(Amended): Financial Instruments: Disclosures – Improving Disclosures

about Financial Instruments
IFRS 8: *Operating Segment*
IAS 1 (revised): *Presentation of Financial Statements*
IAS 23 (revised): *Borrowing Costs*
IAS 32(Amended): Financial Instruments: Presentation and IAS 1 *Presentation*

of Financial Statements – Puttable Financial Instruments and Obligations Arising

on Liquidation
IFRSs 2008 Improvements: (except as related to IFRS 5 *Non-current Assets*

Held for Sale and Discontinued Operations) – various standards
IFRIC 15: *Agreements for the Construction of Real Estate*

Standards affecting presentation and disclosure

IAS 1: Presentation of Financial Statements (revised)

The Company applies revised IAS 1: Presentation of Financial Statements, which became effective as of 1 January 2009. As a result, the Company presents in the statement of changes in Shareholder's equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income, if any. This presentation has been applied in these financial statements as of and for the year ended on 31 March 2010.

Comparative information has been re-presented so that it is in conformity with the revised standard.

IFRS 7: Financial Instruments: Disclosure (amended):

The amended Standard requires additional disclosures about fair value measurement and liquidity risk. Measurements related to items at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments. The amended Standard also requires disclosing reconciliation between the beginning and ending balance for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy.

The application of other standards did not have a material impact on the financial statements of the Company.

a) Functional and presentation currency

These financial statements are presented in Kuwaiti Dinars rounded to the nearest thousand ("KD'000"), which is the Company's functional and presentation currency, unless otherwise indicated.

b) Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimate and judgments are described in note number 4.

3. Significant accounting policies

a) Property, plant and equipment

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 capitalized 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.

Development Wells

The cost of development wells is included under *oil and gas properties* as *wells and surveys* are 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 impairment losses. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within *oil and gas properties*.

Other property, plant and equipment

Other property, plant and equipment are stated at cost, less accumulated

depreciation and impairment losses. The costs of major inspection or overhaul costs are capitalised if they can be reliably estimated and future economic benefits are expected to flow. Major repairs and renewals of an asset or major components thereof, which improve the standard of performance or which extend the useful life of the asset beyond that originally assessed at the time of acquisition, are capitalised and depreciated over the useful life of the asset. Costs incurred for routine and cyclical maintenance and repairs and renewals are expensed when incurred.

Other assets under construction

Assets in the course of construction are carried at cost, less any recognized impairment loss. Cost includes all capital costs in accordance with the Company'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.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income as incurred.

Depreciation

Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Drilling, exploration and other assets under construction are not depreciated.

The estimated useful lives in percentage of depreciation wise for the current and comparative periods are as follows:

Asset category	Depreciation rate
Oil and gas properties:	
Plant and machinery	**10%**
Tankage, pipelines and jetties	**5%**
Wells and surveys	**10%**
Service plant	**25%**
Drilling plant	**33.33%**
Other property and equipment:	
Marine craft	**7.50%**
Buildings and roads	**4%**
Office furniture and equipment	**15%**
Lorries and trailers	**25%**
Motor cars	**33.33%**
Computers	**20%**

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

a) Intangible assets

Seismic survey costs and other related costs incurred on exploratory and development wells are identifiable non-monetary assets from which future economic benefits will flow and are accordingly recognized as an intangible asset. These costs are stated at cost less accumulated amortization and impairment and are amortized over 10 years on a straight line basis in the case of development wells. The accounting policy for exploratory well is applied to intangible assets related to exploratory wells.

b) Inventories

Inventories are measured at cost after making allowance for any obsolete or slow moving items. Cost of inventories is based on weighted average cost. Cost includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition.

c) Deferred cost

The cost of production related to crude oil in storage at the year end is deferred and valued based on the average total cost of production for the year.

d) Recoverable costs

Recoverable costs represent costs incurred by the Company in providing services to or on behalf of related group companies. Recoverable costs are deducted from the

Company's costs and shown separately in the statement of comprehensive income. Recoverable costs are allocated to related group companies based on the actual cost basis and do not include any profit margin.

e) Provisions

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

f) Revenue recognition

Revenue from services related to the exploration and extraction of crude oil is recognised when the crude oil is delivered to the Parent Company customers and is determined as the price at which crude oil is sold by the Parent Company net of certain costs allocated by the Parent Company as follows:

- Royalty at 20% of gross revenues.
- Fiscal levy at 74% of gross revenues net of royalty, scaled according to production levels and crude oil price.
- Marketing fee at 2% of gross revenues.

g) Leases

Where the Company is the lessee:

Finance leases

Assets held under leases which result in the substantial transfer of all risks and rewards of ownership are capitalized as assets at the estimated present value of underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the outstanding finance lease obligation. The corresponding obligations, net of finance costs, are included in other short term and long term payables. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Operating leases

Lease of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to statement of comprehensive income on a straight

line basis over the period of the lease.

h) Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

i) Foreign currencies

Foreign currency transactions related to income and expenses are translated into Kuwaiti Dinars at the average monthly exchange rate ruling at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into Kuwaiti Dinars at the rates of exchange ruling at the date of statement of financial position. Non-monetary assets and liabilities denominated in foreign currency, which are stated at historical cost, are recorded at the exchange rate ruling at the date of transaction.

j) Cash and cash equivalents

Cash on hand, call and current account bank balances and short term time deposits (maturing within a period of three months or less) are classified as cash and cash equivalents.

k) Post employment benefits

The Company is liable for post employment benefits under the Oil Sector Law, Social Sector Law and the Labor Law.

Kuwaiti employees

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 Company's share of contributions to this scheme, which is a defined contribution scheme, is charged to statement of comprehensive income in the year to which they relate. The difference between Oil Sector Law and Labor Law is also accrued for Kuwaiti employees.

Expatriate employees

Expatriate employees are entitled to an end of service indemnity payable under the Kuwait Labor Law and the Company's by-laws based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. Provision

for this unfunded commitment which represents a defined benefit plan, has been made by calculating the notional liability had all employees left at the date of statement of financial position.

l) Financial instruments

Classification

Financial instruments comprise of cash and cash equivalents, Advances and other receivables, amount receivable from Parent Company, amounts due from / to group companies, due to Parent Company, net and obligations under finance leases. The Company classifies financial instruments as "loans and receivables" and "financial liabilities other than at fair value". Management determines the appropriate classification at the time of acquisition.

Recognition and derecognition

The Company recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. A financial asset (in whole or in part) is derecognized when the right to the cash flows from the financial asset expires or, when the Company transfers substantially all the risks and rewards of ownership. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Measurement

Financial assets and liabilities are measured initially at fair value (which includes transaction costs).

Loans and receivables

These are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortized cost using the effective yield method. Advances and other receivables, receivable from Parent Company, amounts due from group companies and cash and cash equivalents are classified as "loans and receivables". Financial assets are short-term in nature and accordingly have not been discounted.

Financial liabilities other than at fair value through profit or loss

"Financial liabilities other than at fair value through profit or loss" are subsequently measured at amortized cost using the effective yield method. Due to Parent Company, net, accounts payable, obligations under finance lease and amounts due to group companies are classified as "financial liabilities other than at fair value through profit or loss". Except for due to Parent Company, net, financial liabilities are short-term in nature and accordingly have not been discounted.

Due to Parent Company, net, are not discounted as the discounting affect have no impact on statement of comprehensive income and deemed to be immaterial.

Fair values

The fair value of financial instruments carried at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

m) Impairment

Impairment of non financial assets – property, plant and equipment and intangible assets

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

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 recognized.

An impairment loss is recognized whenever the carrying amount of an intangible asset exceeds its recoverable amount. The impairment losses are recognized in the statement of comprehensive income.

The recoverable amount is the higher of fair values less costs to sell and value in use. 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.

Where an impairment loss subsequently reverses, the carrying amount of the intangible asset is increase to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the intangible asset in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income.

Assessment for impairment on intangible assets is performed by the management on an annual basis.

Impairment and un-collectability of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

n) New standards and interpretations in issue and not yet effective

A number of new standards and interpretations or amendments to standards are not yet effective for the year ended 31 March 2010, and have not been applied in preparing these financial statements.

- Revised IAS 24 Related party disclosures which become mandatory for the Company's 2011 financial statements, with retrospective application required, are not expected to have any significant impact on the Company's financial statements.

- The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2011 financial statements. The Company does not expect these amendments to have any significant impact on the financial statements.

The following standards and interpretations are mandatory for the Company's annual accounting periods beginning on or after 1 April 2009 or later periods but may not be relevant for the Company's operations:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards (revised 2008),* effective 1 July 2009
- Amendments to IAS 39 – *Eligible Hedged Items,* effective 1 July 2009
- IFRIC 17 *Distributions of Non-cash Assets to Owners,* effective 1 July 2009
- Improvements to IFRSs 2008 – Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations,* effective 1 July 2009
- Improvements to IFRSs 2009 – *various standards,* effective 1 July 2009 or 1 January 2010
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting*

Standards – Additional Exemptions for First-time Adopters, effective 1 January 2010

- Amendments to IFRS 2 *Share Based Payment – Group Cash-settled Share-based Payment Transactions,* effective 1 January 2010
- Revised IFRS 3 *Business Combinations,* effective 1 July 2009
- IAS 27 *Consolidated and Separate Financial Statements (amended 2008),* effective 1 July 2009
- Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues,* effective 1 February 2010
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments,* effective 1 July 2010
- Amendments to IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction,* effective 1 January 2011
- IFRS 9 *Financial Instruments,* effective 1 January 2013

The management of the Company anticipates that the adoption of these Standards and Interpretations once become effective in future periods will have no material financial impact on the financial statements of the Company in the period of initial application.

4. Use of estimates and judgments

Judgments and estimates that are significant to the financial statements are as follows:

Judgments regarding treatment of exploration costs as abortive

Capitalized exploration drilling costs are considered abortive and expensed when commercially exploitable reserves of crude oil are not found, if they are not subject to further appraisal activity or when temporarily abandoned with no plans for re-entry in the foreseeable future. In making judgments about whether to continue to capitalize exploration drilling costs, it is necessary to make judgments about the satisfaction of each of these conditions. If there is a change in one of these judgments in a subsequent period, then the related capitalized exploration drilling costs would be expensed in that period as abortive in the statement of comprehensive income.

Estimation of impairment of non-financial assets and useful lives

At the date of statement of financial position, management assesses, whether there is any indication that property, plant and equipment, intangible assets and inventories may be impaired. The determination of impairment requires considerable judgment and involves evaluating factors including industry, technical innovation and market conditions.

Management regularly reviews the estimates of useful lives and related depreciation/ amortization charge of property, plant and equipment and intangible assets. The estimate is based on product life cycle of equipment and intangible assets. It could change significantly as a result of change in technology. The

depreciation charge for the year will change significantly if the actual life is different from the estimated useful life of the asset.

Estimation of impairment of financial assets

Management periodically reviews items classified as loans and receivables to assess whether a provision for impairment should be recorded in the statement of comprehensive income. In particular, considerable judgment by management is required in the estimation of the amounts and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty.

Classification of inventory: Consumables vs. Construction

Management regularly reviews the classification of its inventories between construction or maintenance inventories, and consumable inventories. The classification is based on the estimate made using the average historical actual usage of the inventory.

Provision for obsolete and slow moving inventories:

Management periodically reviews its provision for obsolete and slow moving inventories. Inventories which are old or obsolete are assessed collectively and a provision is made using the inventory ageing or obsolescence based on the historical actual write-off.

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Notes to the financial Statement
for the year ended 31 March 2010

5. Property, plant and equipment

BY FUNCTION, EXCLUDED CAPITAL WORK IN PROGRESS

31 March 2010	Net book value at 31 March 2009 KD'000	Additions/ (disposals and transfers), net KD'000	Accumulated depreciation, net KD'000	Net book value at 31 March 2010 KD'000
CRUDE OIL AND GENERAL PURPOSE	1,182,001	653,551	(173,105)	1,662,447
GAS COLLECTION AND TRANSMISSION	17,037	(6)	(1,885)	15,146
DRILLING AND EXPLORATION	82,107	(33)	(26,505)	55,569
EXPORT OPERATIONS	292	30	(32)	290
MOBILE PLANT	1,290	(1,074)	4,284	4,500
TOTAL	1,282,727	652,468	(197,243)	1,737,952

31 March 2009	Net book value at 31 March 2008 KD'000	Additions/ (disposals and transfers), net KD'000	Accumulated depreciation, net KD'000	Net book value at 31 March 2009 KD'000
CRUDE OIL AND GENERAL PURPOSE	1,087,521	229,254	(134,774)	1,182,001
GAS COLLECTION AND TRANSMISSION	25,492	(6,861)	(1,594)	17,037
DRILLING AND EXPLORATION	51,038	60,193	(29,124)	82,107
EXPORT OPERATIONS	1,210	(768)	(150)	292
MOBILE PLANT	10,705	(8,956)	(459)	1,290
TOTAL	1,175,966	272,862	(166,101)	1,282,727

5. Property, plant and equipment (continued)

BY CATEGORY

31 March 2010	Oil and gas properties					Other property, plant and equipment						Capital work in progress	
	Plant and machinery (KD'000)	Tankage, pipelines and jetties (KD'000)	Wells and surveys (KD'000)	Service plant (KD'000)	Drilling plant (KD'000)	Marine craft (KD'000)	BUILDING AND ROADS (KD'000)	Office furniture and equipment (KD'000)	Lorries and trailers (KD'000)	Motor vehicles (KD'000)	Computers (KD'000)	Drilling, exploration and other assets under construction KD'000))	Total (KD'000)
COST													
AS AT 1 APRIL 2009	814,207	584,160	1,436,889	38,504	2,693	20,562	166,469	3,106	30,811	51	27,347	1,940,122	5,064,921
ADDITIONS TO CAPITAL WORK IN PROGRESS	-	-	-	-	-	-	-	-	-	-	-	726,020	726,020
TRANSFER FROM CAPITAL WORK IN PROGRESS	202,723	273,414	117,239	271	-	-	60,922	3,699	21	-	3,755	(662,044)	-
DISPOSALS	(1,920)	-	-	(1,992)	(15)	-	(2,454)	(1,504)	(1,003)	-	(688)	-	(9,576)
TRANSFER FROM CAPITAL WORK IN PROGRESS TO INTANGIBLE ASSETS	-	-	-	-	-	-	-	-	-	-	-	(18,523)	(18,523)
AS AT 31 MARCH 2010	1,015,010	857,574	1,554,128	36,783	2,678	20,562	224,937	5,301	29,829	51	30,414	1,985,575	5,762,842
Accumulated depreciation and impairment losses													
AS AT 1 APRIL 2009	552,462	314,881	787,381	28,107	2,693	18,409	89,111	2,563	28,660	51	17,754	-	1,842,072
CHARGE FOR THE YEAR	64,063	31,314	100,420	1,103	-	245	6,012	398	785	-	2,470	-	206,810
DISPOSALS	(1,918)	-	-	(1,992)	(15)	-	(2,451)	(1,503)	(1,004)	-	(684)	-	(9,567)
AS AT 31 MARCH 2010	614,607	346,195	887,801	27,218	2,678	18,654	92,672	1,458	28,441	51	19,540	-	2,039,315
Carrying value As at 31 March 2010	400,403	511,379	666,327	9,565	-	1,908	132,265	3,843	1,388	-	10,874	1,985,575	3,723,527

Exploration and evaluation costs included under drilling, exploration and other assets under construction amounted to KD'000 12,798 (2009: KD'000 3,585).
The cost of fully depreciated items as at 31 March 2010 including drilling plant and motor cars amounted to KD'000 1,333,522 (2009: KD'000 961,086).

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Notes to the financial Statement
for the year ended 31 March 2010

5. Property, plant and equipment (continued)

BY CATEGORY

31 MARCH 2009	OIL AND GAS PROPERTIES					OTHER PROPERTY, PLANT AND EQUIPMENT						CAPITAL WORK IN PROGRESS	
	PLANT AND MACHINERY (KD'000)	TANKAGE, PIPELINES AND JETTIES (KD'000)	WELLS AND SURVEYS (KD'000)	SERVICE PLANT (KD'000)	DRILLING PLANT (KD'000)	MARINE CRAFT (KD'000)	BUILDING AND ROADS (KD'000)	OFFICE FURNITURE AND EQUIPMENT (KD'000)	LORRIES AND TRAILERS (KD'000)	MOTOR VEHICLES (KD'000)	COMPUTERS (KD'000)	DRILLING, EXPLORATION AND OTHER ASSETS UNDER CONSTRUCTION (KD'000)	TOTAL (KD'000)
COST													
AS AT 1 APRIL 2008	808,252	562,392	1,208,993	55,747	2,693	20,115	158,855	3,097	28,825	51	23,236	1,586,675	4,458,931
ADDITIONS TO CAPITAL WORK IN PROGRESS	-	-	-	-	-	-	-	-	-	-	-	613,634	613,634
TRANSFER FROM CAPITAL WORK IN PROGRESS	13,078	21,823	227,896	3,097	-	448	8,003	27	1,986	-	4,147	(280,505)	-
DISPOSALS	(7,125)	(55)	-	(23)	-	-	(391)	-	-	-	(49)	-	(7,643)
RECLASSIFICATION	2	-	-	(20,317)	-	-	2	(18)	-	-	13	20,318	-
AS AT 31 MARCH 2009	814,207	584,160	1,436,889	38,504	2,693	20,563	166,469	3,106	30,811	51	27,347	1,940,122	5,064,922
Accumulated depreciation and impairment losses													
AS AT 1 APRIL 2008	502,917	291,354	698,332	38,190	2,693	18,074	81,225	2,435	27,953	51	16,193	-	1,679,417
CHARGE FOR THE YEAR	54,792	23,226	86,725	1,126	-	335	5,180	127	708	-	1,497	-	173,716
DISPOSALS	(7,124)	(55)	-	(23)	-	-	(364)	-	-	-	(49)	-	(7,615)
RECLASSIFICATION	1,877	356	2,324	(11,185)	-	-	3,069	1	(1)	-	114	-	(3,445)
AS AT 31 MARCH 2009	552,462	314,881	787,381	28,108	2,693	18,409	89,110	2,563	28,660	51	17,755	-	1,842,073
Carrying value As at 31 March 2009	261,745	269,279	649,508	10,396	-	2,154	77,359	543	2,151	-	9,592	1,940,122	3,222,849

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Notes to the financial Statement
for the year ended 31 March 2010

6. Intangible assets

31 March 2010	Seismic surveys KD'000	Others KD'000	Total KD'000
Cost			
As at 1 April 2009	53,949	165	54,114
Additions during the year	16,915	1,608	18,523
As at 31 March 2010	70,864	1,773	72,637
Accumulated amortization			
As at 1 April 2009	47,539	165	47,704
Amortised during the year	5,171	339	5,510
As at 31 March 2010	52,710	504	53,214
Net book value			
As at 31 March 2010	18,154	1,269	19,423

31 March 2009	Seismic surveys KD'000	Others KD'000	Total KD'000
Cost			
As at 1 April 2008	53,949	165	54,114
As at 31 March 2009	53,949	165	54,114
Accumulated amortization			
As at 1 April 2008	43,010	165	43,175
Amortised during the year	4,529	-	4,529
As at 31 March 2009	47,539	165	47,704
Net book value			
As at 31 March 2009	6,410	-	6,410

7. Inventories

	2010 KD'000	2009 KD'000
Inventories at cost	256,101	293,952
Provision for obsolete and slow-moving items	(4,195)	(4,599)
	251,906	289,353
Classified in statement of financial position as:		
Construction and maintenance inventories	172,218	187,918
Consumable inventories	79,688	101,435
	251,906	289,353

Construction and maintenance inventories include KD'000 171,404 (31 March 2009: KD'000 166,575) of construction inventories relating to capital projects. Classification of inventory is based on the estimate made using the average historical actual usage of the inventory (note 4).

8. Advances and other receivables

	2010 KD'000	2009 KD'000
Advances to contractors	123,994	92,661
Prepaid expenses	2,611	3,812
Staff advances	6,492	4,932
Deferred cost	22,278	13,975
Other receivables	11,170	9,245
	166,545	124,625

9. Due to Parent Company, net

Receivable from Parent Company represents the net balance of amounts due from and (to) the Parent Company. Movements on this balance during the year were as follows:

	2010 KD'000	2009 KD'000
As at 1 April	(395,991)	101,646
Net revenue receivables (note 16)	3,123,134	3,453,895
Net funds transfer	(1,137,379)	(1,162,132)
Dividend distributed (note 14)	(782,993)	(775,989)
Transfer of statutory reserve	(15,094)	(15,094)
Contribution to shareholder (note 22)	(1,716,522)	(2,013,411)
As at 31 March	(924,845)	(411,085)
Non-current receivables		
Receivable from Parent Company (*relating to transfer of statutory reserve*)	15,094	15,094
	(909,751)	(395,991)

In accordance with the Company's Article of Association, an amount equal to statutory reserve is transferred to the Parent Company. The amount due to Parent Company is unsecured and non-interest bearing, with no fixed terms of payment. This has been classified as non-current as Parent Company does not intend to request repayment in the short-term.

10. Cash and cash equivalents

	2010 KD'000	2009 KD'000
Cash in hand	23	17
Cash at bank	5,025	1,556
Deposits with Parent Company	4,610	4,610
	9,658	6,183

Cash at banks carry an average interest rate of 2-3% less than Central Bank of Kuwait (CBK) discount rate. (2009: 1-2% less than CBK discount rate).

11. Shareholder's equity

Share capital

The authorized, issued and fully paid up share capital of the Company comprises of 30,188,291 (31 March 2009: 30,188,291) shares of KD 1 each.

Shareholder's current account

This account represents interest free contributions from the Parent Company and is classified as shareholder's equity as the Parent Company has given the Company the discretion to determine the timing and amounts of repayment.

Statutory reserve

The Company's Articles of Association stipulate that 10% of the net profit for the year should be transferred to the statutory reserve. As permitted by the Kuwait Commercial Companies Law, the Board of Directors resolved to limit this reserve to 50% of the share capital and accordingly only KD'000 15,094 has been appropriated to statutory reserve. This has been approved by the shareholder.

12. Post employment benefits

	2010 KD'000	2009 KD'000
Balance at beginning of the year	93,108	67,266
Charge for the year	16,189	28,474
Payments made during the year	(6,784)	(2,632)
Balance at end of the year	102,513	93,108

13. Accounts payable and other liabilities

	2010 KD'000	2009 KD'000
Accounts payable	102,326	48,505
Contractor and suppliers retentions	45,163	42,588
Liquidated damages	18,902	11,357
Contractor accrued liabilities	146,304	101,063
Supplier accrued liabilities	1,208	1,000
Staff payables	37,830	22,755
Accrued expenses	18,479	23,344
Other accrued liabilities	5,097	5,871
	375,309	256,483

14. Dividend payable

The Company's Articles of Association stipulate that the net profit for the year after transfer to statutory reserve is payable as dividend. Upon the approval of these financial statements, dividend payable will be transferred to the Parent Company (note 9).

15. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. These include shareholder, directors, executive officers and key management of the Company and companies of which they are principal owners or over which they are able to exercise significant influence.

(a) Transactions with related parties:

The Company has entered into transactions with related parties on terms approved by management.

(i) Costs recoverable by group companies for services provided by the Company are disclosed in note 19.

(ii) All of the Company's revenue for the year amounted to KD'000 3,123,134 (2009: KD'000 3,453,896) represents sales to the Parent Company.

(iii) Training costs charged by the Parent Company amounted to KD'000 1,960 (2009: KD'000 7,413). (note 20).

Key management compensation

	2010 KD'000	2009 KD'000
Salaries and other long term employee benefits	667	690
	667	690

(b) Balances with related parties:

	2010 KD'000	2009 KD'000
Due from group companies:		
Kuwait National Petroleum Co. K.S.C.	39,277	31,300
Kuwait Oil Tanker Company S.A.K.	2,204	2,849
Kuwait Foreign Petroleum Exploration .Company K.S.C	96	56
Oil Development Company K.S.C. (Closed)	1,102	1,753
Oil Sector Services Company K.S.C. (Closed)	-	2,827
Kuwait Aviation Fueling Co. K.S.C.	164	118
Petrochemical Industries Co. K.S.C.	1,142	1,136
Kuwait Petroleum International	80	37
Kuwait Gulf Oil Company K.S.C. (Closed)	2,284	856
Kuwait Santa Fe Engineering and Petroleum Projects Co. K.S.C.	47	47
	46,396	40,979
Due to group companies:		
Oil Sector Services Company K.S.C. (Closed)	522	-
	522	-

16. Revenue

The Company earns revenue from the exploration and extraction of crude oil which belongs to the State of Kuwait. Revenue from these services is computed based on the sale value of crude oil by the Parent Company less allocated costs as follows:

	2010 KD'000	2009 KD'000
Gross revenue	16,612,415	18,371,783
Less: allocated costs		
Royalty	(3,322,483)	(3,674,356)
Fiscal levy	(9,834,550)	(10,876,095)
Marketing fee	(332,248)	(367,436)
Net revenue	3,123,134	3,453,896

Applicable percentages on allocated costs are disclosed under revenue recognition policy (see note 3(g)).

17. Operating cost

Operating cost consists of the following:

	Note	2010 KD'000	2009 KD'000
Total operating cost		751,863	660,249
Add: General and administration expenses	*20*	59,253	61,860
Less: Other operating income	*18*	(12,063)	(14,338)
Total cost		799,053	707,771

The allocation of total cost by function after general and administrative expenses and other operating income is as follows:

	2010 KD'000	2009 KD'000
Crude oil production	424,097	395,647
Gas production	103,889	93,227
Export operations	56,528	36,938
Abortive drilling expenditure	2,219	3,713
Depreciation and amortization	212,320	178,246
Total cost	799,053	707,771

18. Other operating income

	2010 KD'000	2009 KD'000
Port fees	6,674	5,726
Other income	5,389	8,612
	12,063	14,338

19. Recoverable costs

	2010 KD'000	2009 KD'000
Kuwait National Petroleum Company K.S.C.	14,460	10,096
Kuwait Gulf Oil Company K.S.C.	747	1,145
Kuwait Petroleum Corporation K.S.C.	-	4
Oil Development Company K.S.C.	1,088	1,634
Group companies for medical services	35,331	32,764
	51,626	45,643

Costs reimbursable by Kuwait National Petroleum Company K.S.C. mainly represent marine services provided for export operations.

Costs reimbursable by Kuwait Gulf Oil Company K.S.C. and Oil Development Company K.S.C. mainly represent the consultancy and other services provided by or through the Company.

20. General and administrative expenses

	2010 KD'000	2009 KD'000
Utilities	21,558	19,281
Training costs	1,960	7,414
Insurance	3,621	3,545
Medical costs	28,042	26,794
Others	4,072	4,826
	59,253	61,860

Training costs represent the Company's share of these costs charged by the Parent Company.
Staff costs are included in cost of production as employee cost and are disclosed separately in the statement of comprehensive income.

21. Directors' remuneration

Board of Directors' remuneration of KD'000 42 (31 March 2009: KD'000 42) is subject to the approval of the Shareholder during general assembly meeting.

22. Contribution to the Shareholder

In accordance with the revised reporting structure of the Company as a profit centre (see note 1), 72% of the net profit for the year is payable to the Parent Company.

23. Operating leases

Annual commitments under non-cancellable operating leases are as follows:

	2010 KD'000	2009 KD'000
Within 1 year	11,927	11,018
Between 1 and 5 years	16,525	22,986
	28,452	34,004

24. Financial instruments

Fair value

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Financial risk management

The Company continuously reviews its financial risk exposures and takes measures to limit these to acceptable levels. Financial risk management is carried out by the Company's Financial Services Group, under policies approved by the Board of Directors. The Financial Services Group identifies and evaluates financial risks in close co-operation with the operating units of the Company. The Board provides written principles for overall financial risk management, as well as written polices covering specific areas, such as credit risk, market risk and liquidity risk which are discussed below:

a) Credit Risk

Credit risk is the risk that one party to financial instrument will fail to discharge an obligation causing the other party to incur a financial loss and essentially arises from loans and receivables and cash and cash equivalents.

The Company's total sales are to the Parent Company inside Kuwait and, therefore, there is no credit risk.

The Company considers its maximum exposure to credit risk to be as follows:

	2010 KD'000	2009 KD'000
Advances and other receivables	17,662	14,175
Amounts due from group companies	46,396	40,979
Cash and cash equivalents	9,658	6,183
	73,716	61,337

The Company under instructions from the Parent Company deposits surplus cash with various local financial institutions of high credit rating. There are no past due or impaired receivables and the Company does not hold any collateral against these receivables.

Market risk

Market risk, comprising of interest rate risk, foreign currency risk and equity price risk arises due to movement in market prices of interest rates, foreign currency rates and equity prices.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no significant interest bearing assets or liabilities and therefore the Company's future performance and cash flows are independent of changes in market interest rates.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. The Company incurs foreign currency risk on purchases and contracts that are denominated in a currency other than the Kuwaiti Dinar primarily US Dollar and Euro. The Financial Services Group monitors and measures currency exposures on recognized assets and liabilities on a regular basis.

The Company manages foreign currency risk by matching assets and liabilities of similar currency exposures and by obtaining advances in foreign currencies from the Parent Company to pay of its foreign currency third party liabilities. Therefore the fair value of future cash flows of the Company's financial instruments are not significantly affected due to changes in foreign currency rates.

Equity price risk

Equity price risk is the risk that value of an equity instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market. The Company is not exposed to equity price risk as there are no investments in equity securities.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its funding requirements. The Company manages this risk by monitoring on a regular basis that, sufficient funds are available to meet maturing obligations. The Company's financial liabilities essentially mature within one year. However its activities are solely funded by the Parent Company which significantly minimizes liquidity risk.

25. Capital risk management

The Company defines capital as total equity, which includes share capital and shareholder's current account as shown in the statement of financial position. The Company's objectives when managing capital are to safeguard its ability to fund the business of the Company.

There were no changes in the Company's approach with regard to capital management during current year comparing to prior years.

26. Commitments and contingencies

Commitments for future capital expenditure in relation to lump sum contracts and purchase orders amounted to KD'000 1,772,690 (31 March 2009: KD'000 1,272,366).

27. Litigations

The Company is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Company's financial statements if disposed unfavorably.

28. Contingent assets

KOC's total estimated losses which resulted from the Iraqi invasion and occupation of Kuwait have been included in four separate claims, based on the type of loss, filed with the United Nations Compensation Commission through the Public Authority for Assessment of Compensation in Kuwait. The aggregate amount of these claims is approximately equal to US$ 3,137 million (approximately equal to KD 910 million) out of which US$ 2,838 million (approximately equal to KD 824 million) was approved. The financial statements do not include amounts related to these claims. The total amount received up to 31 March 2010 amounted to US$ 294 million (approximately equal to KD 85 million), (up to 31 March 2009: US$ 182 million) as a partial payment, which was remitted to the Parent Company directly.

29. Comparatives

Certain prior year numbers have been reclassified to conform to current year presentation. Such reclassifications did not affect previously reported shareholder's equity or net profit and total comprehensive income for the year (transferable to Parent Company).