شركة صناعة الكيماويات البترولية (ش م ك)

PETROCHEMICAL
INDUSTRIES COMPANY K.S.C.

إحدى شركات مؤسسة البترول الكويتية

A Subsidiary of Kuwait Petroleum Corporation

ANNUAL REPORT 2016-2017

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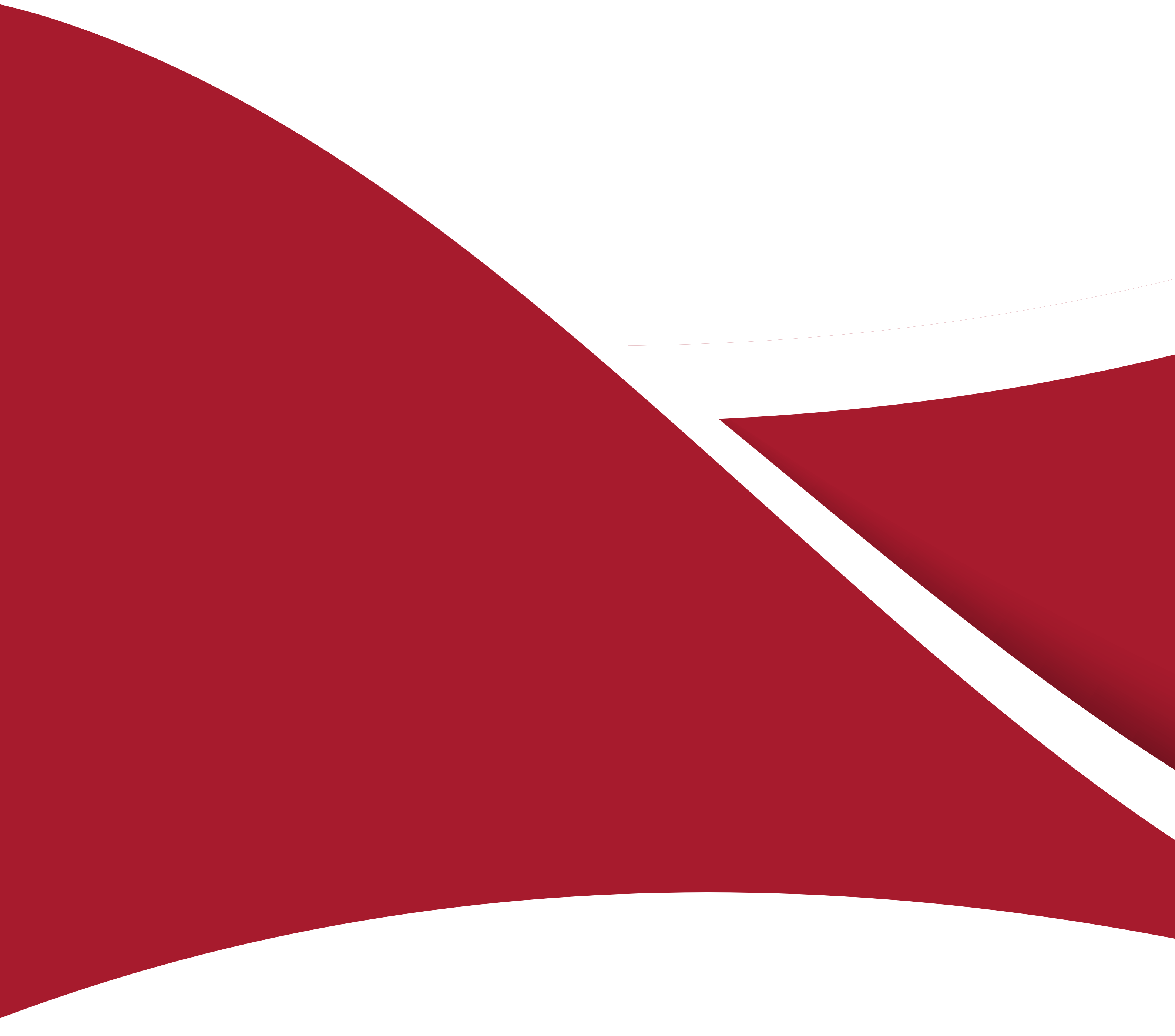
بسم الله الرحمن الرحيم

His Highness

Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah

Amir of the State of Kuwait



His Highness

Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah

The Crown Prince of the State of Kuwait

PIC’s Vision

We aspire to be a recognized global petrochemical player leveraging Kuwait national resources in value added partnerships to drive growth and being admired by our stakeholders.

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BOARD OF DIRECTORS

Ahmad Abdulla Habeeb
Chairman

Mohammad Abdullateef Al-Farhood
Chief Executive Officer - Board Member

Ahmed Saleh Al-Jimaz
Deputy Chairman

Bader Bou Rasheed
Board Member

Abdullah Ali Al-Azmi
Board Member

Esam Naser Al-Houti
Board Member

Osamah Abdulrahman Al-Duaij
Board Member

CEO MESSAGE

On behalf of DCEOs, all employees and myself, I have the pleasure to present to you Annual Report No.36 for FY 2016/2017 ended as at 31st March 2016.

General Performance

- The company is pursuing the realization of achievements. It succeeded- Thank God- in making KD 130 million in net profit, which refers to the efforts exerted by the management, employees and all participating companies contributing to reaching the best results under the sheer fall of international oil prices and the strong competition in the petrochemical market.
- The company succeeded in making a new achievement through acquiring 25% of the Saudi- Korean joint venture (SK Advanced) for producing propylene. The propylene plant was inaugurated on 14th May 2016 after accomplishing its building and operation at a production capacity reaching up to 105% of the design energy amounting to 600,000 tons annually. This joint venture made financial proceeds estimated at KD 12 million by the end of FY 2016/2017, which was unexpected in the first year of operation.
- The Kuwait Aromatics Company (KARO) made KD 57.3 million in profit by the end of FY 2016, at an increase by 187.62 over the approved budget. The Kuwait Paraxylene Production Company (KPPC), owned 100% by KARO, made KD 38 million in record profits by the end of FY 2016, considered among profits made since the start of operation. The Kuwait Styrene Company (TKSC), owned by KARO by 57.5, made KD 32.81 million in profits by the end of FY 2016, at an increase by 125% of the budget approved profits.
- The fertilizer plants made an exceptional achievement this year. The ammonia plants produced around 675,240 metric tons. Likewise, the urea plant reached its highest production of 1,155,480 metric tons since o-eration. This performance was reflected on sales. Urea sale quantities reached their highest export rate of 1,101,720 metric tons since operation.
- Joint venture companies: Equate Petrochemical Company, The Kuwait Olefins Company and Gulf Petrochemical Company pursued realizing excellent financial results this year.
- In compliance with the directives of HH the Amir and KPC for using 15% of the electric energy consumption through renewable energy, the company conducted a study to benefit from solar energy. The study result ensured saving more than 34% of electric energy consumption at the Head Office through fixing solar energy panels on the Head Office roof. The project will be accomplished in FY 2017/2018.
- To reduce expenses, the company implemented many initiatives, including Six Sigma program, resulting in the execution of 52 projects successfully and realizing financial saving estimated at KD 8.4 million during this year. Thereby, the company has made accumulative surplus estimated at KD 75 million through executing 632 projects since the beginning of implementing Six Sigma program.
- The company helped execute the plans drawn for the year 2030 strategy special for Extensive Risk Management (ERM) regarding KPC and its subsidiaries. This strategy aims at reaching the best (ERM) practices for measuring the risk to the cash flows of the company, its joint ventures and the use of the risk-amended "capital return" index to assess the current major investment opportunities.

Plant Safety Performance

The company has committed itself, over a long time, to SHE principles and to strictly circulating this commitment along all of its vital activities through field training of Safety Department employees at fertilizer plants, holding awareness meetings for all PIC employees and regular continuous inspection of all safety tools and equipment. Within this framework, the following has been done:

- Realizing more than 5.959 million man-work hours up to March 2017 without lost-time accidents. No environmental accidents were recorded against the company during the year 2016/2017.
- Accomplishing the closure of all recommendations related to industrial accidents during the current FY besides completing all corrective requirements and measures special for PIC HSSE Gap Mitigation Plan.
- Obtaining SHE "RoSPA" Golden Award and Silver Fleet Safety Award" from the Royal Society for Accident Prevention for the year 2016.
- Keeping safe operation of Ammonia and Urea plants and making record production figures this year.

Social Responsibility

Through social responsibility programs, the company is keen on supporting development in health sector, preserving the environment and other social services, including for instance:

- Organizing a health awareness campaign on "Diabetes" at Al-Koot Commercial Complex where medical check-ups were made for the complex visitors, inclusive of measuring blood sugar, blood pressure and providing medical tips and consultations.
- Organizing a blood donation campaign in cooperation with the Central Blood Bank. The event saw great turnout by the company employees who displayed positive response, high awareness of the importance of blood donation and the positive results thereof.
- Launching an awareness campaign to spread the culture of recycling for preserving the environment from the harms caused by plastic waste, in cooperation with "Omniya" Company. Special containers were distributed inside the company and its facilities to collect empty plastic water bottles for recycling.

- The company carried out many social initiatives, e.g. landscaping school gardens under the slogan: "Nabiha Khadra (= we want it green) and organized an open day for school students to keep them aware of healthy food habits. It also organized a workshop titled: "Effect of social media on decision-making in Kuwait" at the Faculty of Computer Science and Engineering at Kuwait University.

Sustainable Development

At the level of sustainable development, the company kept in line with development by drawing up long-term objectives and performance measuring indexes, thereby issuing the 4th report on sustainable development in August 2016 according to the requirements of Global Report Initiative (GRI). The 4th report special for the level of Communication Progress (COP) was issued and sent to the UN Global Charter (UNGC) for compliance with the convention special for this concern.

Human Development

The development of employees and providing them with the necessary skills that enable them to optimally perform their duties are of our main priorities. Commitment to personal development plans for employees has reached 100%, thus realizing 41 training hours per employee during FY 2016/2017.

It is recalled that the company is very earnestly pursuing the Kuwaitization and replacement plan. Kuwaiti manpower ratio reached 85.4% while Kuwaitization ratio in entrepreneur's contracts reached 32%.

PIC Strategy

- The company is seeking to realize growth in petrochemical industry and enter the range of downstream products in implementation of KPC strategy 2030. Within this framework, the following has been done:
- Amec Foster Wheeler Company was awarded the bid of manager for the project of integration between the Olefins, KARO plants and Al-Zour refinery and FEED consultant. Work start meeting was held and, technology licensors evaluation is in progress.
- FEED study was accomplished with the Oil and Gas Holding Company (Nogaholding) for building the Aromatics complex in the Kingdom of Bahrain. Work is currently in progress in coordination with the Bahraini side to accomplish signing the feedstock and mutual secondary products' agreements between the refinery and the petrochemical plant. Action is currently carried out in coordination with KPC to complete the approvals requested for the project from KPC board of directors for going ahead in (EPC) implementation.
- The study of the detailed economic feasibility was accomplished for building a petrochemical complex that contains (Propane De-hydrogenation Unit) and a unit for producing polypropylene in the State of Alberta, Canada, benefiting from the opulence of propane gas. Further, the approval of PIC board of directors was obtained for going ahead in the project and proceeding in FEED phase. Action is currently in progress in coordination with KPC to accomplish the approvals requested for the project from KPC board of directors for going ahead in FEED study stage.
- FEED study was accomplished for building a petrochemical complex in the US for producing Ethylene Glycol (EG) that aims at producing 750,000 tons of Ethylene Glycol annually in the (US Gulf Coast) through a PIC partner company (MEGlobal).
- In line with KPC resolution closing up the fertilizer plants within KPC strategic options getting out of the fertilizer activity, the company's executive management confirming to preserve the job rights of all employees at these plants and ensure employing them in the future projects of the company. The company will execute its strategic plan closing up fertilizer plants where production will stop on 31st December 2017 and final closure of plants will take place on 31st march 2018. Procedures of selling the fertilizer plant assets are expected to take place in December 2017.
- A plan was accomplished for operating and maintaining the Poly-propylene and Paraxylene plants in Kuwait and, the approvals necessary for executing the plan were obtained to accommodate the workforce of fertilizer plants after their closure.

Future View

In line with PIC strategy and in support of its clear future vision for expansion in the petrochemical activity outside the State of Kuwait, the company is in the process of studying some attractive investment opportunities that help enhance the company's international presence and increase its share in international markets so that it becomes a leading figure in petrochemical industry.

Amid expectations of continuous stability of the global petrochemical market on the long run and with the growing demand for petrochemical products, PIC is seeking to look for the best investment opportunities in targeted markets, e.g. the Asian market for realizing growth in petrochemical activity in such a way that realizes KPC strategic trends and keeps in line with the long-term strategy of the company.

The company will endeavour to execute a number of petrochemical projects inside Kuwait to enhance its competitive status and help push the Kuwaiti economy vehicle through creating new job opportunities.

Investment in human resources remains an ever-sought goal out of our belief in the importance of developing the human element and creating an encouraging work environment as a fundamental base to support implementing the company strategy.

In conclusion, I have the pleasure to extend on behalf of DCEOs, all employees and myself our greatest gratitude, thanks and consideration to

HH the Amir

HH the Crown-Prince

and HH the Prime Minister

for their continuous support of the company. We also extend our thanks and appreciation to His Excellency the Oil Minister, KPC Chairman, KPC CEO, all KPC officials and employees, all fellow companies, all ministries, governmental and private authorities for their support and help of the company on all occasions, hoping this support will continue to realize what's good for the national industry in our dear beloved homeland.

Mohammed Abdul Latif Al-Farhood

CEO

PIC'S MISSION

PIC, as a subsidiary of Kuwait Petroleum Corporation, shall achieve a marked position with downstream extension into high value petrochemical business while ensuring integration with KPC activities both domestically and internationally through:

- Maximizing value addition of Kuwait hydrocarbons resources.
- Excelling our organizational performance through peoples' empowerment and infusing industry best practices.
- Creating a challenging and fulfilling environment that will support skills and capabilities development.
- Collaborating closely with our partners towards a sustained and diversified global growth.
- Fostering National economy.

FIRST: PIC LOCAL INVESTMENTS (KUWAIT):

1- Equate Petrochemical Company

Petrochemical Industries Company (PIC) owns 42.5% of Equate Petrochemical Company. The remaining interests are distributed as follows:

• Dow Chemical Company	42.5%
• Boubyan Petrochemical Company	9%
• Qurain Petrochemical Industries Company	6%

In addition to its plants in Kuwait, Equate Petrochemical Company has acquired in full MEGlobal which is an international company that produce Ethylene Glycol.

By the end of 2016, Equate Company made KD 95 million in net profit equivalent to 79.4% of the target. This profit decline refers to fall in petrochemical prices.

- Equate Petrochemical Plants-in Kuwait

Equate Petrochemical Company owns in Kuwait plants for producing Ethylene, Polyethylene and Polyethylene Glycol. Equate Petrochemical Company production amounted to 1.210,000 tons, equivalent to 92.3% of the target. However, it is understood that the value of sales went beyond KD 416 million.

- MEGlobal Plants in Canada

MEGlobal owns plants in Canada for producing Mono Ethylene Glycol (MEG) and Duo Ethylene Glycol (DEG). In 2016, MEGlobal production amounted to 1,292,000 metric tons, equivalent to 103% of the target.

- MEGlobal BV Company (Headquarters-Dubai)

It is a company for marketing Ethylene Glycol. Sales at MEGlobal Company amounted to 3,460,829 metric tons, equivalent to 101% of the target with sale returns up to KD 835 million.

The company also owns Equipolymers plants for producing PET, of which production amounted to 321,000 metric tons in 2016, equivalent to 98% of the target.

2- The Kuwait Olefins Company (TKOC)

PIC owns 42.5% of TKOC. The remaining interests are distributed as follows:

- Dow Chemical Company 42.5%
- Boubyan Company 9%
- Qurain Petrochemical Industries Company 6%

TKOC owns the 2nd Olefin Complex for producing Ethylene and Ethylene Glycol. TKOC production of Ethylene Glycol amounted to 787,500 tons, equivalent to 99% of the target. The sold quantity of Ethylene Glycol amounted to 787,200 tons, equivalent to 99% of the target. By the end of FY 2016, the company made KD 79 million in profit, equivalent to 77% of the target, due to the product price fall.

3- The Kuwait Aromatics Company (TKAC)

PIC owns, equally with Kuwait National Petroleum Company (KNPC), 40% of TKAC while the Kuwait private sector, represented in Qurain Petrochemical Industries Company (QPIC), holds 20%. By the end of FY 2016, the company made KD 56 million in profit, at an increase by 187.62% over that of the approved budget.

4- Kuwait Paraxylene Production Company (KPPC)

KPPC is 100% owned by TKAC. Paraxylene production amounted to 776.906 metric tons, representing 95% 0f the annual production plan, owing to the plant stoppage for 29 days due to the annual maintenance of Abdulla Port and the regular maintenance of plants.

By the end of FY 2016, the company made record profit in KD 37 million, considered the highest profit made since the start of commissioning.

5- The Kuwait Styrene Company (TKSC)

TKSC is a joint venture between TKAC by 57.5% and Dow Chemical Company by 42.5%.

By the end of FY 2016, the company made KD 32 million in profit, at an increase by 125% of the budget approved profits. Styrene sales amounted to 435,937 metric tons, representing 85% of the annual production plan, due to the plant stoppage for repairing the thermal exchange leakage.

6- Qurain Petrochemical Industries Company (QPIC)

QPIC was established in 2004 as a shareholding company with shares circulated in the Kuwait Stock Exchange market. PIC owns 10% in QPIC. QPIC owns the following quotas in each of:

- Equate Petrochemical Company 6%
- The Kuwait Olefins Company 6%
- The Kuwait Aromatics Company 20%

SECOND: REGIONAL JOINT VENTURES:

Gulf Petrochemical Industries Company (GPIC)

GPIC was established in 1979 as a joint venture equally between the Oil and Gas Holding Company of the Kingdom of Bahrain, SABEC Company of Saudi Arabia and PIC of Kuwait, each holding 33.3%.

- The company made a new record figure. Its production of fertilizers (ammonia, urea and methanol) amounted to 1,617,422 metric tons, at an increase by 10% over that of the previous year. Exported quantities of these products amounted to 1,188,824 metric tons, at an increase by 10% over that of the previous year. The largest urea shipment throughout the company history, amounting to 50,000 metric tons was exported to Ethiopia.
- GPIC total profits amounted to KD 330 thousand, of which the company's share stood at 33.3%, declining by 98% below that of the previous year, due to the economic circumstances represented in the rise of gas and electricity selling rate in addition to the sheer price fall of urea and methanol products.
- The company made over 24 million man-hours without time lost for the company employees and contractors, thus keeping its record clear of work-incapacitating accidents since May 2002.
- As for training and HR development, the company obtained Excellence Award in HR management for the year 2016 for the private sector group.
- The company obtained many local and international awards, of which the most important has been (RoSPA Occupational Health & Safety Award) in Occupational Health, Safety and Environment presented by the Royal Society for Prevention of Accidents (RoSPA). It obtained the Arab Social Responsibility Award for major companies group and further won the Arab Social Responsibility Award for the best joint project between the private and the public sector.

THIRD: INTERNATIONAL JOINT VENTURE:

(SK Advanced)

In South Korea, PIC acquired 25% of SK Advanced Company, which produces propylene at a production capacity of 600,000 tons annually. The other interests are distributed as follows:

- The Korean SK-Gas 45%
- The Saudi Advanced Petrochemical Company(APC) 30%

It is worth mentioning that SK Advanced imports the most part of feedstock from Kuwait Petroleum Corporation (KPC).

The company started commercial production in April 2016, produced 477,000 metric tons and made financial returns estimated at KD 12 million by the end of the current FY.

FOURTH: FUTURE PROJECTS

1- Project of Olefins III and Aromatics II integrated with ZOR Refinery

- Al-Zour project is going ahead at FEED phase. Amec FosterWheeler Company was chosen as PMC and FEED Consultant. The contract was signed on 25th January 2017and work started on 28th February 2017.
- The alternative site located north of Road 270 was initially approved after getting preliminary approvals by the authorities and ministries concerned. Final approval by the Municipal Council is in wait.
- 3rd Olefins Project and 2nd Aromatics Project integrated with Al-Zour Refinery were handed over to KIPIC by the beginning of FY 2017/2018.

2- Project of Investment Opportunities in South Korea

In South Korea, PIC acquired 25% of SK Advanced Company, which is a petrochemical complex for producing propylene. A joint venture agreement was signed with both partners: the Korean SK-Gas and the Saudi APC on 21st January 2016. Actual production began at the end of March 2016 and production capacity reached 109%.

3- Project of Investment Opportunities in India

- According to KPC Board Resolution No. 76/2016 issued on 23rd November 2016 pertinent to the Olefins Project in India, the project has been disregarded for the time being, provided it would be considered in the future.
- Project of building Aromatics Complex in the Kingdom of Bahrain:
- FEED has been accomplished. Expected is the start of engineering, supply and construction after obtainment of the required approvals in the 2nd quarter of 2017.

4- Canada Project

The detailed feasibility study of the project was accomplished in November 2017, agreements of joint venture, provision of raw materials and marketing were prepared and the necessary approvals by the company and KPC Boards were taken for the go ahead in FEED expected to start in the 2nd quarter of 2017.

5- Ethylene Glycol Project in America:

FEED was accomplished on 13th June 2016. Engineering, supply and construction works started on 5th October 2016. Commissioning is expected to start in October 2019.

6- Investment Opportunities under Study

Starting to consider a new investment opportunity is in process to acquire an interest of specialized petrochemical plants in the US. Due diligence test stage is expected to start in May 2017.this stage will last 6 months before taking an appropriate decision on the go ahead in acquirement.

FIFTH: PIC FULLY OWNED PLANTS (KUWAIT):

1- Fertilizer Plants

- Since commissioning, Ammonia plants production reached 675,240 metric tons, equivalent to 106% of the target.
- Since commissioning, the highest production of ammonia plants reached 1,155,480 metric tons, equivalent to 114% of the target.
- This year, export quantity amounted to 1,101,720 metric tons, a record figure since commissioning and equivalent to 109% of the virtual budget. The highest urea shipment throughout the company history, amounting 45,064 metric tons was exported to India.
- Manufacture costs dropped by 17% for ammonia product and 25% for urea through carrying out studies for the optimal use of benefits.
- The company made a study for implementing the directives of HH the Amir and KPC by reducing 15% of the electric energy consumption through renewable energy (solar energy). Commencing the execution of the project at the Head Office building in 2017/2018 was signed. It will save 34% of electric energy consumption there.
- ISO55001 certification was obtained through an external auditor from Lloyds and, AQIS audit requested for the export of urea to Australia on 14th December 2017 was accomplished successfully.
- Operation Department organized and participated in PSM conference of the Arab Fertilizer Union held in Kuwait.

2- Polypropylene Plant

The polypropylene plant production amounted to 147,437 metric tons, equivalent to 101% of the annual plan, at an increase by 27% over that of the previous year. Sale quantity of the polypropylene product amounted to 147,660 tons, equivalent to 110% of the annual plan, at an increase by 27% over that of the previous year.

SIXTH: SAFETY, HEALTH AND ENVIRONMENT (SHE):

The company pursued its SHE efforts through the following:

- The company made over 5.959 million man-hours without lost time. No environmental incidents were recorded at the company during the year 2016/2017.
- All recommendations related to industrial incidents during the current FY were accomplished in addition to completing all corrective requirements and measures special for PIC HSSE Gap Mitigation Plan.
- The annual plan for HSSE audit on associate companies was accomplished 100%.
- 3 SHE training workshops were held within the training plan for all the company employees and contractors.
- The annual target of training 82.8% of the employees in SHE-related programs was achieved.
- EPTW was implemented.
- New KPC HSSE Management Systems- 18 Documents were implemented. 80% of the work plan was realized.

SEVENTH: CONTINUOUS DEVELOPMENT OF THE COMPANY ACTIVITIES:

1- Corporate Engineering and Safety

- The 4th sustainability report was issued in August 2016 according to GRI requirements.
- The 4th report special for COP level was issued and forwarded to UNGC in compliance with the convention special for this issue.

2- Six Sigma Project and Work Method Development

Six Sigma system helped improving the quality of all PIC technical and managerial operations, optimally exploit HR and raw materials, reduce errors and specification-conflicting results and keep the time lost in these operations. It further helps increase productivity of both the plants and employees in that it augments the company profits and decreases the cost of operations.

Following are the achievements of this system 9 consecutive years after its implementation:

- US$28,000,000 in financial saving was realized through implementing Six Sigma successful financial projects, thus the company has made US$ 249,000,000 in cumulative financial saving during the eight previous years.
- 52 Six Sigma projects were accomplished successfully at all the company departments, thus bringing the total number up to 632 projects successfully executed during the eight previous years.
- 12 employees were graduated to obtain the Green Belt and 6 employees to obtain the Black Belt with Six Sigma methodology.
- The 12th training course was held to train employees for obtaining the Green Belt with Six Sigma methodology with the participation by 28 employees from PIC and associate oil companies.
- Over 7 awareness presentations were held at PIC and GPIC headquartered in Bahrain on Six Sigma methodology, the way-how to implement, spread and benefit from it.
- The check-up report on projects accomplished 3 years ago was completed and showed that 87% of Six Sigma accomplished projects were still sustainable.

3- ERM

- Identifying the risks related to the resolution of the fertilizer plant closure in cooperation with the panels formed for the closure purpose and making a work plan to address such risks.
- Measuring the risk to the cash flows of the company and its subsidiaries to counter the risks of the market, currencies, projects, credit, etc., according to the company's 5-year plan 2017/2018.
- Applying the "risk-amended capital return" index to Canada Project in cooperation with Business Development Management.
- Creating practical methods for each of the following systems:
- Measuring the risk to cash flows.
- The risk-amended capital return.
- Applying the "risk-amended capital return" index to Bahrain Project in cooperation with Business Development Management.
- Launching a campaign aimed at increasing the awareness of risk management, systems and method.

4- IT

- Re-validate 27001 Information Security Certification.
- Achieve the national project for e-correspondence G2G and K2K.
- Apply Microsoft Office 365 to 100 users (phase I).
- Execute the infra-structure to implement KPC HR strategy.
- Develop and promote Permits, Security and Safety (PSS) system for the Head Office and Shuaiba.
- Develop e-forms of external conferences and merge them with training.

EIGHTH: MANPOWER, TRAINING AND CAREER DEVELOPMENT:

- Training participations totaled 1,800 distributed to 364 training programs. The average realized training hours stood at 32 hours per employee.
- Accomplishment of Phase IV –Part II of OCD project special for consolidating the unified technical competencies at the oil sector is in process. This project is one of the initiatives of the HR strategy of KPC and subsidiaries up to the year 2030.
- Work is ongoing in (Fast Track 3) program through which trainees were qualified for the most important general unified competencies at the level of the oil sector.
- Accomplishment of LMS requirements special for the data requested for personal development plans and technical competencies of PIC departments is in process, in coordination with KNPC team.
- Field training of 38 students of both sexes from the University of Kuwait, local private universities and the Public Authority for Applied Education and Training (PAAET) through coordination with PIC departments.
- Endeavoring to make an automatic system for external/in-house conferences is in process according to KPC circular regulations.
- Preparing and implementing a specialized developmental program for all team leaders at the company through

Unified Generic Competency courses.

- Training all team leaders in Unified Generic Competency through KPC site by using E-Learning Harvard Manager Mentor (HMM).
- Career linkage plan aimed at raising the linkage ratio between the company and employees was activated at the level of all company departments and followed-up by HR.
- Under the slogan "Nabi Nisma'ak"= (we want to hear you), the 5th meeting between the employees in Shuaiba and the senior management at the Head Office was organized.

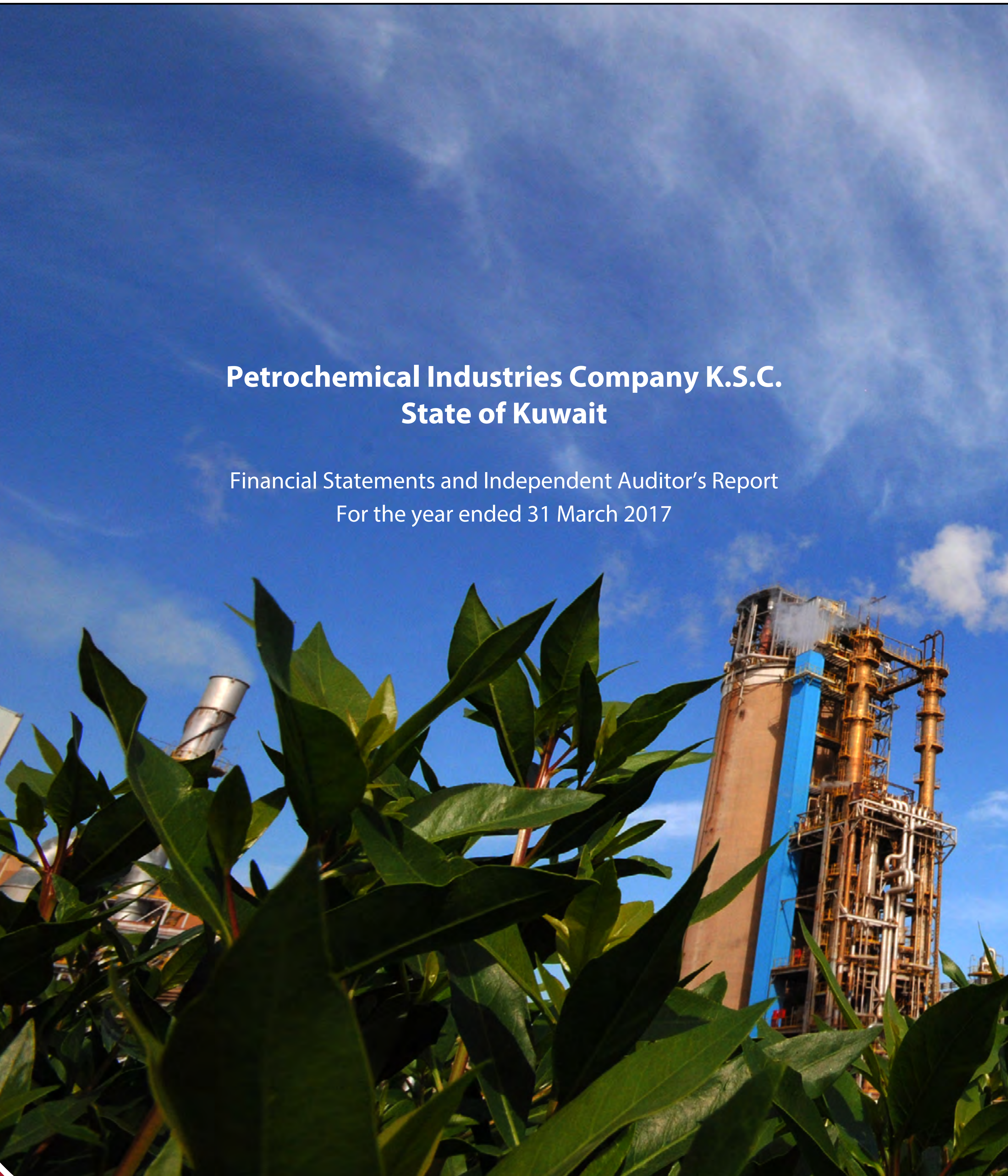
NINTH: SOCIAL RESPONSIBILITY:

Through Social Responsibility, the company is keen on supporting development in health sector, keeping the environment and other social services, including for instance:

- Holding an Open Day for the British International School students on "healthy Food Habits" in addition to various sport activities.
- Launching a health awareness campaign on "Diabetes" at Al-Kout Commercial Complex. Medical check-ups were made for Al-Kout visitors. These included measuring blood diabetes, blood pressure and providing medical advice.
- Launching an awareness campaign to spread recycling culture for protecting the environment from the harmful impacts of plastic residues. The campaign was launched in cooperation with "Omnia" Company. Special containers were distributed inside the company and its utilities to collect empty plastic water bottles there for recycling.
- Organizing a workshop titled "Impact of Social Media on Decision-Making in Kuwait" at the Science and Computer Engineering Faculty of Kuwait University.
- Participating in the ceremony held by Ahmadi Governorate for hoisting the flag on the occasion of the 11th anniversary of HH the Amir's assumption of power, the 56th anniversary of Independence and 26th anniversary of Liberation.
- Receiving the girl students of "Fatima Bint Assad" Secondary School to familiarize them with petrochemical industries and review PIC projects and products.
- Receiving the environment team of "Al-Mangaf Elementary School for Girls" to review the company activities, its most important products and projects in addition to its efforts exerted for keeping the environment.
- Holding an Entertainment Day at Boubyan Club for "Al-Wafa School for Girls". The day included many entertainment events, various quizzes and distribution of valuable prizes.
- Organizing a blood donation campaign in cooperation with the Central Blood Bank. It witnessed great turnout by PIC employees who displayed positive response and great awareness of the importance of blood donation and its positive results.
- Nabiha Khadra "We Want It Green" campaign for Landscaping School Gardens was launched on the occasion of World Greening Day.
- Landscaping the Garden of Bait Abdulla Child Care Hospital (BACH) was launched Under the slogan "Our Environment …Our Responsibility".

Petrochemical Industries Company K.S.C.
State of Kuwait

Financial Statements and Independent Auditor's Report
For the year ended 31 March 2017



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF PETROCHEMICAL INDUSTRIES COMPANY K.S.C.

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Petrochemical Industries Company K.S.C. (the "company") as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The company's financial statements comprise:

- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of financial position as at 31 March 2017;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the state of Kuwait. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Emphasis of matter

We draw attention to notes 13 and 21 to these financial statements relating to balances of the sea water cooling tower project that was constructed and operated by the company on behalf of a governmental entity with an original agreement to transfer it to that entity upon completion of construction. Management of the company is currently negotiating the transfer of the project balances to an associated company after reaching a final agreement with the governmental entity regarding the ownership of that project. Our opinion is not qualified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the report of the Board of Directors but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.
Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of accounts have been kept by the company and the financial statements, together with the contents of the report of the company's board of directors relating to these financial statements, are in accordance therewith. We further report that, we obtained all information and explanations that we required for the purpose of our audit and that these financial statements incorporate all information that is required by the Companies Law no. 1 of 2016, its executive regulation and by the company's memorandum of association, that an inventory count was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law no. 1 of 2016, its executive regulation, nor of the company's memorandum of association have occurred during the year ended 31 March 2017, that might have had a material effect on the business of the company or on its financial position.

Khalid Ebrahim Al-Shatti
Licence No. 175 A
PricewaterhouseCoopers (Al-Shatti & Co.)

20 April 2017
Kuwait

Statement of income

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Note	Year ended 31 March 2017	2016
Sales		**115,342,217**	120,150,194
Cost of sales		**(86,059,696)**	(94,725,840)
Gross profit		**29,282,521**	25,424,354
Share of results of associates	9	**112,601,279**	108,898,929
Share of results of joint ventures	7	**-**	48,719,125
Distribution, general and administrative expenses		**(20,281,766)**	(30,195,620)
Interest income		**4,413,805**	2,270,835
Other income	5	**3,289,192**	4,206,908
Other expenses		**(272,811)**	(198,686)
Net gain on foreign exchange		**1,086,186**	2,326,547
Gain on sale of subsidiary and joint venture	7	**-**	269,427,466
Profit before board of directors' remuneration		**130,118,406**	430,879,858
Board of directors' remuneration	16	**(42,692)**	(43,628)
Profit for the year	6	**130,075,714**	430,836,230

The notes on pages 34 to 66 form an integral part of these financial statements.

Statement of comprehensive income

(All amounts in Kuwaiti dinars unless otherwise stated)

	Note	Year ended 31 March	
		2017	**2016**
Profit for the year		**130,075,714**	430,836,230
Other comprehensive income:			
Items that may be subsequently reclassified to the statement of income			
Foreign currency translation adjustments		**1,454,174**	(187,427)
Changes in fair value of available for sale financial asset	10	**16,280,000**	(880,000)
Transfer of foreign currency translation reserve to the statement of income on sale of subsidiary and joint venture		**-**	(984,994)
Items that will not be reclassified to the statement of income			
Share of associates' retirement benefits obligations reserve		**(1,201,943)**	(2,318,106)
Other comprehensive income / (loss) for the year		**16,532,231**	(4,370,527)
Total comprehensive income		**146,607,945**	426,465,703

The notes on pages 34 to 66 form an integral part of these financial statements.

	Note	As at 31 March 2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	8	**86,049,010**	90,891,522
Intangible assets		**284,306**	439,482
Investments in associates	9	**376,572,961**	312,563,477
Available for sale financial asset	10	**37,400,000**	21,120,000
Amount due from the ultimate parent company	11 & 16	**196,430,660**	153,342,674
Spare parts	12	**12,296,999**	11,715,892
		709,033,936	590,073,047
Current assets			
Other assets	13	**57,463,349**	57,463,349
Inventories	14	**5,247,967**	2,502,721
Accounts receivable and prepayments	15	**24,015,020**	29,885,542
Amounts due from related parties	16	**759,030**	940,420
Bank balances, deposits and cash	17	**273,899,337**	626,521,096
		361,384,703	717,313,128
TOTAL ASSETS		**1,070,418,639**	1,307,386,175
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18	**600,000,000**	600,000,000
Statutory reserve	19	**209,442,500**	196,430,660
Foreign currency translation reserve		**21,285,382**	19,831,208
Fair value reserve		**26,400,000**	10,120,000
Share of associates' retirement benefit obligation reserve		**(7,390,874)**	(6,188,931)
Total equity		**849,737,008**	820,192,937
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits	20	**39,002,439**	39,985,386
		39,002,439	39,985,386
Current liabilities			
Other liabilities	21	**25,326,439**	25,326,439
Accounts payable and accruals	22	**38,541,508**	35,429,679
Amounts due to related parties	16	**747,371**	1,289,180
Dividends payable	23	**117,063,874**	385,162,554
		181,679,192	447,207,852
Total liabilities		**220,681,631**	487,193,238
Total equity and liabilities		**1,070,418,639**	1,307,386,175

Ahmad A. Al-Habeeb
Chairman

Mohammad A. Al-Farhoud
Chief Executive Officer

The notes on pages 34 to 66 form an integral part of these financial statements.

Statement of changes in equity

(All amounts in Kuwaiti dinars unless otherwise stated)

	Share capital	Statutory reserve	Foreign currency translation reserve	Fair value reserve	Re-measurement of retirement benefits obligations reserve	Retained earnings	Total
Balance as at 31 March 2015	**600,000,000**	**153,342,674**	**21,003,629**	**11,000,000**	**(6,456,515)**	**-**	**778,889,788**
Profit for the year	-	-	-	-	-	430,836,230	430,836,230
Other comprehensive loss for the year	-	-	(1,172,421)	(880,000)	(2,318,106)	-	(4,370,527)
Total comprehensive income for the year	**-**	**-**	**(1,172,421)**	**(880,000)**	**(2,318,106)**	**430,836,230**	**426,465,703**
Transfer to statutory reserve (Note 19)	-	43,087,986	-	-	-	(43,087,986)	-
Transfer of joint venture's retirement benefits obligations reserve on sale of a joint venture	-	-	-	-	2,585,690	(2,585,690)	-
Dividends distribution (Note 23)	-	-	-	-	-	(385,162,554)	(385,162,554)
Balance as at 31 March 2016	**600,000,000**	**196,430,660**	**19,831,208**	**10,120,000**	**(6,188,931)**	**-**	**820,192,937**
Profit for the year	-	-	-	-	-	130,075,714	130,075,714
Other comprehensive income for the year	-	-	1,454,174	16,280,000	(1,201,943)	-	16,532,231
Total comprehensive income for the year	**-**	**-**	**1,454,174**	**16,280,000**	**(1,201,943)**	**130,075,714**	**146,607,945**
Transfer to statutory reserve (Note 19)	-	13,011,840	-	-	-	(13,011,840)	-
Dividends distribution (Note 23)	-	-	-	-	-	(117,063,874)	(117,063,874)
Balance as at 31 March 2017	**600,000,000**	**209,442,500**	**21,285,382**	**26,400,000**	**(7,390,874)**	**-**	**849,737,008**

The notes on pages 34 to 66 form an integral part of these financial statements.

Statement of cash flows

(All amounts in Kuwaiti dinars unless otherwise stated)

	Note	Year ended 31 March 2017	2016
Cash flows from operating activities			
Profit for the year		**130,075,714**	430,836,230
Adjustments for:			
Depreciation, depletion and amortisation		**7,759,334**	7,791,070
Share of results of associates	9	**(112,601,279)**	(108,898,929)
Share of results of joint ventures	7	**-**	(48,719,125)
Gain on sale of subsidiary and joint venture	7	**-**	(269,427,466)
Provision for employees' end of service benefits	20	**4,322,289**	7,025,529
Provision for slow moving and obsolete spare parts	12	**68,501**	-
Loss on sale of property, plant and equipment		**272,740**	211,466
Interest income		**(4,413,805)**	(2,270,835)
Net gain on foreign exchange		**(1,086,186)**	(2,326,547)
		24,397,308	14,221,393
Changes in working capital:			
Spare parts		**(649,608)**	(1,536,281)
Inventories		**(2,745,246)**	714,127
Accounts receivable and prepayments		**(2,923,111)**	19,945,353
Amounts due from related parties		**181,390**	(553,062)
Amounts due to related parties		**(541,809)**	(4,697,022)
Accounts payable and accruals		**3,111,829**	(9,825,430)
Other liabilities		**-**	286,800
Cash generated from operations		**20,830,753**	18,555,878
Employees' end of service benefits paid	20	**(5,305,236)**	(8,620,176)
Net cash generated from operating activities		**15,525,517**	9,935,702
Cash flows from investing activities			
Purchase of property, plant and equipment	8	**(3,034,386)**	(2,834,157)
Proceeds from sale of property, plant and equipment		**-**	334,479
Purchase of investment in associate	9	**(30,341,767)**	-
Dividends received from associates	9	**87,698,696**	91,228,293
Dividends received from a joint venture		**-**	25,687,595
Proceeds from sale of a subsidiary and a joint venture		**-**	455,113,456
Amount due from ultimate parent company		**(43,087,986)**	(18,163,146)
Interest income received		**5,780,721**	794,107
Net cash generated from investing activities		**17,015,278**	552,160,627
Cash flows from financing activities			
Dividends paid	23	**(385,162,554)**	(160,902,034)
Net cash used in financing activities		**(385,162,554)**	(160,902,034)
Net effect of foreign currency translation adjustments		**-**	(615,179)
(Decrease) / increase in bank balances, deposits and cash		**(352,621,759)**	400,579,116
Bank balances, deposits and cash at beginning of the year		**626,521,096**	225,941,980
Bank balances, deposits and cash at end of the year	17	**273,899,337**	626,521,096
Significant non-cash transactions			
Purchase of property, plant and equipment		**16,340**	152,236
Transfer of Intangible assets		**(16,340)**	(152,236)
Effect of foreign currency translation adjustments		**1,454,174**	-
Share of associates and joint ventures' reserves		**(1,201,943)**	2,318,106
Investment in associates		**(252,231)**	(2,318,106)
Accounts receivable and prepayments	15	**8,512,903**	-
Investment in associate	9	**(8,512,903)**	-

The notes on pages 34 to 66 form an integral part of these financial statements.

1 CORPORATE INFORMATION

Petrochemical Industries Company K.S.C. (the "company" or "PIC") is a Kuwaiti shareholding company established in 1963 to engage in the production and marketing of petrochemical products. It also invests in entities engaged in similar businesses. The address of the parent company's registered office is P.O. Box 1084 Safat, 13011 Kuwait.

The financial statements of the company for the year ended 31 March 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 19 April 2017 and are subject to the approval of the Annual General Assembly of the shareholders.

The company and its associates operate principally in the State of Kuwait, Kingdom of Bahrain, Europe, United States of America, South Korea and Canada.

The company is a subsidiary of Kuwait Petroleum Corporation (the "ultimate parent company"), a company wholly owned by the State of Kuwait.
The company had 500 employees as at 31 March 2017 (2016: 535 employees).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with IFRS

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis as modified by the revaluation of available for sale financial assets.

(a) New and amended standards adopted by the company:

The company has adopted the following standards, amendments and improvements which came effective for the first time for the financial period beginning on or after 1 January 2016:

- Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16 and IAS 38
- Annual improvements to IFRSs 2012 – 2014 cycle,
- Disclosure initiative – amendments to IAS 1,
- Amendments to IFRS 12 and IAS 28, and
- Disclosure Initiative – Amendments to IAS 7

(b) New standards, amendments and interpretations issued but not yet adopted by the company:
'IFRS 9 – Financial instruments'

IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.
Classification of debt assets will be driven by the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.
All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.
All fair value movements on financial assets are taken through the statement of income, except for equity investments that are not held for trading, which may be recorded in the statement of other comprehensive income or in reserves (without subsequent recycling to the statement of income).
For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than the statement of income.
The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

- In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete. The changes introduce:
- a third measurement category (FVOCI) for certain financial assets that are debt instruments.

a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

For financial years commencing before 1 February 2015, the company can elect to apply IFRS 9 early for any of the following:

- the own credit risk requirements for financial liabilities
- classification and measurement (C&M) requirements for financial assets
- C&M requirements for financial assets and financial liabilities, or
- C&M requirements for financial assets and liabilities and hedge accounting.

After 1 February 2015, the new rules must be adopted in their entirety.
The standard is effective for accounting periods beginning on or after 1 January 2018. The company is yet to assess IFRS 9's full impact.

'IFRS 15 – Revenue from contracts with customers'

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.
The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognised:

- identify contracts with customers
- identify the separate performance obligations
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognise the revenue as each performance obligation is satisfied.

Key changes to current practice are:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) minimum amounts must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

These accounting changes may have flow-on effects on the Group's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications. The company will have a choice of full retrospective application, or prospective application with additional disclosures. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The company is yet to assess IFRS 15's full impact.

'IFRS 16 – Leases'

'IFRS 16, Leases' will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.
The statement of income will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.
Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.
The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted only if IFRS 15 is adopted at the same time. The company is yet to assess the impact of IFRS 16.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Kuwaiti Dinars' (KD), which is the company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income. All foreign exchange gains and losses are presented on the face of the statement of income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in statement of income as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available for sale financial assets are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the company (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

I. assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial position;
II. income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); an
III. all resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to statement of income, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts and returns. The company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The company has concluded that it is acting as a principal in all of its revenue arrangements. The company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria has been met, as described below:

(a) Sales of goods

Revenues from sales are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

(b) ***Interest income***

Interest income is recognised on an accrual basis and using the effective interest method. When loans and receivable are impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivable is recognised using the original effective interest rate.

(c) Dividend income

Dividend income is recognised when the right to receive the dividend is established.

2.4 Leases

(a) When the company is a lessee – operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight line basis over the period of the lease.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost, less depreciation, depletion and any accumulated impairment losses (except for capital work in progress which are carried at cost until it is substantially completed). Historical cost includes expenditure that is directly attributable to the acquisition of the items.
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Land is not depreciated. Depreciation, except for catalysts, is calculated on a straight-line basis over the estimated useful life of the applicable asset as mentioned below.

	Rates
Buildings	25 years
Plant, machinery and equipment	from 20 to 25 years
Furniture, equipment and fixtures	from 5 to 10 years
Vehicles	5 years
Computer equipment	5 years

Installed catalysts are depleted based on their usage, determined by the amount of natural gas consumed in the manufacturing process after installation.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amounts and are recognised within "other income" / "other expenses" (if any) in the statement of income.

2.6 Intangible assets

Intangible assets consist of application software and other agreements. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses (if any). Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

All intangible assets are with finite lives and amortised on a straight line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation is calculated as follows:

Application software	-	over 5 years
Licence fees	-	over 2 to 15 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed, and adjusted if appropriate, at each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the statement of income.

2.7 Associates

Associates are all entities over which the company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The company's share of post-acquisition profit or loss is recognised in statement of income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of associates' in the statement of income.

Profits and losses resulting from upstream and downstream transactions between the company and its associate are recognised in the company's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

2.8 Spare parts

Spare parts are carried at weighted average cost after making allowance for slow-moving and obsolete items (if any). Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.
Costs of finished products are determined on a weighted average basis.
Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.
Packing materials and catalysts in store are stated at weighted average cost net of allowance for obsolete and slow-moving items.

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.11 Financial assets

2.11.1 Classification

The company classifies its financial assets in the following categories: loans and receivables and available for sale financial asset. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise of amount due from the ultimate parent company, accounts receivable, amounts due from related parties, other assets, bank balances, deposits and cash.

Accounts receivable
Accounts receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected to be within one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets. Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (if any).

Bank balances, deposits and cash
Bank balances, deposits and cash comprise of cash on hand, bank balances and deposits held with financial institutions with original maturity of three months or less and cash on hand.

Other assets
Other assets represents total expenditures incurred and capitalised by the company on behalf of a governmental authority. These expenditures were not classified as property, plant and equipment since the rights and obligations of the assets are not pertaining to the company.

(b) Available for sale financial asset

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.11.2 Recognition, measurement and derecognition

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit or loss. Available for sale financial assets are subsequently carried at fair value.

Loans and receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method less provision for impairment.

Changes in the fair value of monetary and non-monetary securities classified as available for sale financial assets are recognised in other comprehensive income as fair value reserve. When securities classified as available for sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of income. Dividends on available for sale equity instruments are recognised in the statement of income as part of other income when the company's right to receive payments is established.

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

2.12 Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
In the case of equity investment classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the asset is impaired.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(a) Assets carried at amortised cost

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of income.

(b) Assets classified as available for sale

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for financial assets available for sale, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of income) is removed from equity and recognised in statement of income. Impairment losses on equity instruments recognised in the statement of income for the year are not reversed through the statement of income for the year but through statement of other comprehensive income.

2.13 Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the company.

All financial liabilities are initially recognised at fair value less directly attributable transaction costs. After initial recognition the financial liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the company delivers its contractual obligation. The company's financial liabilities comprise of other liabilities, accounts payable and accruals, amounts due to related parties and dividends payable.

(a) Account payables and accruals

Accounts payable and accruals are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable and accruals are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are classified as non-current liabilities.

(b) Dividends payable

Dividends distribution to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the company's shareholders.

(c) Other liabilities

Other liabilities represent the net revenues generated from the capitalised expenditures of a project constructed on behalf of a governmental authority. The net revenues are not reported in the statement of income since the rights and obligations of the net revenues are not pertaining to the company.

2.14 Employees' end of service benefits

The company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the company makes contributions to government defined contribution plans calculated as a percentage of the employees' salaries in accordance with the legal requirements in the State of Kuwait.

This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period and approximates the present value of the final obligation.

2.15 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance and monitored through the company's strategic planning process. Risk management is carried out by the company's finance department as approved by the company's board of directors. They are monitored through the company's strategic planning process.

(a) Market risk

(i) Foreign currency risk

The company is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the Bahraini Dinars, USD Dollars and Euro. Foreign currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the company's functional currency. The company manages its foreign currency risk by regularly assessing current and expected foreign currency rate movements and company's foreign currency assets and liabilities.
Positions are monitored on a regular basis and are used to ensure positions are maintained within established limits. The company had the following significant net exposures denominated in foreign currencies:

	As at 31 March	
	2017 KD (equivalent)	2016 KD (equivalent)
US Dollar	**292,356,837**	636,624,247
Bahraini Dinar	**(638,997)**	7,678,709
Euro	**2,909,509**	12,524,160
	294,627,349	656,827,116

The table below indicates the company's foreign currency exposure as at 31 March, as a result of its assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the KD currency rate against the US Dollar, Bahraini Dinar and Euro with all other variables held constant, on the profit for the year (due to the fair value of currency sensitive monetary assets and liabilities) and equity.

	Change in rates	*Effect on profit for the year and equity*
31 March 2017		
US Dollar	**+5%**	**(14,617,842)**
Bahraini Dinar	**+5%**	**31,950**
Euro	**+5%**	**(145,475)**
31 March 2016		
US Dollar	+5%	(31,831,212)
Bahraini Dinar	+5%	(383,935)
Euro	+5%	(626,208)

The decrease in foreign currency percentage movement will have the opposite effect on the profit for the year and equity.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments.

The company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the company calculates the impact on the loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The company is exposed to interest rate risk on all interest bearing financial instruments such as deposits. Positions are monitored on a regular basis and hedging strategies used to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year as well as equity to a reasonably possible change of 100 basis points (2016: 100 basis points) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the company's financial instruments held at each reporting date. A positive number indicates an increase in profit for the year/equity and a negative number indicates a decrease in profit for the year/equity. There is no impact on the statement of other comprehensive income.

	Increase in basis points	Effect on profit for the year and equity
31 March 2017		
KD	**+100**	**43,864**
31 March 2016		
KD	+100	22,708

The decrease in interest rate will have the opposite effect on the profit for the year and equity.

(iii) Price risk

Price risk is the risk that the fair value of equities decreases as a result of changes in the equity indices and value of individual stocks. The company manages this risk through diversification of investments in terms of industry concentration and geographical distribution. The effect on equity (as a result of a change in the fair value of equity instruments held as available for sale at 31 March) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Index	Increase in equity price in %	Effect on other comprehensive income and equity
31 March 2017			
Quoted securities	**Kuwait stock exchange**	**+5%**	**1,720,400**
31 March 2016			
Quoted securities	Kuwait stock exchange	+5%	728,640

The decrease in equity price percentage will have the opposite effect on other comprehensive income and equity.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation and arises principally from amount due from the ultimate parent company, other assets, accounts receivable, amounts due from related parties, bank balances and deposits. The company seeks to limit its credit risk with respect to bank balances by dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Normal credit terms for customers range from 1 to 3 months. In addition, majority of the company's sales are backed up with letters of credit. The company seeks to avoid undue concentrations of risks with customers or groups of customers in specific locations or business through diversification of its activities.

It is not the practice of the company to obtain collateral over receivables.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum net exposure to credit risk by class of assets at the reporting date is as follows:

	As at 31 March	
Loans and receivable	**2017**	**2016**
Amount due from the ultimate parent company	**196,430,660**	153,342,674
Other assets (Note 13)	**57,463,349**	57,463,349
Accounts receivable – net	**23,596,311**	29,619,974
Amounts due from related parties (Note 16)	**759,030**	940,420
Bank balances and deposits (Note 17)	**273,899,337**	626,521,096
Total	**552,148,687**	867,887,513

Concentration of credit risk

Concentration arises when a number of counterparties is engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by charge in economic, political or other conditions. Concentration indicates the relative sensitivity of the company's performance to developments affecting in particular industry or geographical location. The company seeks to avoid undue concentration of risks with individuals or group of customers in specific location or business through diversifications of its activity. The company has exposure of 84% from its loans and receivable with its ultimate parent company.

The company's credit risk bearing assets can be analysed by the geographic region and the industry sector as follows:

	As at 31 March	
	2017	**2016**
Geographic region:		
Middle East	**552,148,687**	867,887,513
Industry sector:		
Trading and manufacturing	**24,355,341**	30,560,394
Banks and other financial institutions (note 17)	**1,768,962**	3,157,309
Government and public sector	**526,024,384**	834,169,810
Total	**552,148,687**	867,887,513

Credit quality of financial assets instruments

The table below provides information regarding the credit risk exposure by credit quality of financial assets by class, grade and status of financial assets as at 31 March. Credit exposures defined as "not rated" and classified under 'high' and 'standard' quality comprise facilities whose payment performance is fully compliant with contractual conditions and which are not 'impaired'. The classification of these facilities is based on internal management rating and previous history with the counterparty. The ultimate risk of possible financial loss on 'not rated' or 'standard' quality is assessed to be higher than that for the exposures classified within the 'rated' quality range. Not rated assets are classified according to internal credit ratings of the counterparties. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.
The table below provides information regarding the credit risk exposure by credit quality of financial assets as at 31 March 2017 and 31 March 2016.

	Neither past due nor impaired		
	Rated	**Not rated**	**Total**
31 March 2017			
Loans and receivables			
Amount due from the ultimate parent company	**-**	**196,430,660**	**196,430,660**
Other assets	**-**	**57,463,349**	**57,463,349**
Accounts receivable	**-**	**22,954,540**	**22,954,540**
Amounts due from related parties	**-**	**759,030**	**759,030**
Bank balances and deposits	**1,768,962**	**272,130,375**	**273,899,337**
Total	**1,768,962**	**549,737,954**	**551,506,916**

	Neither past due nor impaired		
	Rated	Not rated	Total
31 March 2016			
Loans and receivables			
Amount due from the ultimate parent company	-	153,342,674	153,342,674
Other assets	-	57,463,349	57,463,349
Accounts receivable	-	29,442,200	29,442,200
Amounts due from related parties	-	940,420	940,420
Bank balances and deposits	3,157,309	623,363,787	626,521,096
Total	3,157,309	864,552,430	867,709,739

The analysis by credit quality of financial assets is as follows:

	As at 31 March	
	2017	**2016**
Accounts receivable		
Neither past due nor impaired:		
- Receivables from companies	**22,954,540**	29,442,200
Past due but not impaired:		
- 91 to 180 days overdue	**-**	141,715
- 181 to 365 days overdue	**72,619**	-
- More than 365 days overdue	**569,152**	36,059
Total past due but not impaired	**641,771**	177,774
Individually determined to be impaired (gross):		
- More than 365 days overdue	**65,634**	65,634
- Provision for impairment of accounts receivable (Note 15)	**(65,634)**	(65,634)
Total accounts receivable, net of impairment	**23,596,311**	29,619,974
Amount due from the ultimate parent company, neither past due nor impaired	**196,430,660**	153,342,674
Other assets, neither past due nor impaired	**57,463,349**	57,463,349
Amounts due from related parties, neither past due nor impaired	**759,030**	940,420
Bank balances and deposits, neither past due nor impaired	**273,899,337**	626,521,096

(c) Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting commitments associated with financial liabilities, arises because of the possibility (which may often be remote) that the entity could be required to pay its liabilities earlier than expected.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the company aims to maintain the support from lenders, the ultimate parent company and related parties. All financial liabilities are due within one year from the reporting date.

3.2 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt. Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as term borrowings less bank balances, deposits and cash. Total capital is calculated as equity as shown in the statement of financial positions plus net debt.

As at the reporting date, the company had no borrowings and accordingly is not leveraged.

3.3 Fair value estimation

Financial instruments carried at fair value

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

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

The quoted market price used for financial assets held by the company at fair value is the current bid price being a recurring valuation.

Available for sale financial asset represents an investment in a listed entity and has been assigned to level 1 hierarchy. There were no transfers between levels during the year.

The company does not have any other financial assets or liabilities that are measured at fair value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Classification of investments

The company decides on acquisition of an investment whether it should be classified as financial assets at fair value through profit and loss or available for sale financial asset.

Classification of financial assets as fair value through profit and loss depends on how the management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of profit for the year they are classified as financial assets at fair value through the profit and loss. All other investments are classified as available for sale financial assets. The company has only one investment which is classified as available for sale financial asset.

Useful lives and impairment of assets with definite lives

The company determines the estimated useful lives and residual values of assets with definite lives. Management reviews the residual value over their estimated useful lives. The company uses the straight line method to compute depreciation, depletion and amortisation to reduce the cost of assets to their estimated residual values over their expected useful lives. The useful lives of property, plant and equipment as well as intangible assets carried by the company range from 5 to 25 years.

At the reporting date, the company's management assesses, whether there is any indication that assets with definite lives may be impaired. The recoverable amount of an asset is determined based on the "value-in-use" method. This method uses estimated cash flow projections over the estimated useful life of the asset.

Impairment of available for sale financial assets

The company follows the guidance of IAS 39 to determine when an available for sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

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

As at 31 March 2017, gross available for sale financial assets amounted to KD 37,400,000 (2016: KD 21,120,000) and no impairment loss existed at the reporting date (2016: Nil).

Impairment provision of spare parts and inventories

Spare parts are carried at weighted average cost less provision for slow moving and obsolete items. Inventories are held at the lower of cost and net realisable value. When spare parts and inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the spare part and inventory type and the degree of ageing or obsolescence, based on historical experience.

At the end of the reporting date, gross spare parts and inventories were KD 12,834,667 (2016: KD 12,185,059) and KD 5,247,967 (2016: KD 2,502,721) respectively (Notes 12 and 14). Their related provisions for slow moving and obsolete items were KD 537,668 (2016: KD 469,167) (Note 12) and Nil (2016: Nil) (Note 14) respectively. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of income.

Impairment provision of accounts receivable and other assets

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. The impairment charge reflects estimates of losses arising from the failure or inability of the parties concerned to make the required payments. The charge is based on the ageing of the party accounts, the customer's credit worthiness and the historic write-off experience.

At the reporting date, gross accounts receivable were KD 23,661,945 (2016: KD 29,685,608) and the related provision for impairment was KD 65,634 (2016: KD 65,634) (Note 15).

As described in note 13, other assets represent amount due from the Public Authority for Industry (PAI) for costs incurred by the parent company to construct a sea water cooling tower on behalf of PAI. The company is currently in the process of transferring the project to a related party. The management estimates that the carrying amount will be fully recoverable taking into consideration that the net impact of the discounting is not material to the company's financial statements.

5 OTHER INCOME

	Year ended 31 March	
	2017	**2016**
Dividends income	**1,100,000**	1,100,000
Marketing fees	**1,542,092**	1,596,101
Other miscellaneous income	**647,100**	1,510,807
	3,289,192	4,206,908

6 PROFIT FOR THE YEAR

Profit for the year is stated after charging the following:

	Year ended 31 March	
	2017	**2016**
Staff costs	**(40,172,938)**	(46,326,344)
Rental expenses	**(115,000)**	(115,000)
Amortisation of intangible assets	**(171,516)**	(152,110)

Included in the cost of sales are amounts of KD 24,549,719 (2016: KD 30,335,480) and KD 24,724 (2016: KD 24,724) related to the staff costs and amortisation of intangibles assets respectively. Remaining amounts are included within general and administrative expenses.

7 SHARE OF RESULTS OF JOINT VENTURES & GAIN ON SALE OF SUBSIDIARY AND JOINT VENTURE

On 21 December 2015, and as part of restructuring its operations, the company sold its entire equity interests in its direct joint venture MEGlobal B.V. and indirect joint venture MEGlobal Canada Inc. owned through its subsidiary, PICCAN Holding Inc. (the "subsidiary"), resulting in a gain of KD 82,646,209 and KD 186,781,257 respectively. The consideration received from the sale of the two joint ventures amounted to KD 172,254,169 and KD 282,859,287 respectively, net of costs to sell and other transaction expenses.

The table below summarised the gain recongised from the sale of joint ventures (MEGlobal B.V.) and (MEGlobal Canada Inc.) through its subsidiary (PICCAN).

	PICCAN including MEGlobal Canada "Joint Venture"	MEGlobal B.V. «Joint Venture»
Total consideration received	**282,859,287**	**172,254,169**
Net assets disposed	**(96,078,030)**	**(89,607,960)**
Gain on sale of a joint venture	**186,781,257**	**82,646,209**

Reconciliation of the share of results of interest in joint ventures:

	MEGlobal Canada	MEGlobal B.V.
	Period ended 21 December 2015	Period ended 21 December 2015
Profit for the period	73,453,450	23,984,800
Ownership percentage	50%	50%
Company's share of results	36,726,725	11,992,400

8 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant, machinery and equipment	Furniture, equipment and fixtures	Vehicles	Computer equipment	Capital work in progress	Installed catalysts	Total
At 31 March 2015:									
Cost	200,000	25,084,946	244,898,527	2,153,427	1,448,054	4,149,789	4,390,369	14,935,259	297,260,371
Accumulated depreciation and depletion	-	(16,910,132)	(165,264,080)	(1,860,014)	(1,416,003)	(3,609,184)	-	(11,806,452)	(200,865,865)
Net book amount	**200,000**	**8,174,814**	**79,634,447**	**293,413**	**32,051**	**540,605**	**4,390,369**	**3,128,807**	**96,394,506**
Year ended 31 March 2016									
Opening net book amount	200,000	8,174,814	79,634,447	293,413	32,051	540,605	4,390,369	3,128,807	96,394,506
Additions	-	-	-	-	-	-	2,695,507	138,650	2,834,157
Disposals	-	-	(1,298,538)	-	(4,500)	(243,962)	-	(310,448)	(1,857,448)
Transfers	-	33,405	2,939,711	146,463	209,167	820,567	(4,149,313)	-	-
Transfer to intangibles	-	-	-	-	-	-	(152,236)	-	(152,236)
Depreciation and depletion charge	-	(662,874)	(6,042,085)	(69,165)	(14,070)	(308,978)	-	(541,788)	(7,638,960)
Depreciation related to disposals	-	-	1,063,041	-	4,500	243,962	-	-	1,311,503
Closing net book amount	**200,000**	**7,545,345**	**76,296,576**	**370,711**	**227,148**	**1,052,194**	**2,784,327**	**2,415,221**	**90,891,522**
At 31 March 2016:									
Cost	200,000	25,118,351	246,539,700	2,299,890	1,652,721	4,726,394	2,784,327	14,763,461	298,084,844
Accumulated depreciation and depletion	-	(17,573,006)	(170,243,124)	(1,929,179)	(1,425,573)	(3,674,200)	-	(12,348,240)	(207,193,322)
Net book amount	**200,000**	**7,545,345**	**76,296,576**	**370,711**	**227,148**	**1,052,194**	**2,784,327**	**2,415,221**	**90,891,522**

	Land	Buildings	Plant, machinery and equipment	Furniture, equipment and fixtures	Vehicles	Computer equipment	Capital work in progress	Installed catalysts	Total
Year ended 31 March 2016									
Opening net book amount	200,000	7,545,345	76,296,576	370,711	227,148	1,052,194	2,784,327	2,415,221	90,891,522
Additions	-	-	-	-	-	-	2,955,655	78,731	3,034,386
Write off	-	(894,948)	(1,211,845)	(43,775)	(59,307)	(3,823)	-	-	(2,213,698)
Transfers	-	172,454	4,840,727	13,253	-	114,176	(5,140,610)	-	-
Transfer to intangibles	-	-	-	-	-	-	(16,340)	-	(16,340)
Depreciation and depletion charge	-	(639,921)	(6,059,407)	(66,306)	(49,522)	(325,317)	-	(447,345)	(7,587,818)
Depreciation related to write off	-	674,194	1,161,764	41,870	59,307	3,823	-	-	1,940,958
Closing net book amount	**200,000**	**6,857,124**	**75,027,815**	**315,753**	**177,626**	**841,053**	**583,032**	**2,046,607**	**86,049,010**
At 31 March 2017:									
Cost	200,000	24,395,857	250,168,582	2,269,368	1,593,414	4,836,747	583,032	14,842,192	298,889,192
Accumulated depreciation and depletion	-	(17,538,733)	(175,140,767)	(1,953,615)	(1,415,788)	(3,995,694)	-	(12,795,585)	(212,840,182)
Net book amount	**200,000**	**6,857,124**	**75,027,815**	**315,753**	**177,626**	**841,053**	**583,032**	**2,046,607**	**86,049,010**

The company's head office building and a portion of plant, machinery and equipment are constructed on a land leased from the government of Kuwait for a renewable period of twenty five years maturing on 25 June 2023. The depreciation and depletion charge has been allocated in the statement of income as follows:

	Year ended 31 March	
	2017	**2016**
Cost of sales	**7,174,390**	7,241,025
Distribution, general and administrative expenses	**413,428**	397,935
	7,587,818	7,638,960

9 INVESTMENTS IN ASSOCIATES

Set out below are the associates of the company as at 31 March 2017 and 31 March 2016. The associates listed below have share capital consisting solely of ordinary shares, which are held directly by the company; the country of incorporation is also their principal place of business as at 31 March.

Name of the company	*Country of incorporation*	*Principal activity*	*Percentage of ownership*		As at 31 March	
			2017	**2016**	**2017**	**2016**
EQUATE Petrochemical Company K.S.C.C. ("EQUATE")	Kuwait	Petrochemical industries	**42.50%**	42.50%	**72,147,433**	75,497,257
Kuwait Aromatics Company K.S.C.C. ("KARO")	Kuwait	Petrochemical industries	**40.00%**	40.00%	**148,003,026**	123,902,701
The Kuwait Olefins Company K.S.C.C. ("TKOC")	Kuwait	Petrochemical industries	**42.50%**	42.50%	**74,195,535**	74,641,923
Gulf Petrochemical Industries Company B.S.C. ("GPIC")	Bahrain	Petrochemical industries	**33.33%**	33.33%	**47,435,409**	38,434,629
SK Advance Co. Ltd. ("SK") *	South Korea	Petrochemical industries	**25.00%**	-	**34,703,744**	-
EQUATE Marketing Company E.C. ("EMC")	Bahrain	Marketing	**49.90%**	49.90%	**87,814**	86,967
					376,572,961	312,563,477

* During the year, the company acquired 25% of the issued shares of SK Advance Co. Ltd. ("SK"). The associate is principally engaged in petrochemical industrial activities. The company paid a consideration of KD 30,341,767 to acquire 850,165 shares which represents 25% from the investee company's equity.

The fair value of the acquired shares amounted to USD 118.4 per share (equivalent to KD 35.69 per share) as per valuation study performed by independent valuator using the average value of the outcome of three different approaches (income approach, market approach and transaction approach) in determining the fair value of these shares. No goodwill nor gain on bargain purchase was recognised from this transaction.

The company's share in the contingent liabilities of associates was KD 8,680,153 (2016: KD 20,951,989) representing letters of guarantee issued to third parties (Note 24). In addition, assets relating to one of the associates (KARO) in which the company's share amounting to KD 159,678,229 (2016: KD 165,167,630) are pledged as a security against debt facilities received by those associates.

In prior year, one of the associates (EQUATE) had entered into a USD 6 billion (equivalent to KD 1,801,158,000) bridge facility agreement with various international, regional and local banks. EQUATE is jointly and severally a guarantor with TKOC. The debt contains a financial covenant that the ratio of net debts to earnings before interest taxes, depreciation, and amortisation ("EBTIDA") for the twelve month period ended on the last day of the calendar year shall not exceed 4.0:1 for the combination of both associates who are also guarantors listed above. During the year, EQUATE has repaid the full bridge facility. As at 31 December 2016, there was no outstanding amount under the bridge facility.

On 23 June 2016, EQUATE has entered into a USD 5 billion (equivalent to KD 1,526,250,000) long term loan with a consortium of banks. The term loan consisted of USD 2 billion Tranche A 5-years bullet facility, USD 2 billion Tranche B 3-years bullet facility, and USD 1 billion 3 years revolving credit facility. EQUATE is jointly and severally a guarantor with TKOC for the term loan and the customary covenants on the credit facilities.

During the year, EQUATE has entered into USD 4 billion (equivalent to KD 1,221,000,000) global medium term note programme and issued notes. The payments of all amounts due in respect to the notes are unconditionally and irrevocably guaranteed by EQUATE and TKOC. In addition, EQUATE has entered into a 2 billion (equivalent to KD 610,500,000) Sukuk Programme guaranteed by TKOC.

Summarised financial information (for significant associates):

The tables below provide summarised financial information for Equate Petrochemicals Company K.S.C. (Closed) ("EQUATE"), Kuwait Aromatics Company K.S.C.C. ("KARO"), The Kuwait Olefins Company K.S.C.C. ("TKOC") and Gulf Petrochemical Industries Company B.S.C. ("GPIC") which, in the opinion of management, are significant to the company. The information below reflects the amounts presented in the financial statements of the associates and not the company's share of those amounts. As the fiscal year end of those associates is 31 December, the below information is extracted from their audited financial statements as of that date.

Summarised statement of financial position as at 31 December

	EQUATE		KARO		TKOC		GPIC	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Current								
Assets	**689,294,166**	637,078,185	**483,483,644**	516,087,042	**61,038,770**	86,544,534	**34,838,524**	18,507,987
Liabilities	**(206,959,500)**	(1,705,658,220)	**(171,638,717)**	(235,993,013)	**(59,974,299)**	(64,146,960)	**(8,855,180)**	(34,245,854)
Total current net assets	**482,334,666**	(1,068,580,035)	**311,844,927**	280,094,029	**1,064,471**	22,397,574	**25,983,344**	(15,737,867)
Non-current								
Assets	**1,398,655,500**	1,540,467,180	**502,464,392**	581,246,538	**289,547,635**	310,704,305	**132,767,769**	138,681,778
Liabilities	**(1,711,231,500)**	(294,246,540)	**(444,301,754)**	(551,583,814)	**(116,034,377)**	(157,473,825)	**(16,430,654)**	(7,628,492)
Total non-current net assets	**(312,576,000)**	1,246,220,640	**58,162,638**	29,662,724	**173,513,258**	153,230,480	**116,337,115**	131,053,286
Net assets	**169,758,666**	177,640,605	**370,007,565**	309,756,753	**174,577,729**	175,628,054	**142,320,459**	115,315,419
Ownership percentage	**42.50%**	42.50%	**40.00%**	40.00%	**42.50%**	42.50%	**33.33%**	33.33%
Company's interest	**72,147,433**	75,497,257	**148,003,026**	123,902,701	**74,195,535**	74,641,923	**47,435,409**	38,434,629
Summarised statement of comprehensive income for the year ended 31 December								
Revenue	**1,100,804,580**	513,274,720	**379,241,825**	478,450,889	**176,549,726**	206,957,644	**73,447,873**	88,354,867
Expenses	**(975,902,832)**	(392,359,478)	**(322,596,747)**	(444,546,577)	**(97,190,256)**	(107,222,850)	**(72,615,775)**	(72,883,070)
Profit for the year	**124,901,748**	120,915,242	**56,645,078**	33,904,312	**79,359,470**	99,734,794	**832,098**	15,471,797
Other comprehensive (loss) income / equity movement	**(2,114,028)**	(2,998,100)	**-**	-	**-**	-	**(488,335)**	(1,163,099)
Total comprehensive income	**122,787,720**	117,917,142	**56,645,078**	33,904,312	**79,359,470**	99,734,794	**343,763**	14,308,698
Reconciliation of the company's share of profit for the year ended 31 December								
Company's share in net profit before Zakat	**53,651,011**	53,351,489	**22,688,232**	13,561,725	**34,076,891**	43,392,880	**277,338**	5,156,750
Company's share in Zakat *	**(567,768)**	(4,356,718)	**(30,200)**	(2,207,201)	**(349,117)**	(2,207,201)	**-**	-
Company's share of results	**53,083,243**	48,994,771	**22,658,032**	11,354,524	**33,727,774**	41,185,679	**277,338**	5,156,750

* Zakat adjustment represents Zakat attributable to Kuwaiti Shareholders only after allowable deductions. The company's share of Zakat adjustment for Equate and TKOC is KD 576,768 and KD 349,117 (2016: KD 4,356,718 and KD 2,207,201) respectively which includes the share of Zakat not allocated to a foreigner shareholder.

Individually insignificant associates

In addition to the interest in the associates disclosed above, the company also has interests in a number of individually insignificant associates that are accounted for using the equity method.
The carrying amount of the insignificant interests in all individually insignificant associates that are accounted for using the equity method is as follows:

	Year ended 31 March	
	2017	**2016**
Aggregate carrying amount of individually insignificant associates	**34,791,558**	86,967
Aggregate amounts of the reporting entity's share of:		
Profit for the year	**2,854,892**	4
Exchange differences	**1,507,932**	461

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates:

Summarised financial information for the year ended 31 December

	EQUATE		KARO		TKOC	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Opening net assets at beginning of the year	**177,640,605**	174,818,753	**309,756,753**	274,109,635	**175,628,054**	174,185,911
Profit for the year before Zakat adjustment	**126,237,672**	125,532,916	**56,720,579**	39,422,315	**80,180,921**	102,100,895
Zakat adjustment	**(1,335,924)**	(4,617,674)	**(75,501)**	(5,518,003)	**(821,451)**	(2,366,101)
Dividends paid	**(126,028,588)**	(119,682,053)	**-**	-	**(80,321,285)**	(100,908,551)
Re-measurement of retirement benefits obligations	**(2,416,032)**	(4,542,224)	**-**	-	**-**	-
Foreign currency translation reserve	**(4,339,067)**	6,130,887	**3,605,734**	1,742,806	**(88,510)**	2,615,900
Closing net assets	**169,758,666**	177,640,605	**370,007,565**	309,756,753	**174,577,729**	175,628,054
Ownership percentage	**42.50%**	42.50%	**40.00%**	40.00%	**42.50%**	42.50%
Company's interest	**72,147,433**	75,497,257	**148,003,026**	123,902,701	**74,195,535**	74,641,923
Carrying value	**72,147,433**	75,497,257	**148,003,026**	123,902,701	**74,195,535**	74,641,923

Summarised financial information for the year ended 31 December

	GPIC		EMC		SK Advance Co. Ltd.	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Opening net assets / consideration paid at beginning of the year / period	**115,315,419**	100,964,995	**174,282**	173,351	**121,367,068**	-
Profit for the year before Zakat adjustment	**832,098**	15,471,797	**11**	8	**11,419,548**	-
Reversal of dividends previously declared*	**25,541,263**	-	**-**	-	**-**	-
Re-measurement of retirement benefits obligations	**(488,335)**	(1,163,099)	**-**	-	**-**	-
Foreign currency translation reserve	**1,120,014**	41,726	**1,687**	923	**6,028,360**	-
Closing net assets	**142,320,459**	115,315,419	**175,980**	174,282	**138,814,976**	-
Ownership percentage	**33.33%**	33.33%	**49.90%**	49.90%	**25.00%**	-
Company's interest	**47,435,409**	38,434,629	**87,814**	86,967	**34,703,744**	-
Carrying value	**47,435,409**	38,434,629	**87,814**	86,967	**34,703,744**	-

*During the AGM dated 26 March 2017, the shareholders of GPIC approved the reversal of dividends previously declared and unpaid. This has resulted in a reclassification of KD 8,512,903 (which represents the company's share in these dividends).

10 AVAILABLE FOR SALE FINANCIAL ASSET

	As at 31 March	
	2017	**2016**
Quoted securities		
10% interest in Qurain Petrochemical Industries Company K.S.C.P.	**37,400,000**	21,120,000

The movement during the year is as follows:

	Year ended 31 March	
	2017	**2016**
Balance at the beginning of the year	**21,120,000**	22,000,000
Changes in fair value	**16,280,000**	(880,000)
Balance at the end of the year	**37,400,000**	21,120,000

11 AMOUNT DUE FROM THE ULTIMATE PARENT COMPANY

In accordance with the company's memorandum of association, an amount equal to statutory reserve is transferred to the ultimate parent company and the accumulated balance is free of interest. The increase in statutory reserve in the current year will be transferred to the ultimate parent company after these financial statements are approved by the annual general assembly.

Due from the ultimate parent company has been classified as non-current since the management of the company does not intend to request repayment in the next year.

The fair value of due from the ultimate parent Company approximates its carrying amount as at the reporting date.

12 SPARE PARTS

	Year ended 31 March	
	2017	**2016**
Spare parts	**12,834,667**	12,185,059
Provision for slow moving and obsolete spare parts	**(537,668)**	(469,167)
	12,296,999	11,715,892

Movement in the provision for slow moving and obsolete spare parts is as follows:

	Year ended 31 March	
	2017	**2016**
Opening balance	**469,167**	646,877
Write-off during the year	**-**	(177,710)
Charge for the year	**68,501**	-
Ending balance	**537,668**	469,167

Provision for slow moving and obsolete spare parts charged during the year included in the cost of sales in the statement of income.

13 OTHER ASSETS

	As at 31 March	
	2017	**2016**
Amount due from the Public Authority for Industry (PAI)	**57,463,349**	57,463,349

Amount due from the Public Authority for Industry (PAI) represents costs incurred by the company to construct a sea water cooling tower on behalf of PAI which was supposed to be transferred to PAI upon completion of construction. The construction of the project started in May 2006 and was completed in 2009. On 19 November 2009, the Board of Directors of PAI approved the transfer subject to the approval of Fatwa and Legislation Bureau which was obtained in October 2012. Various communications were made between both parties towards finalising the transfer; however, due to budgetary constraints of PAI, the project has not been transferred till date.

The management of the company is currently negotiating the transfer of the project balances to an associated company after reaching a final agreement with the governmental entity about the ownership of that project. A committee was formed in the previous year to finalise the necessary due diligence on the project. The company and its associated company agreed to transfer the asset net of related liabilities (note 21) at its net carrying value as of 30 April 2015 amounting to KD 32,136,910. No transactions has been recognized in connection with this project after 30 April 2015. The company is holding the transfer of the project's net cash inflows until a final settlement is made.

The fair value of other assets approximates its carrying amount as at the reporting date.

14 INVENTORIES

	As at 31 March	
	2017	**2016**
Finished products	**4,494,692**	1,500,901
Catalyst and chemicals	**584,167**	590,759
Packing materials	**169,108**	411,061
	5,247,967	2,502,721

15 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	As at 31 March	
	2017	**2016**
Trade receivables	**22,799,413**	19,186,008
Dividends receivable (Note 16)	-	8,512,903
Prepayments	**418,709**	265,568
Other receivables	**862,532**	1,986,697
	24,080,654	29,951,176
Provision for impairment of accounts receivable	**(65,634)**	(65,634)
	24,015,020	29,885,542

During the AGM dated 26 March 2017, the shareholders of GPIC approved the reversal of dividends previously declared and unpaid. This has resulted in a reclassification of KD 8,512,903 (which represents the company's share in these dividends).

The fair value of accounts receivable approximates its carrying amount as at the reporting date.

16 RELATED PARTIES

Related parties represent ultimate parent company, associates, directors and key management personnel of the company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the management.

The company has entered into a variety of transactions with the above related parties. In particular, the company has significant transactions with EQUATE Petrochemical Company K.S.C.C. and Gulf Petrochemical Industries Company B.S.C.C.

The company also purchases raw materials, being gas and propylene, from the ultimate parent company and other related parties.

The principal transactions with related parties included in the statement of income and other comprehensive income are as follows:

	Ultimate parent company	Associates	Joint ventures	Total 2017	Total 2016
				Year ended 31 March	
Purchases	**(29,849,027)**	**(2,528,383)**	**-**	**(32,377,410)**	(26,396,159)
Cost of production	**-**	**(11,069,309)**	**-**	**(11,069,309)**	(11,656,938)
Marketing fees received	**-**	**1,542,092**	**-**	**1,542,092**	1,596,101
Share of results of associates	**-**	**112,601,279**	**-**	**112,601,279**	108,898,929
Share of results of joint ventures	**-**	**-**	**-**	**-**	48,719,125
Interest income	**4,363,024**	**-**	**-**	**4,363,024**	2,226,249
General and administrative expenses	**(7,701,434)**	**-**	**-**	**(7,701,434)**	(7,029,785)
Share of associates' retirement benefits obligations reserve	**-**	**(1,201,943)**	**-**	**(1,201,943)**	(2,318,106)

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

	Ultimate parent company	Associates	Other related parties	Total 2017	Total 2016
				As at 31 March	
Investments in associates	**-**	**376,572,961**	**-**	**376,572,961**	312,563,477
Amount due from the ultimate parent company (Note 11)	**196,430,660**	**-**	**-**	**196,430,660**	153,342,674
Dividends receivable (Note 15)	**-**	**-**	**-**	**-**	8,512,903
Amounts due from related parties	**-**	**-**	**759,030**	**759,030**	940,420
Bank balances and deposits (Note 17)	**272,130,375**	**-**	**-**	**272,130,375**	623,363,787
Amounts due to related parties	**-**	**-**	**747,371**	**747,371**	1,289,180
Dividends payable (Note 23)	**117,063,874**	**-**	**-**	**117,063,874**	385,162,554

The fair value of amounts due from and to related parties approximates their carrying amounts as at the reporting date. Amounts due from / due to related parties are repayable on demand except for the amount due from the ultimate parent company which is considered non-current.

Compensation of key management personnel:

	2017	2016
	Year ended 31 March	
Salaries and short-term benefits	**1,968,888**	1,943,151
Employees' end of service benefits	**1,712,934**	1,636,142
Board of directors' remuneration	**42,692**	43,628
	3,724,514	3,622,921

17 BANK BALANCES, DEPOSITS AND CASH

	As at 31 March	
	2017	**2016**
Cash at banks	**1,768,962**	3,157,309
Short term deposits	**272,130,375**	623,363,787
	273,899,337	626,521,096

Term deposits represent deposits with the ultimate parent company with a maturity lesser than three months from the placement date (Note 16).
The interest rate on deposits ranges between 1.2% and 1.7% (2016: 0.65% and 1.5%) per annum.
The fair value of bank balances, deposits and cash approximates its carrying amount as at the reporting date.

18 SHARE CAPITAL

Authorised, issued and paid-up capital consists of 600,000,000 shares (2016: 600,000,000 shares) of KD 1 (2016: KD 1) per share.

19 STATUTORY RESERVE

As required by the Companies law No. 1 of 2016, its executive regulation and the company's memorandum of association, 10% of the profit for the year before board of directors' remuneration is to be transferred to statutory reserve. The company may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital.
Distribution of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when accumulated profits are not sufficient for the payment of a dividend of that amount. A transfer to statutory reserve amounting to KD 13,011,840 has been made for the year ended 31 March 2017 (2016: KD 43,087,986).

20 EMPLOYEES' END OF SERVICE BENEFITS

	Year ended 31 March	
	2017	**2016**
Opening balance	**39,985,386**	41,580,033
Provided during the year	**4,322,289**	7,025,529
End of service benefits paid	**(5,305,236)**	(8,620,176)
Ending balance	**39,002,439**	39,985,386

21 OTHER LIABILITIES

	As at 31 March	
	2017	2016
Sea water cooling tower operational account with EQUATE		
Petrochemical Company K.S.C.C. (net)	**25,326,439**	25,326,439

Sea water cooling tower operational account represents the following:

	Year ended 31 March	
	2017	2016
Cash received in respect of operating the Sea water cooling tower on behalf of the Public Authority for Industry	**40,802,550**	40,802,550
Cash paid in respect of operating the Sea water cooling tower on behalf of the Public Authority for Industry	**(15,476,111)**	(15,476,111)
	25,326,439	25,326,439

The fair value of other liabilities approximates their carrying amount as at the reporting date.

22 ACCOUNTS PAYABLE AND ACCRUALS

	As at 31 March	
	2017	2016
Trade creditors	**3,811,008**	4,174,806
Accrued expenses	**33,995,116**	29,089,062
Other payables	**735,384**	2,165,811
	38,541,508	35,429,679

At the reporting date, an amount of KD 42,692 (2016: KD 43,628) is included in accrued expenses and represents the board of directors' remuneration for the year ended 31 March 2017. This amount is subject to the approval of the annual general assembly.

The fair value of accounts payable and accruals approximates its carrying amount as at the reporting date.

23 DIVIDENDS PAYABLE

As per the company's memorandum of association, all profit available for distribution at the reporting date will be transferred to the ultimate parent company.
Movement in dividends payable is as follows:

	Year ended 31 March	
	2017	**2016**
Opening balance	**385,162,554**	160,902,034
Profit for the year	**130,075,714**	430,836,230
Transfer to statutory reserve	**(13,011,840)**	(43,087,986)
Transfer of joint venture's retirement benefits obligations reserve on sale of a joint venture	**-**	(2,585,690)
Dividends paid	**(385,162,554)**	(160,902,034)
Ending balance	**117,063,874**	385,162,554

24 COMMITMENTS AND CONTINGENCIES

	As at 31 March	
	2017	**2016**
Contingent liabilities		
Letters of credit	**-**	28,687
Letters of guarantee	**16,340**	28,336
	16,340	57,023

The company's share in the contingent liabilities of associates was KD 8,680,153 (31 March 2016: KD 20,951,989) representing letters of guarantee issued to third parties (Note 9).

25 EXPENDITURE COMMITMENTS

	As at 31 March	
	2017	**2016**
Capital expenditure commitments		
Estimated capital expenditure relating to property, plant and equipment	**2,946,998**	3,731,687