شركة البترول الوطنية الكويتية
KNPC
A Subsidiary of Kuwait Petroleum Corporation

ANNUAL
REPORT

Facing Challenges
2019/2020

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SABAH AL-AHMED AL-JABER AL-SABAH
Amir of the State of Kuwait

His Highness Sheikh
NAWAF AL-AHMED AL-JABER AL-SABAH
Crown Prince of the State of Kuwait

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CEO Statement

At the outset of presenting the financial report for the Fiscal Year 2019/2020, I would like to express my deep appreciation to all employees of Kuwait National Petroleum Company for the successful inauguration of all units of Mina Al-Ahmadi Refinery (MAA) Package pertinent to the Clean Fuels Project (CFP), whereas the production units started to operate at full capacity. As well, the two packages of Mina Abdullah Refinery (MAB) are nearing completion. By the end of the fiscal year 2019/2020, the execution of MAB-1 Package reached to 98.11%, and MAB-2 to 99.83%.

A number of important CFP units at MAB Refinery, such as the Diesel Production Unit 216 which will produce ultra-low sulfur diesel (ULSD) in compliance with international requirements, were also successfully inaugurated.

Thus, a new phase awaits us all with the management and operation of all units of this vital mega project to achieve the expected multiple benefits, such as raising our conversion capabilities, adding value to Kuwaiti national resources, and maximizing profit margin to name a few. We shall produce low environmental impact clean products which will increase our competitiveness and allow us to enter new markets.

Work is also going on in the 5th Gas Train Project, another vital endeavor for the advancement of the Kuwaiti oil industry and providing local and international markets with clean energy. The project is due for commissioning just before the end of next fiscal year.

The advanced new technologies we now have create challenges of a special nature. I have full confidence in our staff who spent the past period in continuous training to acquire technical know-how, management knowledge and high skills just to ensure the operation of our new production units efficiently in accordance with the targeted capacity, and with the highest level of reliability and safety without unscheduled shutdowns.

We are fully aware that we must focus on consolidating our national human capabilities to manage our vital facilities, being the pillar of the national economy, in order to achieve the highest return from our oil wealth.

Based on our constant concern for KNPC to be an attractive employer for the national manpower, 217 new employees were recruited during this year, out of whom 192 are Kuwaiti employees. Among the positive indicators is that 73 employees have completed the Structured On-Job Training program (SOJT) during this year, making the total number of SOJT trainees since the outset of the program 800. By this, we have now a competent cadre with specialized technical and practical skills to run our new facilities.

Since among the top priorities of the company is the safety of employees thereof, its procedures, measures and professional systems have resulted in avoiding major incidents during this Fiscal Year. Actually, we are contented that the average risk of injuries and lost time incidents over the past three years demonstrated a descending trend, thanks to God Almighty and the employees' efforts and dedication.

Unfortunately, the outbreak of the novel Corona virus (Covid-19) pandemic has occurred during the preparation for the CFP units inauguration at MAA Refinery, which forced us to postpone it until a later time.

Despite the seriousness of this virus, and the need to adhere to strict health rules to prevent its spread, our operational business continued as planned, so as to ensure that all oil supply needs of the local and global markets were met.

This pandemic came at a time when the global oil markets were experiencing fluctuations and uncertainty, the thing which made the situation even worse, and led to a sharp collapse in oil prices, reaching to extremely unprecedented low levels, thus threatening the oil industry long time stability.

It goes without saying that low oil prices expose our oil sector and economy to countless risks that require taking unprecedented measures to eliminate unnecessary spending. We have to re-arrange the priorities of our business and lay out new principles for our work and practices in all Departments, and at all levels, be it at the company, or the employee's level.

This year, we have achieved a refining rate of 619,000 BPD, which is lower than that of the last year due to suspending some production units for tie-ups and operating the CFP new units. The average of gas feedstock has reached 1,682 million standard cubic feet per day (scfpd). Thus, the total KNPC product sales achieved were KD 6,882 million this year, compared to KD 8,918 million during the past year.

This year, we inaugurated 5 new filling stations in the new cities of Sabah Al-Ahmad and Jaber Al-Ahmad as well as in Northwest Sulaibikhat, which is part of our plan to build new and modern stations in different parts of the country to serve the new residential expansion areas, and reduce congestion inside the filling stations.

Preserving the environment still occupies top priority in our Strategy and Values. The company is now laying out an efficient system for energy management, and applying constant methodology to minimize its consumption and cost thereof, which leads us to achieve several environmental benefits. We are highly concerned in preserving the environment and air quality all across our projects, including that of CFP.

We have installed solar energy panels in 10 filling stations to provide renewable electrical power. The company is also working to introduce the concept of renewable energy into its project to build 99 new filling stations in different areas in Kuwait.

Due to its high commitment for Corporate Social Responsibility, and in first of its kind step in Kuwait as well as the Gulf region, the company formed a Social Welfare Committee to inform foreign employees in its projects of their rights. Tours in CFP sites, in which about 50 thousand employees work, were carried out. As well, regular checks on workplaces and residence, took place to ensure a decent and stable work environment.

In a significant step, Kuwait Petroleum Corporation CEO of the Kuwait Petroleum Corporation endorsed the sustainability policy, to which KPC and subsidiaries adhere. This policy demonstrates the company's responsibility in supporting the national economy, and its efforts to improve and maintain safety levels and environment preservation, deeming sustainability as part of every business thereof.

In conclusion, despite the volatility the oil industry is going through, we are quite optimistic to achieve a prosperous future for the company and Kuwaiti generations. What we have achieved in this Fiscal Year mirrors all KNPC employees performance of duties carried out with high efficiency and sincere efforts in all sites.

I would like hereby to express, in my name and on behalf of the Members of the Board of Directors and Senior Management, my sincere gratitude and appreciation to all, wishing that this good job will keep powering ahead.

May Almighty God bless you all!

Waleed Khaled Al-Bader

Chief Executive Officer

Remarkable Achievements during 2019/2020

- Commissioning the entire CFP units at MAA
- Executing 98.11% of MAB-1, and 99.83% of MAB-2 CFP packages
- Commissioning Diesel Production Unit No. 216 at MAB as well as the Low Sulfur Diesel Production Unit No. 144 at MAA
- Five new filling stations were inaugurated in the new cities of Sabah Al-Ahmad, Jaber Al-Ahmad and Northwest Sulaibikhat
- Groundbreaking ceremony for Ahmadi Depot Expansion Project
- Company's total sales amounted to KD 6,882 million
- Total revenues amounted to KD 7,549 million

Company's Revenues
7,549
Million Kuwaiti Dinars

Executing
99.83 %
Of CFP MAB-2 Package

Key Performance Indicators (KPI)

	2017/2018	2018/2019	2019/2020
Financial Indicators (Million KD)			
Total KNPC products sales	7,052.0	8,918.0	6,882.0
Total KAFCO sales	146.1	174.9	157.8
Total Kuwait Aromatics Co. sales	-	144.6	498.4
Total Local Marketing sales*	529.0	566.6	581.1
Net profits	134.6	(213.1)	(61.8)
Total operational expenditure	686.4	816.7	718.8
Capital expenditure	1,098.0	549.3	436.6
Changes in total fixed assets	2,012.6	881.2	64.9
Average Crude Oil feedstock (x000 bpd)			
Mina Abdullah Refinery	270.7	270.6	256.2
Mina Al-Ahmadi Refinery	396.3	421.8	363.2
Total	667.0	692.4	619.4
Sales			
Products exported to global markets (x000 metric ton)	25,503.0	27,508.2	22,964.6
Fuel to Local Marketing (million liters)	6,558.0	6,851.8	6,916.7
Fuel to Ministry of Electricity & Water (million liters)	7,405.6	6,707.4	6,848.3
Bitumen (x000 metric ton)	147,6	229.7	301.0
Manpower			
Manpower as at the end of the Fiscal Year**	6,209	6,378	6,322

(*) Sales of petroleum products in the local market include sales on behalf of KPC and KNPC

(**) Including KAFCO manpower totaling 58 employees compared to 66 as per budget

البترول الوطنية
KNPC
إحدى شركات مؤسسة البترول الكويتية
A Subsidiary of Kuwait Petroleum Corporation

KNPC 2040

Following the launching of KNPC 2040 Strategy, in line with KPC Strategy, aiming to enhance the company's capabilities and operational efficiency, a review of this Strategy has been conducted taking into consideration the increasing difficulties facing the oil industry in general, and the downstream industry in particular, in light of the low profit margin and sharp fluctuations in the global oil markets, associated with increased competitiveness.

Among the most significant pillars included in the Strategy was to increase the refining capacity of the Kuwaiti oil sector to 1.4 million bpd in 2020, and 1.6 million bpd in 2025.

Furthermore, the Strategy aims to produce high-quality petroleum products with low sulfur content, in line with the increasingly stringent environmental conditions in various parts of the world, the thing which opens the way for our products to reach new global markets, and simultaneously to provide the local market with clean gasoline for cars, as well as other clean products that contribute greatly to protecting the Kuwaiti environment.

Another significant pillar in the 2040 Strategy was to enhance the company's conversion capacity of fuel oil and low-value residues into high-value products, which would generate additional financial returns from the Kuwaiti crude.

OUR VALUES

INTEGRITY

Acting in a trustworthy manner with the highest standards of ethics, respect and honesty

INNOVATION

Developing and embracing new ideas, methods and approaches to solving challenges that create value

EXCELLENCE

Encouraging high performance, continuous improvement and customer focus

ONE TEAM

Caring for the interests of KPC and ensuring alignment to achieve Corporate and State goals

Strategy

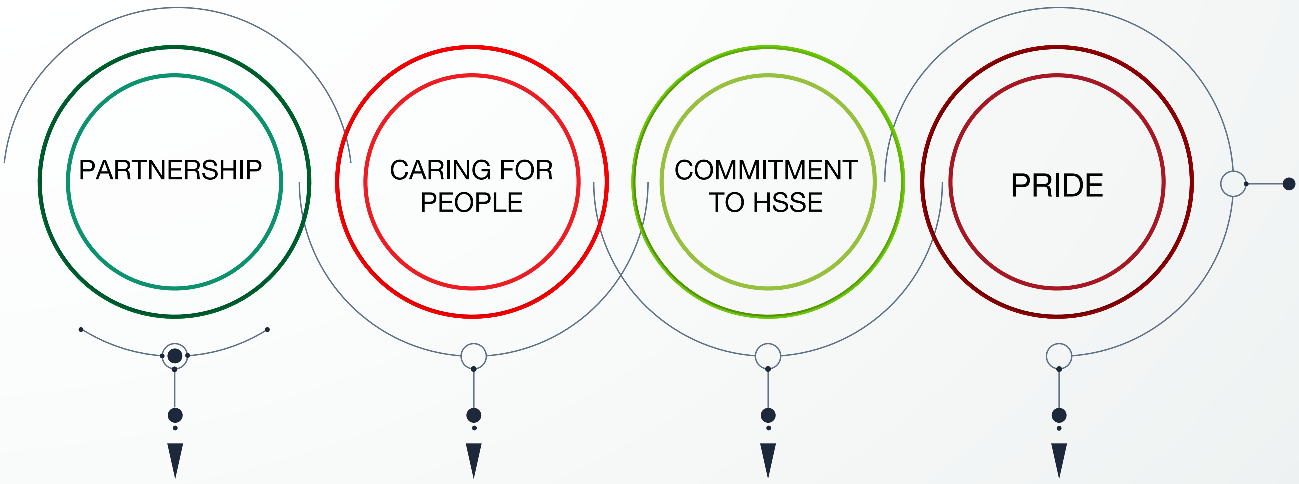
Likewise, the Strategy includes improving reliability of the company's refineries and facilities to operate at their maximal capacity by reducing unscheduled shutdowns, preventing any accidents of any type or size, and utilizing energy of all forms with high efficiency, while expanding the use of alternative energy in the company's facilities and installations.

Among the main Strategy objectives is to develop integration between K-companies, especially between the refining and petrochemicals industries. This reduces expenditures in various stages of production and gives Kuwaiti petroleum products stronger competitive edge.

In light of the regular reviews, KPC 2040 strategic directions have been updated in order to determine the validity of the principles and assumptions on which the strategic directions were established, and the extent to which they are affected by internal and external changes.

KPC Board of Directors and the Supreme Petroleum Council approved the new directions, whereas 2040 Strategy pertinent to downstream and petrochemical sector has been updated.

KNPC participated in this update through various Committees at all levels. It also chaired the downstream, marketing and petrochemical industry in this business, with the presence of representatives from other K-companies.



Building and sustaining relationships that support growth and enhance operational excellence

Creating a culture where people develop, grow and are positively motivated to contribute to the success of others

Respecting the environment and ensuring safety, security and the promotion of a healthy workplace wherever KPC operates

Creating employee satisfaction on an individual level and promoting a sense of loyalty and belonging to KPC

Chapter One

Oil Refining & Gas Processing

Both Mina Al-Ahmadi and Mina Abdullah refineries continued the assigned tasks with high efficiency, the commitment to achieve the top level of reliability and strictly following health, safety and environment systems.

The tie-in operations with CFP units at MAA have been completed, wheras the operations at MAB are nearing completion.

The total refined quantities at both refineries reached 226.4 million barrels, compared to 252.7 million barrels in the previous Fiscal Year.

Crude Oil Refining

Refining operations continued, but less than planned, due to delays in some CFP units. All MAA package units have commenced operations, and the production units of the two MAB packages are nearing completion.

The crude oil refining rate in the company's two refineries during FY 2019/2020 was about 619.4 thousand bpd, which is lower than the 692.4 thousand bpd average of FY 2018/2019. The reason for this decrease is due to the delay in commissioning the CFP.

The total refined quantities at both refineries reached 226.4 million barrels during FY 2019/2020, compared to 252.7 million barrels in the previous FY.

Mina Al-Ahmadi Refinery

During FY 2019/2020, the total refined crude oil at MAA reached 132.6 million barrels, compared to 154.0 million barrels during the previous year, while the crude oil feedstock averaged 363.2 mbpd compared to 421.8 mbpd during FY 2018/2019.

Total products exported from MAA during this year amounted to around 8,418 thousand metric tons, in addition to around 623.3 thousand metric tons of sulfur.

Mina Al-Ahmadi Refinery

MAA Outstanding Achievements

Work has successfully started in all CFP units in MAA package, and they have been commissioned in strict compliance with health, safety and environmental requirements. Most important of units are:

- Low Sulfur Diesel Unit No. 144 (with 10 ppm)

- LPG Processing Unit No. 125, which contributes to improving the quality of liquefied gas by reducing the olefins content (to 100 ppm)

- Isopentane separation unit 137, and isopentane treatment unit 138 in the gas plant. These two units contribute to the development of the final product by blending isopentane to improve octane in the gasoline product

- Vacuum Distillation Unit No. 183, which helps in enhancing the company's operational capabilities and upgrading the conversion capacity

- Gasoline Unit No. 107 (Isomerization Unit)

- Delayed Coker Unit (DCU), and Naphtha Processing Unit.

MAA has been able to convert the production of bunker fuel oil with low sulfur content from 3.5% down to 0.5%, in line with the new regulations of the International Maritime Organization (IMO) to be implemented as from 1.1.2020, which gives the company lead over other downstream companies.

Gasoline Production Unit 107 - MAA

Mina Abdullah Refinery

During FY 2019/2020, the total refined quantities of crude oil at the refinery reached 93.8 million barrels compared to 98.8 million barrels during the past FY, with a feedstock averaged 256.2 mbpd compared to 270.6 mbpd in 2018/2019.

The decline was mainly due to the closure of the two Crude Distillation Units No.1 and 11 for maintenance.

Total exported petroleum products amounted to approximately 8,275.6 thousand metric tons from the Sea Island, in addition to about 509.6 thousand metric tons of petroleum Coke from Shuaiba Port, as well as about 412.5 thousand metric tons to Petroleum Coke Industries Company (PCIC) were transported in trucks. Furthermore, Kuwait Paraxylene Production Co. was also supplied with approximately 2,681.2 thousand metric tons of Naphtha.

MAB Outstanding Achievements

- Inauguration of Diesel Production Unit No. 216 for producing low-sulfur diesel
- Converting the feedstock of diesel production Unit No. 16 in MAB to kerosene. The Unit increases the operational flexibility of the refinery
- Producing and exporting of low-sulfur diesel (10 ppm)
- Supplying "Salwa" Tanker with a low-sulfur (0.5%) bunker fuel oil, to be the first tanker being supplied with this high quality fuel, which the company produces in accordance with the IMO regulations
- Extending the service life of the Hydro Cracking Unit HCR-14 to four years instead of three

Mina Abdullah Refinery

- Applying the Profitability Improvement Program (PIP), resulting in significant financial gains of US$ 117 million

- Launching the self-drainage system in several tanks in the refinery, which cuts the production of oil residues, polluted water, and lessens harmful odors

- Starting a study of groundwater within the refinery campus, in collaboration with the Kuwait Institute for Scientific Research. A well has been drilled to extract the water therefrom so as to study its contamination with oil products, and determine the treatment plan

- Completing the feasibility study and engineering design to assess the accuracy of MAB island facilities


Low Sulfur Diesel Unit at MAA

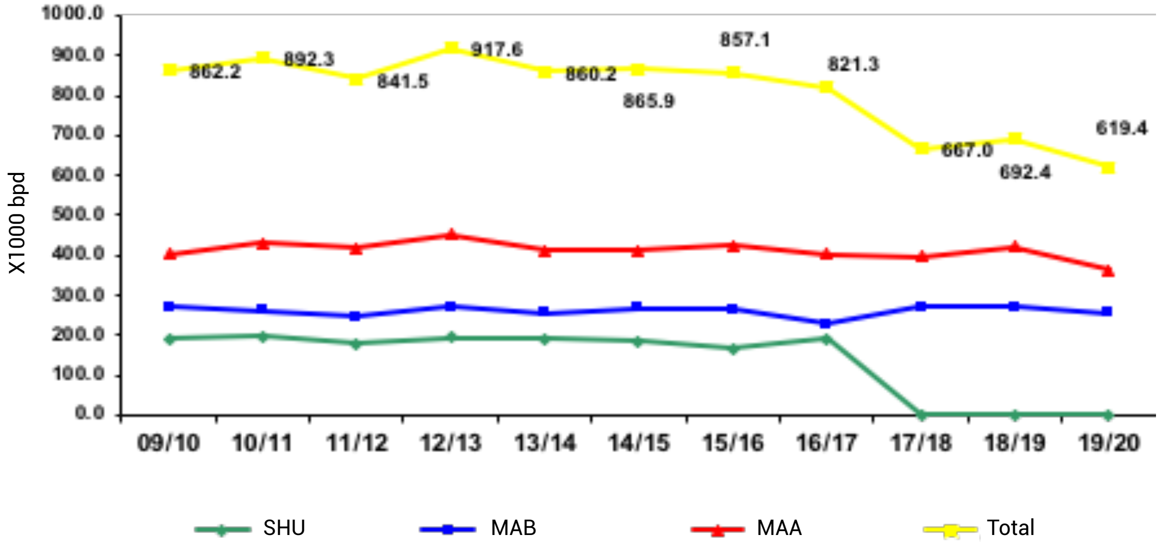
Production of Both Refineries

Net petroleum products in both refineries during FY 2019/2020 totaled 30.8 million metric tons compared to 34.5 million metric tons in 2018/2019, as detailed hereunder.

Product	Annual production 2019 / 2020		Annual production 2018/2019	
	MT X000	%	MT X000	%
Naphtha/Car Gasoline/ Reformat	6,718.4	21.4	7,352.5	21.0
Kerosene/ATK Jet Fuel	5,849.3	18.6	6,899.1	19.7
Gas oil/Diesel	7,898.8	25.1	8,750.1	25.0
Fuel oil/Residues	7,415.3	23.6	8,370.6	23.9
Other products*	2,895.5	9.2	3,097.7	8.8
Total net products	30,777.3	97.9	34,470.0	98.4
Consumption/loss	671.6	2.1	585.9	1.6
Total	**31,448.9**	**100**	**35,055.9**	**100**

*This includes refineries LPG, sulfur, petroleum coke, bitumen and propylene gas.

The following chart shows the quantities of the refined crude in the last 10 years:



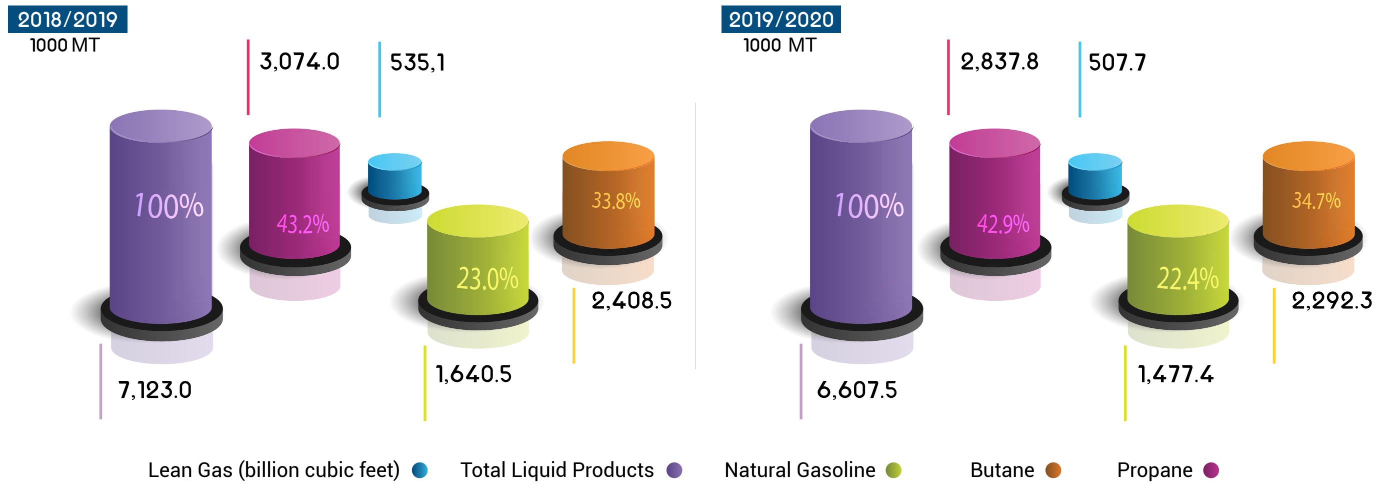
Gas Processing

The LNG feedstock in the four gas trains reached 616 billion scfpd during the 2019/2020 FY, compared to 657 billion scfpd in 2018/2019.

The average feedstock during this year was 1,682.5 million scfpd, compared to about 1,799.2 million scfpd during FY 2018/2019. This rate reflects the actual quantities of gas available from fields and refineries.

Propane and butane exports reached 4,868.4 thousand metric tons in 2019/2020 compared to approximately 5,252.1 thousand metric tons in the previous FY showing a decrease by 7.3%.


Gas Liquefaction Plant



Kuwait Aviation Fueling Co. (KAFCO)

- Kuwait Aviation Fueling Co. (KAFCO) made net profits amounting to KD 16.983 million during FY 2019/2020 compared to KD 18.308 million in FY 2018/2019 showing a decrease of KD 1.325 million, equal to 7.2%.
- KAFCO sales of ATK jet fuel (JP-8 & Jet A-1) amounted to 931 million litters during FY 2019/2020 compared to 956 million liters during FY 2018/2019 showing a decrease of 25 million liters, equal to 2.6%.
- The number of aircrafts supplied with fuel at Kuwait International Airport during this year was 49,985 compared to 50,519 aircraft in the previous FY, showing a decrease of 1.0%.
- Four new agreements were reached with four airliners to supply their aircraft with fuel at Kuwait International Airport.
- Signing agreements amounting to KD 1.5 million to add refueling vehicles to the company's fleet. They are due to be received in 2021.
- Starting the works pertaining to Fuel Management System project, which is the automation of all fueling operations stages, starting from receiving the refueling request to the delivery of the invoice to the customer, instead of the existing manual system. The new system represents a quantum leap for "KAFCO," as it will be linked to the accounting and depot management systems.
- Completing the installation and operation of "Fuel Hydrant System" project at Thalathenat Area, helps in add another 13 aircraft parking aprons at Kuwait International Airport.
- Carrying out complete rehabilitation and commissioning of two tanks of the old depot. This project helps in increasing the storage capacity of jet fuel (Jet A1), in addition to giving flexibility to supply the airport in case supply from the new depot is suspended.

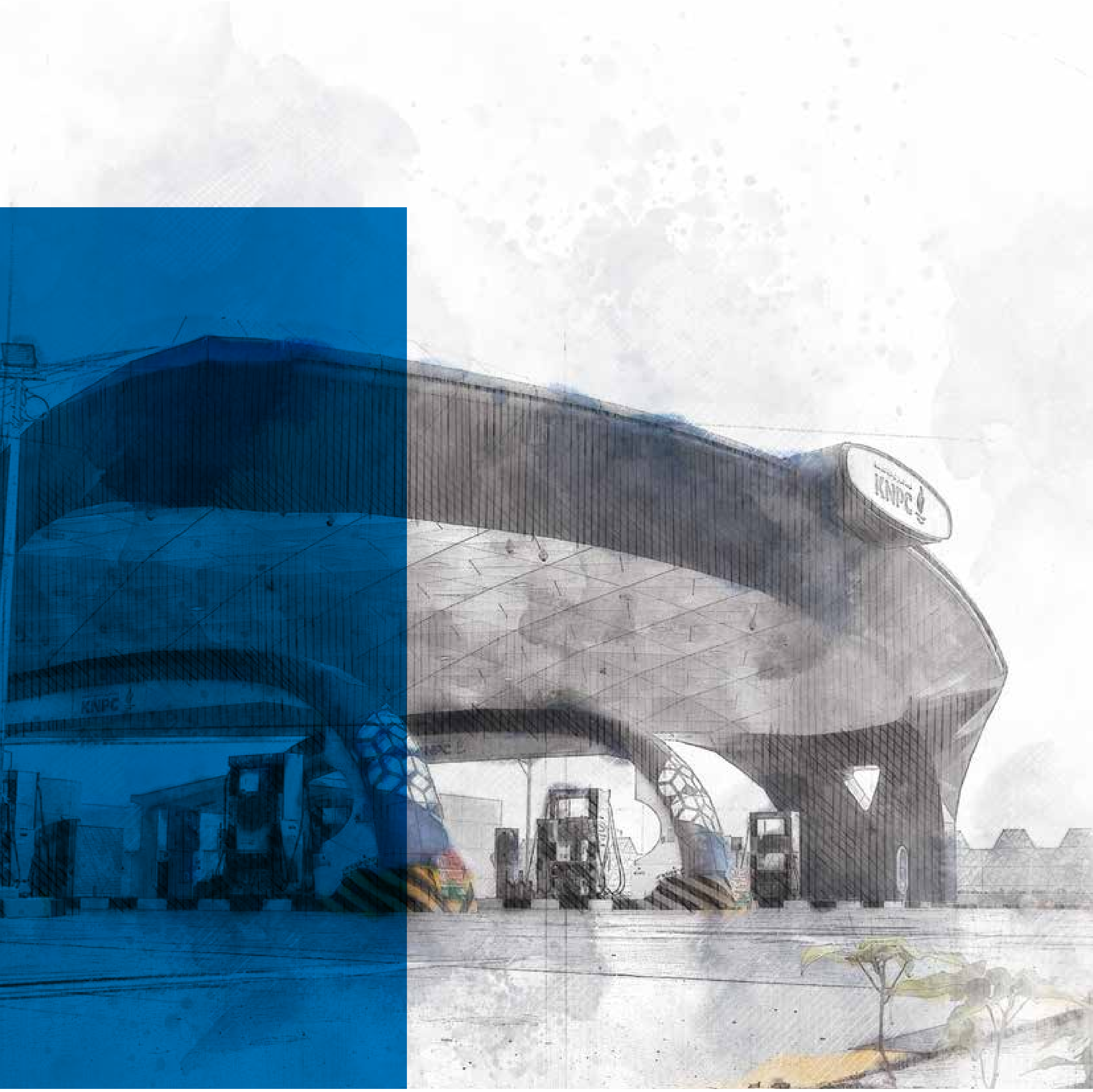
Chapter Two

Local Marketing

KNPC always meets all the needs of the local market in terms of petroleum products.

This year is marked by the company's start of supplying the local market with high-quality CFP products with low sulfur content, especially gasoline and fuel oil for the power stations, which will positively affect the environment of Kuwait.

During the current fiscal year, five filling stations were inaugurated in the new cities of Sabah Al-Ahmad and Jaber Al-Ahmad and northwest Al-Sulaibikhat.


KNPC

Local Marketing Sales

The local market sales during the fiscal year 2019/2020 have increased over the previous fiscal year 2018/2019.

The following details show the actual Local Marketing sales during the current fiscal year, with a comparison to the previous one:

Local Marketing Sales
(Million Liters)

Product	2019/2020	2018/2019	+/- (%)
Gasoline Premium (91 Octane)	2,884.5	2,835.4	1.7
Gasoline Super (95 Octane)	1,550.8	1,615.0	(4.0)
Gasoline Super (98 Octane)	48.7	49.3	(1.1)
Gasoline Euro 4	0.0	0.05	0.0
Total gasoline sales (cars)	**4,484.0**	**4,499.8**	**(0.3)**
Kerosene	163.4	169.1	(3.4)
Gas oil (local market)	2,269.3	2,183.0	4.0
Gas oil Euro 4	0.0	0.04	0.0
Total Fuel sales to local market	**6,916.7**	**6,851.9**	**0.9**
Gas oil to MEW	866.4	618.1	40.2
Heavy fuel oil to MEW	5,981.9	6,089.4	(1.8)
Total sales to MEW	**6,848.3**	**6,707.4**	**2.1**
Total fuel sales	**13,765.0**	**13,559.3**	**1.5**
Bitumen (Metric Ton)	301,025.0	229,654.0	31.1

Local Marketing Sales Development from 2015/2016 thru 2019/2020

A steady increase in the sales of premium gasoline (91 octane) was observed during the last five years, accompanied by a decrease in sales of super gasoline (95 octane). A similar increase was observed in sales of gas oil. However, the big increase during this fiscal year was in sales of bitumen which exceeded 300 thousand metric tons, a 31% rise over the previous fiscal year.

Local Marketing Sales Development
(Million Liters)

Product	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Gasoline Prem. (91 Octane)	731,4	1,663.3	2,627.7	2,835.4	2,884.5
Gasoline Super (95 Octane)	3,356,6	2,418.3	1,683.8	1,615.0	1,550.8
Gasoline Super (98 Octane)	97,1	68.6	50.8	49.3	48.7
Gasoline Euro 4	0,1	0.03	0.05	0.05	0.0
Total gasoline sales (cars)	**4,185,2**	**4,150.0**	**4,362.3**	**4,499.8**	**4,484.0**
Kerosene	85,1	141.0	158.0	169.1	163.4
Gas oil (local market)	1,761,9	1,823.0	2,038.1	2,183.0	2,269.3
Gas oil Euro 4	0,0	0,0	0.02	0.04	0.0
Total Fuel sales to local market	**6,063.0**	**6,114.0**	**6,558.4**	**6,851.9**	**6,916.7**
Gas oil to MEW	1,189.3	1,061.3	711.1	618.1	866.4
Heavy fuel oil to MEW	7,157.0	7,097.8	6,694.6	6,089.4	5,981.9
Total sales to MEW	**8,346.3**	**8,159.1**	**7,405.7**	**6,707.4**	**6,848.3**
Total fuel sales	**14,378.5**	**14,273.1**	**13,9640.0**	**13,559.3**	**13,765.0**
Bitumen (Metric Ton)	95,359.0	112,877.0	147,593.0	229,654.0	301,025.0

Inauguration of Filling Station No. 134 in Jaber Al-Ahmad City.

Filling Stations

During the fiscal year 2019/2020, five new filling stations were inaugurated in Sabah Al-Ahmad City, Jaber Al-Ahmad City and northwest Al-Sulaibikhat, bringing the total operating stations owned by KNPC to 48 stations, in addition to two mobile stations operating temporarily to serve areas where there are no filling stations.

Within a few months, other 13 stations will be opened in Al-Wafra, Abdali Farms, and Saad Al-Abdullah, in addition to the cities of Sabah Al-Ahmad and Jaber Al-Ahmad.

The feasibility study and preliminary engineering designs for constructing another 15 new filling stations have also been completed, and work is underway to obtain the necessary licenses from the relevant government agencies. In addition, a tender for feasibility studies and preliminary engineering designs for the third group has been floated, which includes constructing 25 new filling stations. The bids submitted have been evaluated, and work is underway to obtain the required approvals.

These stations are part of the company's five-year plan to build 99 stations in various parts of Kuwait, to be carried out in successive groups.

The new stations have a modern and environment friendly design, reflecting the company's interest in preserving the environment and providing the utmost safety.

The stations provide additional services, such as a minimarket, auto spare parts and others. They are run by advanced technologies that provide the required services with ease. The company has started electronic payment services through the (e-petrol) application.

Solar panels have been installed in 10 filling stations, providing them with renewable electrical power, sufficient to cover 30% of the stations' electricity needs.

In line with the protective measures taken by KNPC to prevent the spread of the novel Corona virus (Covid-19), precautionary procedures have been followed at the filling stations, and health instructions are distributed with limiting direct contact, while the company has also suspended car washing operations at Bayan station temporarily. However, a mobile station was established in Mahboula destrict, which has been subjected to comprehensive isolation. In addition, a number of stations have been designated to operate during curfews.

A new filling station was opened inside Mina Abdullah Refinery, with an area of approximately 10,000 square meters. It includes 12 pumps to provide cars with fuel of various categories, in addition to a gas oil (diesel), and a car wash center.

This modernly designed station is furnished with a Volatile Vapor Recovery Unit (VRU) and a Radio-frequency identification (RFID) system.

The new inaugurated Filling Station No. 134 in Jaber Al-Ahmad City

Chapter Three

Capital Projects

Operation of all production units in Mina Al-Ahmadi refinery (MAA) package within the Clean Fuels Project (CFP) has started, and the execution of the units of the two Mina Abdullah Refinery (MAB) packages is due to be completed soon.

CFP is considered a watershed stage in the Kuwaiti refining industry, as KNPC will be able to produce high-quality petroleum products that are compatible with the most stringent environmental conditions, which create competitive opportunities for the company and allows it to enter new markets.

KNPC continues to carry out several mega projects, the most prominent of which is the CFP, which is considered one of the largest in the history of the State of Kuwait. It includes the modernization of MAA and MAB refineries, increase their production capacities, enhance reliability and safety levels, and reduce the environmental impact of their operations.

These projects aim to enhance the company's role in developing the Kuwaiti economy, creating job opportunities for Kuwaiti nationals, and, most importantly, increasing the added value of Kuwait's hydrocarbon wealth, which is accompanied by the expansion of conversion capabilities.

Clean Fuels Project

This Project aims to upgrade and expand each of MAA, whose refining capacity will be 346,000 bpd, and MAB 454,000 bpd. The total of capacity of both refineries will be 800,000 bpd of Kuwaiti crude oil. It also aims to upgrade the conversion capability for both refineries to face the challenges and the future global market requirements of top quality petroleum products.

The Project includes establishing new units with high technical specifications that use the latest technology in the refining industry. Other units will be upgraded and a few will be closed.

CFP is considered unique at the global level, as no other oil refining company has ever been able to upgrade its existing refineries, while continuing at the same time the production process and fulfilling its home and abroad obligations.

The Project will boost the position of Kuwait as an influential and competitive country capable of meeting the increasingly stringent requirements and conditions in various global markets, especially reducing the content of sulfur, minerals and other impurities in oil derivatives, to be environment - friendly.

Amine Regenerator Unit 150 MAA - CFP

The overall completion rate of the Project reached 98.75%, as at the end of March 2020. All project units are expected to be fully operational in November 2020, without taking into account the hard-to-expect delay due to the corona virus.

All Project works at MAA have recently been completed after the successful commissioning of the last two production units. Thus, the company has completed one of three packages that make up this huge project, while work continues at an accelerated pace to complete the remainder of the Project units at MAB. Among the most prominent achievements of this year are the following:

MAA Package

Most important units that have been executed and commissioned include:

- Low Sulfur Diesel Unit No. 144, which will produce improved diesel quality by reducing the sulfur content to 10 ppm, in line with environmental and international requirements. The unit has begun the timely production as planned.. Actually, this unit has been established in accordance with the latest international specifications, with a production capacity of 45,000 bpd of diesel. Due to its high profitability and quality of low-sulfur product, it is one of the most important units of the project

- LPG Processing Unit No. 125, which contributes to improving the quality of liquefied gas, by reducing the olefins to 100 ppm

- Isopentane Separation Unit No. 137, and Isopentane Treatment Unit 138 in the gas plant. These two units contribute to the development of the final product by blending Isopentane to improve octane in the gasoline

Diesel Unit 216 - MAB - CFP

- Vacuum Distillation Unit No. 183, which enhances the company's operational capabilities and upgrades its conversion capacity
- Gasoline Unit No. 107 (Isomerization Unit)
- Coke Production Unit, and Naphtha Processing Unit
- Completing the development of Gasoline Production Units (CCR 25/26), Tank facilities (U-61) and Flare system (U-62)
- Completing the modernization of the Vacuum Distillation Unit (U-83 VRU), and the Alkylation Unit (U-46)
- Inaugurating the first hydrocarbon line within the service units, operating its Flare, and commissioning the Vapor Production Unit

MAB Two Packages

The completion rate of engineering, procurement and construction works reached 98.11% in the first package (MAB-1), and 99.83% in the works of the second package (MAB-2). Among the most important units that have been completed and commissioned in MAB are the following:

- Commissioning of Diesel Hydrogen Treatment Unit No. 216. The operation of this unit, in addition to the Low Sulfur Diesel Unit No. 144 in MAA, represents a quantum leap in the company's history, as it now has the ability to produce high-quality diesel with low sulfur content, which is one of the most prominent objectives of executing this vital project

Gasoline Unit 107 (Isomerization Unit) - MAA

- Modernization of the main Crude Distillation Unit (CDU) No. 11, including the development of the distillation tower completely, and the installation of new heat exchangers so as to improve products
- Full upgrade of four sub-control rooms
- Delivery of the cooling water network unit, delivery of tie-in pipelines and introducing fuel gas into Unit 148
- Completion of the development of ARD Unit (U-12) and the Delayed Coker Unit (U-20)
- Electric start-up in the Refinery
- Commissioning several support units, such as the water network for fire-fighting and boilers, flare gas, and the water treatment system. The Central Control Room of the refinery has also been modernized, and employees have been transferred to their new offices in preparation for operating the units

Gas Train–5

The 5th Gas Train for producing LPG at MAA will process the expected increase of gas and condensates after implementing future plans to develop gas exploration in oil and gas fields.

Production capacity of the Gas Train -5 will be 805 mmscfpd of gas and 106 mbpd of condensates. Upon completing the project, the total capacity of the five gas trains at MAA will be 3.263 billion scfpd. In light of the preliminary engineering studies, this unit will be identical to the Gas Train-4, which was completed at MAA.

Gas Train-5 Project

The project also includes establishing a new joint unit for processing fuel gas for both 4 & 5 Gas Trains.

The actual completion rate is 93.88%, compared to 93.51% as planned. The contract value is KD 428 million and is scheduled to be completed in March 2021.

New Acid Gas Recovery Unit (AGRP) and Revamping the Existing One

This project aims to build a new unit for treating acid gases, as well as to rehabilitate the existing one at MAA, so as to be able to process the quantities of acid gases expected to be produced by Kuwait Oil Company.

This project is in line with KPC Strategy to reduce the gas flaring to less than 1%, thus reducing pollution rates to preserve the environment.

All mechanical works for the new unit have been completed, and the actual completion rate is approximately 98.96% of the project's works. It is expected that the new unit will be operational in May 2020.

Liquid Sulfur Treatment Facilities

KNPC is executing this project in light of KPC directives and as per the sulfur production scheme laid out by International Marketing Department of KPC in agreement with KOC, and in coordination with the other subsidiaries.

The project includes procuring and constructing Liquid Sulfur Treatment Facilities at MAA for receiving and storing the liquid sulfur with a total daily capacity of 1,000 tons. Tanks and a special pit for sulfur storage as well as discharging equipment, transport pumps, weighbridges, other required works, such as piping, civil and electrical works, precision instruments and control systems in addition to constructing a unit for producing sulfur granules are all part of the project.

The actual completion rate is 96.22%, and scheduled to be completed in August 2020. The project budget is KD 30.91 million

Upgrading Delayed Coker Unit No. 20 at MAB

This project aims to maintain the current operational rate of the Delayed Coker Unit (DCU) by eliminating the constraints which encounter operating the unit in a capacity of 40 mbpd. This includes addressing any deficiencies in maintenance cycles, reliability and mechanical availability of equipment, as well as the application of certain industrial criteria pertaining to safety and operations.

The project value is KD 28.710 million. The execution of the second unit of the project has recently been completed, while the works on the first unit are underway. The actual completion rate is approximately 87.77%, and the project is scheduled to be completed in March 2022.

Replacement of Old Substations at MAA

The project aims to replace nine of the old substations at MAA with new ones with higher capacity and high-tech, inside new explosion-proof buildings. Enhancement of safety, operational efficiency of the substations and degree of equipment availability are also main targets of the project.

Equipment, protection and electrical control systems with modern technology will be installed. The new equipment and systems will enhance the operations and distribution of loads during emergency in the event of a power outage. In line with the safety conditions of the refinery and the latest quantitative risk assessment report, the work environment and employees' safety will be boosted.

The budget of the project amounts to KD 88.7 million, and the tender was floated in May 2019. The bids were reviewed after closing the tender in December 2019 and obtaining the approval of the Internal and Supreme Purchasing Committees for the appropriate offer in February 2020.

The project execution contract is expected to be signed in April 2020, whereas the project is due to be completed in June 2024.

Enhancement of North Pier to Facilitate Oil Export Operations at MAA

The project's scope of work includes the necessary repairs and renovations of the oil pier, main bridge and auxiliary facilities to rehabilitate the northern pier to ensure the continuation of exporting crude oil and petroleum products until December 2030.

Engineering, procurement and construction contract has been signed in April 2019. Works commenced in June 2019 and expected to be completed in August 2021. The budget for this project is KD 7.3 million.

Completed Projects

Expanding & Upgrading Al-Ahmadi Depot

This project was executed to meet future expectations of the strategic demand for products in the local market until 2030. The expansion will be carried out in several stages, whereas this project is the first phase thereof.

The project includes the construction of tanks for oil derivatives, loading arms and support service facilities at a cost of KD 75.670 million.

The project has been completed, and most of its facilities are operational. Currently, studies and implementation of some remarks received from the Kuwait Fire Directorate on some of the project facilities are underway.

New & Upgraded Sulfur Handling Facilities at MAA

The upgraded sulfur processing unit of CFP at MAA (Unit 64) has been successfully commissioned, and the first shipment of solid sulfur was exported via the upgraded sulfur pier at Shuaiba Port in December 2019.

Commissioning this unit constitutes a quantum leap for the company, as it has now a greater storage capacity and higher loading speed, in addition to full flexibility in exporting sulfur products through the new sulfur pier and the renovated pier at Shuaiba port.

The project will increase the capacity of handling the quantities of sulfur expected to be produced now and in the future, through constructing greenfield sulfur handling facilities, and upgrading and developing the existing facilities at MAA. Large vessels can be used in export operations. The budget of the project is KD 210 million.

Replacing & Modernizing Old Control Equipment in FUP Area

The project included replacing and modernizing the control equipment in the Further Upgrading Project (FUP) area, which have become obsolete and cannot be serviced by the manufacturer, in addition to replacing 6 control panels in the LPG production units.

All project works have been completed at a cost of KD 14.982 million.

One of Al-Ahmadi Depot Units

Forthcoming Projects

Strategic demand for petroleum products study until 2045

Upon KPC request to reconsider the scope of the project work to build a depot for petroleum products in Al-Mutlaa area and to update the technical studies related thereto, KNPC, through a global consultant, studies the evaluation of the strategic demand for petroleum products to meet the needs of the local market and determine the logistical requirements to meet these needs until year 2045, after taking into consideration the consumers latest future expectations and the geographical distribution of demand in addition to studying and determining the strategic stock of petroleum products, according to KPC's controls and standards.

The service life of the local marketing facilities, the loading facilities in the refineries, the product transport lines, and all required renovations, adjustments and new facilities are under study and evaluation.

A team of stakeholders in the company has been formed, with KPC and KIPIC participation, to follow up this study, after the scope of its work has been identified and approved.

Study for Constructing Crude Distillation Unit (CDU) & Bitumen Production Unit

The execution of this project is part of the 2040 strategic directions for the refining, marketing and petrochemical sector in KPC, to ensure meeting the domestic market future bitumen needs.

The feasibility study was carried out in two phases; the first included verifying and reviewing the results of the study carried out by the company, to assess the remaining life-cycle of bitumen and Eocene units, reviewing and updating the study made by the consulting company (Fluor), regarding the expected future demand for bitumen in the local market. in addition to identify and develop the necessary alternatives to fulfill the local market requirements in the short, medium and long terms.

Phase-2 includes a feasibility study for the proposed alternative and recommendations, based on the results and recommendations of the first phase study (building new bitumen and Eocene units according to the study of AMEC, after reviewing the results of the second phase of the feasibility study with the concerned company's departments, and obtaining the approval of KNPC Projects Committee and the Environment Public Authority on the findings of the feasibility study.

Preliminary engineering designs for the project are currently being studied, based on the use of Kuwait Export Crude (KEC), West Kuwait oil and Kuwait heavy oil, in addition to developing a 30 - day strategic storage capacity for bitumen.

Chapter Four

Health, Safety & Environment

Issues related to health, safety and environment are a top priority at KNPC, and occupy an ultimate concern in the company's Strategy, regulations and values.

The company strictly imposes and closely follows the implemenation of health, safety and environment systems during executing any work of any kind, whether in operational facilities or administrative offices, while the instructions therein stipulate not to complete any work if it causes any danger to the employees and/or the environment.

The consideration of health, safety and environmental issues is an essential part of the company's responsibility towards its employees, the population and the environment of Kuwait in general. Rather, KNPC actively seeks to make HSE culture an integral part of the daily practice of all its employees, and in this regard the company has effected the following:

- The company has updated the Quality, Health, Safety, Security and Environment (QHSSE) Policy, to include all requirements for the successful implementation of the Integrated Management System, which consists of (ISO 9001: 2015), (ISO 14001: 2015) and (ISO 45001: 2018), and replaces the application of (OHSAS 18001) certificate with the application of (ISO 45001) certificate. This policy reflects the company's commitment to maintaining the performance of (QHSSE) in all aspects of the company's operations, and during the performance of all its works.

- The company obtained ISO 45001-2018 certification by TUV Middle East after the successful implementation and transition to the Occupational Health & Safety Management System - OHSMS, to replace (OHSAS 18001). KNPC is the first among KPC companies to obtain this prestigious certificate in OHSMS.

- KAFCO organized a number of awareness campaigns in HSE field. In addition, HSE training, registration and automatic tracking system was implemented.

Health

- The Industrial Health Division of HSE Department organized an awareness lecture on the conditions and restraints of smoking in public places, given by the Head of the Inspection and Control Department at EPA. She detailed the regulations pertaining to Article 56 of the Environmental Protection Law, regarding the requirements and restraints of smoking in closed and semi-closed public places, which absolutely ban the advertisement of all cigarettes and tobacco types, forms and supplies thereof in the State of Kuwait.

- In order to provide a healthy working environment for improving the health care of the company's contractors' employees, the Corporate Communication Department, in collaboration with the Medical Division of HSE Department, organized an "Occupational Health Day," which was dedicated to the CFP contractors' employees at MAA Package site. Many medical and laboratory examinations and

Contractors' employees at CFP receive medical consultations and medicines

Contractors' employees at CFP undergo medical examination tests were provided in addition to receiving medical consultations and medicines for the employees, and entertaining their inquiries regarding health aspects.

- A new clinic was inaugurated in Sabhan Depot of Local Marketing Department, becoming the fifth clinic besides the HO, MAA, and MAB clinics, in addition to that of Al-Shuaiba Warehouse. The clinic provides medical services to the Local Marketing and KAFCO employees, offering emergency medical services, primary care and occupational health, such as pre-appointment, regular and end-of-service examination.

- Inaugurating a new medical store in MAB, to meet the the clinics needs in the company's sites of various medicines and medical supplies. The store has been constructed in accordance with the requirements of the Ministry of Health in Kuwait.

- Aiming to promote health awareness and a full understanding of public health culture, HSE Department organized several health campaigns for employees, such as:
  - Breast cancer
  - Health awareness entitled "Headache ... a Symptom or Disease?"
  - Healthy Body, Healthy Mind
  - Prostate Cancer Awareness
  - Facts and rumors about medical and sports nutrition.

Safety

- In collaboration with HSE Department, Information Technology Department has added seven new applications to the "MAXIMO" system, pertaining to health and safety procedures, with the aim of automating the approved procedures; the most important of which are: the application of auditing and inspection (iSHEMS), the violation and punishment model, as well as the application of audit tracking / employees welfare inspection and that of the safety inspection report.

- The company's new Safety Performance Audit won the "HSE Initiative of the Year Award," conducted by the Middle East Energy Award in Dubai. This Program also won the e-government award as the best IT solution for HSE sector in the oil and gas industry.

- HSE Department organized an awareness lecture on the major accidents which occurred in the oil sector during 2018/2019. The lecture, which was presented at MAB Auditorium, included two basic presentations of the statistics on the serious accidents that took place in KPC subsidiaries, final analyses of the investigation reports, and the lessons learned from each one of them. The second presentation threw a light on how the company deals with the recommendations of the investigation committees in the company's accidents, and the major accidents in the oil sector companies. The lecture included a set of proposals to promote employees' awareness in the oil sector in terms of HSE procedures and the benefits of applying and adhering thereto.


Constant exercises for fire-fighting readiness

- Continue the firefighting training programs for the company and contractors' employees, using some operational facilities in the Main Support & Emergency Operations Center (MSEOC), whereas 1,617 KNPC employees and 2,943 contractors' employees were trained on fire-fighting

- Training continues on fighting fires, leaks and other emergencies to ensure the constant availability of firefighting teams round the clock in all circumstances

- To enhance the company's ability in the field of security and firefighting, the Security and Fire Department implements several initiatives and projects, including:
  - Signing two contracts to purchase 23 fire-fighting vehicles with advanced specifications to modernize the fleet of fire-fighting at the company's various sites. This will enhanc the ability and efficiency of the company to quickly respond to emergencies
  - Thermal imaging camera, filling machine (digital cinema package DCP), oscillator monitor, fire hose winding machine and test pump were received
  - Technical studies are proceeding for the new fire stations at MAA and MAB, whereas the existing fire stations in the refineries are being modernized. A plan has been drawn up to provide a temporary fire station to cover the units of CFP in the refineries

- In collaboration with HSE Department, The MAA Maintenance Department organized a training on rescue operations using "life support systems." Rescue operations were exercised in dangerous and high areas and oxygen - defecient closed sites. The system is the latest of its kind, and uses the most successful global safety systems

- To enhance the ability to fight fires and face potential risks, the Local Marketing Department, in collaboration with HSE Department, conducted a field training at the Filling Station No. 88 Sharq, in

Constant exercises for fire-fighting readiness

which the traffic and rescue personnel, the Civil Defense, Kuwait Fire Service Directorate (KFSD) and medical emergencies participated.

- In 2019, KAFCO's risks policy was updated and displayed in various places in the company's buildings. In collaboration with the company's departments, the Enterprise Risk Management Register was also updated, discussed and endorsed by the Risk Control Committee. And in collaboration with KNPC Risk Team, the Risk Management Team in KAFCO participated in several exercises under 2040 Strategy

Environment

In line with the Amiri request to provide 15% of energy consumption in the State of Kuwait from renewable sources by 2030, and based on the directions of KPC to strive to achieve this target in the oil sector, the company has conducted several studies and initiatives, including:

- The construction of "Dibdaba" solar power plant with a capacity of (1500) MW

  The company led a joint work team from KPC and K-companies to supervise the feasibility study for a project to establish a solar power plant to produce electricity with a capacity of (1500) megawatts inside the Shagaya Renewable Energy Complex, which is located 100 km west of Kuwait City, at an approved estimated cost of KD 520 million. The project tender was floated, the bids submitted were studied and evaluated, and the award was prepared. The approval of the Internal Purchasing Committee (IPC) was obtained, and the required approvals from other committees were also obtained. Based on KPC directions to finance the project by borrowing from local banks, a finance consultant has been contracted for the project, and a committee has been formed to discuss and negotiate financing. The execution of the project will begin after obtaining the directives of the Council of Ministers regarding the signing of power purchase agreement with the Ministry of Electricity and Water, in addition to issuing directives to Kuwait Municipality to transfer the utilization of the land allocated for the project in the Shagaya Renewable Energy Complex to KNPC. The project is due to be completed within 30 months from commencing the execution

- A KD 700,000 project to install solar energy panels at 10 filling stations has been completed. These panels provide 30% of the stations electricity consumption

- The company is working on introducing the concept of renewable energy (solar energy) within its project to build 99 new filling stations in various regions of Kuwait

- The study of establishing a fingerprint database for 12 samples of KNPC products and 14 samples of various types of crude oil produced by KOC has been completed. This is the first of its kind achievement in the oil sector. The samples will be used as a reference and guide for determining the source and identity of the oil spills leaked into the Kuwaiti territorial waters. In the event of oil spills, a sample will be taken and analyzed at the Kuwait Petroleum Research and Technology (KPR&T), and compared with the database to determine the source of the sample. If this sample is not part of KNPC and KOC product group, this anonymous sample can be compared with the global network database to determine the identity of oil spill (Oil Spill Identification Network - OSINet), which contains a library of more than 2,600 international samples of petroleum origin, including 300 samples of crude oil.

- As part of the company's relentless pursuit to promote and develop energy efficiency in its operational processes, maintenance, projects and other departments that use energy at large scale, the Environment Division organized an awareness campaign at the company level entitled "Energy efficiency improvement and emission reduction," aimed at showing the company's efforts in creating an integrated energy management system. Several projects have been implemented in this regard, such as: flare gas recovery units in the company's two refineries and CFP, which focuses on enhancing efficiency, effective vapor management and improving boiler performance.

Solar Panels for generating electrical power in filling stations

- Similarly, the company is working to develop an effective energy management system (EnMS), in accordance with ISO 50001 certification for energy management, which ultimately leads to the application of a continuous methodology in reducing energy consumption and expense, and achieving clear-cut environmental benefits. Cooperation was successfully completed with the consultant appointed by KPC to implement the strategic initiative pertaining to the energy management system. The basic data has been collected and submitted to the consultant to start implementing the system, whereas the company trains the concerned people and issues certificates.

- EPA has appointed KNPC Environment Team Leader as an expert in climate change and the Clean Development Mechanism (CDM), to represent the State of Kuwait in the review of the report updating the United Nations Framework Convention on Climate Change, which takes place every two years. Two projects for KNPC have already been registered as part of the CDM in the State of Kuwait.

- In collaboration with the Kuwait Integrated Petroleum Industries Company (KIPIC), The Company's Research & Technology Department obtained initial approval to upgrade the assessment of KIPIC administration building in the Al-Zour region from two to three stars, as part of the Global Sustainability Assessment System (GSAS). The company's Research & Technology Department has provided its expertise in applying the system to several buildings, and transferred this best practice in line with the KPC strategic directions in terms of sustainability.

- The Environment Division of HSE Department organized an awareness lecture on "Green Buildings and Sustainability," presented by "Intertek for Training and Consulting", aimed at promoting the importance of green buildings to preserve the environment and natural resources. An overview of green buildings, their characteristics and importance, both in terms of environmental or economic, as it reduces resource consumption while meeting local needs.

- HSE Department organized an awareness lecture for the company employees about the Kuwait EPA's regulations.

- HSE Department organized a campaign entitled "Sharing the best environmental practices" at the company's head office, which included discussion of many environmental issues between the company's management and employees, such as the "Performance of the acid gas treatment unit and the waste gas treatment unit at MAA," and the topic of "Actual time tracking of vehicles transporting waste in KOC."

- The company participated in the first environmental exhibition organized by KOC in its tent in Ahmadi area. Two KNPC engineers presented one of the best environmental applications of KNPC. Some environmental solutions and best practices were presented by a number of companies and official agencies participated therein.

- In collaboration with the Technical Services Department at MAB, the Training & Career Development Department organized an awareness lecture on predicting the ground level concentration of pollutants resulting from the refineries. The lecture was presented by Senior Process Eng. at the Technical Services Department, Dr. Salwa Al-Enezi who reviewed the mathematical model for measuring pollutants movement at source, and dispersion in the air until they reach the ground level. The attendees expressed interest in the topic due to its association with the public health and the surrounding environment quality.

- The Environment Division represented the company in the audit conducted by the International Maritime Organization (IMO) in December 2019, in which the commitment of the State of Kuwait to the implementation of MARPOL Agreement was detailed.

- The Audit Team carried out a systematic assessment process to ensure the company's readiness in combating oil spill incidents, including a visit to the Integrated Service for Response to Oil Spills at the MAA, to verify the readiness of manpower and equipment availability. The Environment Team Leader coordinated the audit that did not result in any negative conclusions for the company's business.

- KAFCO has developed new instructions on procedures related to controlling fuel waste to reduce and control the waste from operations and sampling works. The company's quality control manual has also been revised and updated in line with the international standards.

KNPC Measures Against Corona Virus

The State of Kuwait was a pioneer in applying precautionary measures, with the aim of limiting the outbreak of the novel Coronavirus (COVID-19) in the country. The Kuwaiti oil sector immediately responded to the instructions of the Kuwaiti Ministry of Health regarding the Corona pandemic, and began implementing wide measures in all facilities thereof. These measures were accompanied by the Kuwaiti oil leaders' recognition of the utmost importance for the continuation of all sectors in work and production, as this has direct repercussions on the national economy, people's lives, and all economic and living activities. Therefore, KNPC installations and facilities continued to work as per the plans to ensure the continuation of the supply of petroleum products of various kinds, to meet all the local market needs and not to breach contracts with customers in foreign markets.

As work in refineries requires the presence of a large number of technicians, engineers and employees of all disciplines, combined with the necessity to continue work, it was crucial at the same time to take the required precautions and follow strict instructions to ensure the safety of everyone, and that no employee may contract this virus. Among the measures taken was installing devices to check all employees at the entry gates daily, with protective masks and gloves being worn at all times. The contractors were also required to conduct checks before their employees head to KNPC sites, and that the employees also undergo another test before entering the work sites. Patients were also exempted from coming to work, even if they showed mild symptoms.

A special protocol has also been adopted to deal with suspected cases, so that they first are isolated before informing the Ministry of Health to take the necessary measures. Adequate quantities of gloves, masks, medicines, sterilizers and disinfectants were provided. The company assigned five medical clinics in various locations operating 24/7, provided with ambulances to deal with emergency cases immediately. In addition to that, the electronic fingerprint system, conferences and training courses were suspended. KNPC Wataniya Club was closed down, whereas all employees' tasks and responsibilities were described.

These measures coincided with an awareness-promoting media campaign, which included publishing information about the Coronavirus, and messages on e-mail and social media about the procedures that must be followed during work, such as wearing masks and gloves, how to dispose thereof, sterilizing work equipment, offices, computers and bathrooms, distancing, office distribution,… in addition to giving tips and instructions to avoid injury, correct hygiene practices, especially hand washing and disinfection, use of shared facilities and elevators, how to act when greeting or suspected of an infection, etc… Important phone numbers pertaining thereto have also been published.

Since the filling stations constitute major gathering points and people meeting with each other, precautionary measures have been taken thereat, whereas car washing service has been suspended at Bayan Station. However, a number of filling stations have been designated to work round the clock during the partial curfew period, and a temporary station has been set up in the isolated area of Mahboula.

Testing employee temperature at the gates of KNPC facilities

Chapter Five

Achievements & Performance Improvement Initiatives

The Kuwait Petroleum Corporation's long-term 2040 Strategic Plan (LTSP) focuses on enhancing initiative, innovation and research approach among K-companies' employees, promoting new ideas in management and utilizing technology in developing work methods to improve profitability and save time and effort.

The main objective of this principle is to meet the strategic challenges facing KPC and the oil sector, create added value and improve profit margin, to overcome the strong competition facing the oil industry in general.


The New Control Building at MAA

This fiscal year was full of many initiatives and achievements aimed at improving performance, including:

- A new Control Center was inaugurated in MAA, being one of the largest in the region. It plays a basic role in coordinating between operational units and support units in the refinery. It facilitates connection and making safe and sound operating decisions through close follow-up. State-of-the-art equipment and technology that have been designed according to the latest international technology are used.

- Several initiatives have been implemented by various departments, which led to a reduction in its operating expenses estimated at about $ 33.6 million, the most important of which are: reviewing maintenance contracts for the boilers, water treatment unit and cooling water units at MAA, rationing expenditures on consulting services for engineering design work, and recycling some catalysts after rehabilitating thereof in MAB. As well, IT Department, reduced the expenses by floating new contracts for the development of dashboards and control panels by developing them internally with the available schemes and utilizing some of KPC licenses related to some programs.

- Cost Optimization and Profit Improvement (COPI) Committee continued its business during FY 2019/2020, whereas many programs to optimize cost, improve profit and initiatives related thereto were created, given top priority and kept under the top management follow-up. This Committee achieved significant financial savings and returns that were estimated at $ 40.81 million as until the end of February 2020.

- The Products Shipment Tracking System was developed internally by the MOG, which was successfully launched in December 2019 in coordination with all parties according to the decision of the Penalty Reduction Committee. The system is a web-based program and application in the process of monitoring and tracking the basic matters related to export, including:
    - Labeling steamers and tanks
    - Loading and preparing cargo tanks as well as obtaining laboratory certificates

In Innovation Studio

- Availability of product loading systems
- Shipments loading
- Official shipment documents and sending emails to those who may be concerned with the shipping operations

• Converting the feedstock of diesel production unit No. 16 in MAB to kerosene, which increases the operational flexibility thereof.

• MAA could convert the bunker fuel oil filling system from 3.5% sulfur content to 0.5%.

• A first of its kind in K-companies, the KNPC Innovation Center was inaugurated in the company's HO. It reflects KNPC interest in creativity, innovation, performance improvement, promoting efficiency and work quality. The Center aims to boost the culture of innovation through empowering employees to effect their activities, holding brainstorm sessions and discussing various creative ideas in an appropriate atmosphere, in addition to adopting innovators and providing assistance to implement their ideas in line with the company's Strategy.

• The Innovation Team organized a comprehensive workshop for the top management, which included an overview of the adopted innovation strategy, objectives and achievements since inception. The strategy is based on three main pillars: knowledge, culture and technology. The most important projects proposed and carried out by the Innovation Team were also reviewed: Joint Ideas campaign, Hackathon, asphalt coating for reducing temperature, website, Innovation Center, ideas of specialized international refineries, awareness campaigns. The workshop also included reviewing the team's plan for upcoming projects during this year.

• Smart services have been adopted in all KNPC filling stations around the country. It is now possible to pay through the civil ID Card using smart applications on Android, iPhone, electronic voucher and smart cards.

- The Commercial Department has made many initiatives to maximize financial savings, as follows:
  - Saving of approx. KD 5.25 million, through negotiating offers for supplying materials, business and service contracting as well as amending the terms of certain agreements.
  - Saving of approx. KD 33.47 million, by circulating the specifications of one-sourced materials, the optimal use of the existing stock materials to meet the departments needs and reviewing, rejecting or reducing the materials required by users.
  - Saving of KD 10.46 million through improving the strategy of floating, assessing bids and awarding tenders.
  - The materials and spare parts that are no longer needed by the refineries were identified and disposed of, with a book value of KD 6 million. This also provided more storage space.
  - Limiting the increase in stock value by KD 20.6 million by taking several measures.
  - Renewal of 8 long-term agreements and 3 new agreements for supplying materials and spare parts for pumps, chemicals, PPE and tools against fire and stationaries were completed.
- The Commercial Department updated the service agreement with MAA and MAB after modifying the documentary cycle target time for planning and ensuring that the required materials and services are procured and provided on time for maintenance work and project execution to ensure compliance with the new Public Tender Law No. (49) for 2016 and the requirements of various committees.
- In cooperation with KIPIC, the company, represented by the Commercial Department, issued long-term joint supply agreements.
- The Commercial Department has been re-engineered to rationalize the number of leadership positions, restructure certain divisions, and a change in work methods and procedures, to ensure higher performance and efficiency to provide a better service to the Department users and clients.
- In line with the cooperation plan approved by Research & Technology Steering Committee in KPC, for the refining, marketing and petrochemical sector, KNPC has implemented the cooperation agreement with the Kuwait Petroleum Research and Technology Company (KPR & T). Three initiatives during this FY were successfully taken through this agreement.
- In collaboration with "Sabah Al-Ahmad Center for Talent and Creativity," which is affiliated with the Kuwait Foundation for the Advancement of Sciences (KFAS), the company's R&T Department established and developed a strategy for managing intellectual property and registering the patents. Under this agreement, the Center provides the required support in developing intellectual property

management and patent registration, in line with KNPC 2040 (LTSP) in the field of R&T.

- The company has signed a MOU with "Sabah Al Ahmad Center for Talent and Creativity", to cooperate in the fields of innovation, patent registration, training and technological development. The agreement aims to enhance the value of creativity and innovation among the company's employees by providing both the appropriate environment so as to develop and turn their talents into concrete creative achievements.

Prizes Awarded to KNPC

- The company won the "Middle East Energy Award - 2019," which was awarded for the first time by three magazines of world reputation, namely: "Refining and Petrochemical, Utility, Oil & Gas", during a ceremony held in Dubai. KNPC was ranked first among a large number of companies operating in the energy field in the Middle East. This winning came through an electronic application presented by the Senior Engineer of Process Safety in the company, Ahmed Ismail Ahmed, through which he presented a system for electronic monitoring and evaluation of the performance of safety standards in the company's refineries.

- DCEO for MAB, Engineer Wadha Al-Khateeb, has been shortlisted among "The 100 Most Powerful Businesswomen in the Middle East" for 2020, issued annually by Forbes Middle East magazine, where she was ranked eighth. This choice reflects the distinguished career path of Ms. Wadha Al-Khateeb and the capabilities and potentials she possesses, persistence in facing challenges, a constant eagerness to develop herself, distinction of vision as well as a relentless pursuit of goals.

- Five of the company sites, namely MAA, MAB, LM, Projects and Head Office, won the International Safety Award (Merit) for 2019 of the British Safety Council. This is considered a major international award in the critical field "occupational health and safety."

- MAA, MAB, LM, Projects and Head Office, won the Royal Society for the Prevention of Accidents (RoSPA) Award for achievements and commitment to enhancing safety standards in the different facilities and operations thereof.

- KNPC ranked first in HR Excellence Award for 2019 in the "Best Strategy for Leadership Development" category for its talent management training program and qualification for assuming future leadership positions (Talent Management Program). The annual HR Excellence Awards 2019, was organized as part of the Human Resources Conference and Exhibition, held in Dubai in November 2019.

- KAFCO achieved Gold Safety Award by (RoSPA) for 2019, and the Gold Award for Fleet Safety.

- KAFCO won two HSE awards, in addition to another in providing ground support services, during the 13th annual award ceremony for the Business Excellence Awards in the aviation sector for 2019, organized by the international "Business Aviation" magazine in Dubai in October 2019.

Chapter Six

Training & Career Development

During this fiscal year, 217 new employees were appointed, of whom were 192 Kuwaiti nationals, bringing the total number of the operational and non-operational manpower to 6,264 employees.

All KNPC employees follow internal and external training courses corresponding to their job needs, as the number of internal courses reached 215, in which 2,842 employees participated. As for the external courses, they reached 512, in which 1,184 employees participated. However, several courses were held at the Petroleum Training Center (PTC), in which 3,591 employees followed training.

Manpower

- Operational and non-operational manpower in the company totaled 6,264 employees as at the end of this FY. However, this figure shows a decrease of 55 employees compared to the previous fiscal year without effecting any change to the budget.
- During this year, 217 new employees were recruited, of whom were 192 Kuwaitis.
- The number of Kuwaiti employees in the company as at the end of this fiscal year reached 5,508, representing 87.93% of the company's total manpower, showing a decrease of 9 employees compared to the previous FY.
- 180 diploma holders whose major is "Refinery Operating Technology" were recruited.

The following tables provide a breakdown of manpower at the company based on nationalities and departments, besides manpower development from 2011/2012 to 2019/2020.

Breakdown of KNPC employees number and percentage by department

Department	31/3/2020			31/3/2019		
	Employees Number	Kuwaiti Manpower		Employees Number	Kuwaiti Manpower	
		No.	%		No.	%
Head Office*	915	867	94,75	967	911	94.21
Local Marketing	261	257	98.47	303	297	98.02
Health, Safety & Environment	181	100	55.25	188	101	53.72
Security & Fire	833	829	99.52	826	821	99.39
Mina Abdullah Refinery	1,682	1,417	84.24	1,704	1,423	83.51
Mina Al-Ahmadi Refinery	2,391	2,037	85.19	2,330	1,963	84.25
Sub-Total	**6,263**	**5,507**	**87.93**	**6,318**	**5516**	**87.31**
Prisoners of War (POW's)	1	1	100	1	1	100
Rehabilitation**	-	-	-	-	-	-
Sub-Total	**1**	**1**	**100**	**1**	**1**	**100**
Pre-Appointment Rehabilitation	-	-	-	-	-	-
Frozen	-	-	-	-	-	-
Grand Total	**6,264**	**5,508**	**87.93**	**6,319**	**5,517**	**87.31**

*This includes Top Management, Departments of: Corporate Legal, Corporate Planning, Corporate Communication, IT, HR, Financial, General Services, Projects I, Projects II, Commercial, Training & Career Development, Management Support, Risk Management, Manufacturing Optimization Group, Clean Fuels Project.

**This item has been created to include the employees who need to be redistributed to departments based on the findings of a study on the manpower's optimal use.

KNPC employees distrbution by nationality

Nationality	Number of Employees			Percentage of Total Manpower		of Increase (Decrease)
	31/3/2019	31/3/2020	Change	31/3/2019	31/3/2020	%
Kuwaitis	5,517	5,508	-9	87.31	87.93	0.16-
Other Arab Nationals	119	113	-6	1.88	1.80	5.04-
Sub-Total	**5,636**	**5,621**	**-15**	**89.19**	**89.73**	**0.27-**
Non-Arabs	683	643	-40	10.81	10.27	5.86-
Total	**6,319**	**6,264**	**-55**	**100.00**	**100.00**	**0.87-**

KNPC manpower development

2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
5,880	5,805	6,644	6,464	6,344	6,352	6,152	6,319	6,264

KAFCO manpower

Department	31/3/2019			31/3/2020		
	Number of Employees	Kuwaiti Manpower		Number of Employees	Kuwaiti Manpower	
		No.	%		No.	%
Gen. Manager's Office	7	7		4	4	100
Financial, Admin., Services	20	18	90	18	16	88.88
Ops, Eng., Maintenance	32	32	100	36	36	100
Total	**59**	**57**	**96**	**58**	**56**	**96.29**

Training & Career Development Department

During the fiscal year 2019/2020, the company held and participated in a large number of development courses, forums, seminars and local lectures on various topics covering the employees' job requirements, in collaboration with local institutions, including PTC and international companies. The number of local courses reached 215, in which 2,842 employees participated, while the external courses reached 512, in which 1,184 employees participated. 3,591 employees followed several courses at PTC.

In addition, many courses, seminars, lectures and training programs were held aimed at developing qualified and motivated cadres, including:

- An internal training program related to developing leadership skills for team leaders in both KNPC and KAFCO, in which 40 employees participated.

- An induction program for the recently promoted senior controllers and engineers at the company's different sites. The program aimed to develop leadership skills, enhance efficiency in performing daily tasks and provide them with effective methods in managing work teams.

- Launching the first session of the integrated program for training and qualifying field operators that have recently joined the company's refineries in January 2020, whereas the number of trainees reached 60 employees.

- Holding 8 training courses entitled "Emergency Response Plan in the Refinery," whereas the number of trainees therein reached 762 employees.

- Training 15 engineers in Japan at (JXTG Nippon) in Upgrading Process Technologies for Heavy Oil.

- 73 employees have completed their Structured On Job Training (SOJT) during this year, bringing the total number of trainees who completed their training since the inception of the program to 800 employees. The training curricula for this program have been developed, and the updating and trying of the training process system have been completed, so as to match the developed curricula, which included admin. positions, in addition to starting the pilot system with HR Department. New features have been added to the system to match the technical job requirements.

- SOJT Team held a meeting to introduce the new electronic system, which was developed in collaboration with IT Department. The meeting was attended by a group of newly appointed employees at HR Department, in addition to the concerned experienced employees who participate in the training. The advantages of the new electronic system were reviewed, how to deal therewith, its role in softening the electronic exchange of documents and following up the tasks of the trainees during training period.


A Training Session

- T&C Department organized a forum for the employees admitted to the third session of the "Talent Management" program, in the presence of DCEO for Admin and Commercial Affairs. The program objectives and the steps taken to identify KNPC talented and gifted employees were reviewed. The one-year training scheme which focuses on leadership principles was also reviewed.

- In collaboration with T&CD Department, Corporate Planning Department organized a training program for the company's employees from MAA, MAB and the departments concerned with "Solomon" Research. Training program activities were presented by a consultant from Solomon International, during which he reviewed the basic concepts of the research and its importance, data entry data, reviewing and analyzing the results. The program aims to ensure maximum benefit from Solomon research, which is based on comparing world's refineries and what sets them apart.

- The Commercial Department has developed a practical training program for new engineers, to enroll them in the maintenance and quality assurance departments at the refineries, for periods ranging from 6 to 9 months, with a mechanism set up to ensure the quality of training, receiving


A lecture on the Atmospheric Residue Desulfurization (ARD) techniques

and activating field training, so as to ensure the maximum benefit for engineers. New purchasing engineers were also sent to maintenance departments, to attend turnaround maintenance works and to get familiarized with all materials and equipment used in the maintenance work in the refineries. Besides, intensive training courses were organized to convey expertise to new contract engineers on how to develop contractual terms.

- Employee Development Division of T&CD Department organized a workshop for the company's employees entitled "Progress in Thinking: A Way to Improve Oneself and Face Obstacles," presented by a consultant in human development and TC&D. The workshop highlighted the importance of self-improvement, reducing the impacts of difficulties and problems that face us in life on our feelings and mentality, the need to properly broaden the social relations circle, and to improve the ability to act in various situations.

- In December 2019, the Talent Management Team of T&CD Department organized sessions about the best practices within the centers of excellence of KNPC departments. The first session included two lectures on the new direction of contracting strategies, and on energy solutions in the State of Kuwait. The second session included two lectures, the first of which was on the basics of the electric power system, while the second on the mechanical assembly and strategies for preparing for operation. The third session included presenting another two lectures, one on high pressure hydrogen systems, and another on assembling all kinds of mechanical fillings and gasket.

- In the presence of CEO and a number of his deputies, the Talent Management Team of the T&CD Department introduced a lecture on Transitional Leadership, as part of the Talent Management

A lecture on the "Transitional Leadership" program. The lecture was presented by KPC Board Director Hosnia Hashem who tackled the challenges she faced as an oil sector leader throughout her work trip. She also talked about the challenges of the oil and gas industry in Kuwait, and how to lead this industry to a bright future through the mechanisms of training national cadres.

- The Training Centers Team of T&CD Department introduced an induction lecture on the Atmospheric Residue Desulfurization (ARD) units in MAA and MAB, presented by Senior Engineer Ahmed Al-Mutawa from the Technical Services Department at MAB. He outlined the nature of the existing units, and drew an accurate comparison between them and the new units that were established to operate under CFP, in terms of capacity and the technology applied therein. The lecture was attended by a number of department engineers of Operations, Maintenance, Technical Services and Quality Assurance.

- Quality Assurance Department at MAA made an awareness presentation on reliability-based maintenance, which is one of the most important maintenance principles that may avoid unplanned shutdown costs.

- Management Support Department, represented by Project Stage Gate Contral and Project Portfolio & Program Management Divisions, organized a number of training courses for all company employees, with the aim of promoting awareness and introducing employees to the project management procedures document in its sixth edition. The various phases, procedures and approvals required for KNPC projects were explained at each phase of the project. Similarly, the budgets available for approving programs and projects by Corporate Planning Department, the project portfolio and programs approved in the company, as well as Key Performance Indicators were reviewed.

- In order to introduce its employees who are subject to the provisions of Public Authority for Combating Corruption (NAZAHA) Law No. (2) for 2016, the company organized an induction workshop on the law and its provisions regarding the financial disclosure and the procedures related thereto. The workshop, which was carried out in cooperation with the Financial Disclosure Sector of NAZAHA, was attended by the CEO, his deputies and a number of concerned department managers subject to the law provisions. An adequate explanation was presented by NAZAHA representatives in which they talked about the nature of the financial disclosure, the steps for submitting thereof, the time limit allowed to submit it for the first time, or every three-year renewal.

- The company introduced the Job Family System to all its employees through its electronic portal. The extraordinary plan comes as part of the company's continuous interest in the human element, and keeping employees informed about the valid systems and standard work, which contribute to enhancing the job security and occupational stability and enable them to develop, succeed and excel. The system provides the employee with the opportunity to learn, with full transparency, the opportunities that are in concordance with his/her job in the company's departments and divisions, the thing which makes him/her capable of utilizing his/her potentials and skills in meeting work requirements and tasks.

- In collaboration with KAFCO, the Corporate Legal Department of KNPC organized an awareness lecture entitled "The Legal Regulation of Information Confidentiality" whose aim was to promote and simplify the legal information for the oil sector employees, and upgrade their legal culture.

- The Risk Management Department organized an awareness campaign for the company's employees to increase awareness about Enterprise Risk Management and insurance among employees. The campaign included promoting awareness questions and basic information on the company's internal website, lectures in different work sites in terms of risk management culture and insurance policies as well as training workshops about Accelus system.

- In coordination with PTC, Training Projects Division of T&CD Department, hosted an awareness forum for the oil sector managers, where it included a detailed explanation of the mechanism for drawing a unified development plan for oil sector managers through the unified automated system (SAP), through which is a plan for managers personal development is set for implementation within two fiscal years. This plan is part of the new methodology for developing leaders in the sector.

- Management Support Department presented an awareness lecture for the employees concerned in dealing with Audit Bureau's notes. The mechanism of responding to the Bureau's observations and recommendations, and ensuring timely and accurate response were the focus of the lecture. The measures pertinent to receiving Audit Bureau's notes, responding thereto, methodology of entertaining the Bureau's reports and audit teams' role were reviewed.

- In collaboration with the College of Law - Kuwait University, the Corporate Legal Department hosted Professor of Criminal Law at the College, Muhammad Nasser Al-Tamimi, who presented a lecture entitled "Conflict of Interest Statute," in the presence of a number of department managers and team leaders. CLD Manager affirmed the department's keenness to boost awareness and legal culture by hosting professional people. The legal team also provide support and assistance to the company's management and employees.

- IT Department held the fourth awareness session for digital transformation in the company, under the title "KNPC 4," in line with the techniques of the fourth industrial revolution. During the session, IT Department Manager recommended to establish a partnership with leading national companies with the aim of developing business in our company and the sector, the thing which leads to support the national development and economy. The seminar included an explanation of the steps that have been taken regarding the digital transformation in the company, the integration between its various sectors and what is required from the company's departments and teams in the forthcoming period.

- As part of the awareness meetings organized by the Commercial Department for the employees of the concerned departments of the company, the Project Contracts and Consultations Division in the department organized an awareness seminar on the necessary approvals for conducting the procurement business. It also included a background of the by-laws regulating procurement and tenders businesses as well as reviewing all the approvals required from the purchasing committees in light of the Board of Directors Decision No. 17 for 2017 regarding purchasing procedures, the regulations of Supreme Purchasing Committee business and Public Tender Law No. 49 for 2016.

- The introduction of an automatic registration system for testing the job status of oil sector employees during service, which will limit the paper and e-mail correspondence works between the departments concerned with the amendment of employment status and the three test centers in the oil companies (test dates / registration / test results).

- HR and Development Division of KAFCO has completed the training programs as well as the events accompanied to develop employees' competencies, including:

  - In coordination with KPC and KNPC, the 2020/2021 annual plan as well as the five-year plan for training activities and manpower were developed.

  - The company restructuring plan was developed and approved on April 15, 2019. Moreover, the job description for the approved jobs and job evaluation in accordance with the approved amendments were also developed.

  - The company's approved plan for the employee engagement initiative is 100% complete as at the end of the fiscal year.

  - Developing and carrying out the company's program to manage talents and develop future leadership competencies during the period from October 2019 to March 2020, with the participation of 15 employees.

  - 29 employees participated in PTC training programs, 31 in local conferences and training programs, and 69 employees participated in external conferences and training programs.

- IT Division of KAFCO has implemented the "Unified Learning Management System for Job Competencies."

Chapter Seven

Corporate Social Responsibility (CSR)

In the presence of the CEO of Kuwait National Petroleum Company, The CEO of Kuwait Petroleum Corporation signed the Sustainability Policy which highlights the commitment of KPC and subsidiaries to transparency and optimal performance in economic, social and environmental issues, and its keenness to communicate effectively with all stakeholders.

It is also closely connected to the KPC 2040 Strategy and the values resulting therefrom.

KNPC adopts a sustainable policy aimed at enhancing its significant role in the economic development and the different activities of Kuwaiti community, in association with maintaining the environment in Kuwait.

The Company applies this policy to all its operations and activities, believing that this is the best way to establish a well-built community and a solid base for Kuwait future generations.

Under this vision, the company provides different forms of support and sponsorship for various economic, cultural, sports and community service activities, and donations to certain institutions that care for people with special needs and, inter alia, public benefit institutions.

- In the presence of the CEO of KNPC, and in a ceremony held in the presence of oil leaders, the CEO of KPC signed the Sustainability Policy of the Corporation and subsidiaries. This policy highlights the commitment to transparency and optimal performance in the economic, social and environmental issues pertaining to its operations, and its keenness to communicate effectively with all stakeholders. It is closely connected to KPC 2040 Strategy and the values resulting therefrom. The CEO of KPC commended the efforts of KNPC, which was assigned to develop this policy on behalf of the Corporation, as the former has an outstanding record for over a decade in the field of sustainability.

- In the presence of K-companies representatives, KNPC organized the first workshop to develop the uniform sustainability report for KPC and subsidiaries in Bait Al-Wataniya. The attendees discussed the importance of the report for the decision-makers in KPC and subsidiaries upon reviewing a number of international experiences in the same field. The attendees also discussed the basics of data collection processes and sound and accurate recording methods.

- KNPC has formed a Social Welfare Committee to inform foreign employees in the company's projects of their rights according to their contracts, and as per the Kuwaiti Labor Law. This campaign

Legal rights are communicated to contractors' employees constitutes a step that is the first of its kind in Kuwait and the Gulf, and reflects the company's keenness, not only in implementing the Kuwaiti Labor Law, but also to represent an essential part of the corporate social responsibility and its continuous efforts to provide a decent and stable work environment. The committee has toured CFP which includes the largest number of these employees, totaling about 50 thousand, working under 40 contracts entered to with KNPC contractors. The Committee distributed leaflets in eight different languages, in order to ensure that its ideas are communicated to the largest number of this workforce. Also periodic audits to ensure contractors' compliance with the Kuwaiti Labor Law, and that they follow the procedures in force in the company, including workplaces and employees' accommodation, were conducted.

- The company continued its support to the strategic stock of the Central Blood Bank. The Medical Division of HSE Department organized eight blood donation campaigns in different locations of the company, in collaboration with the Kuwaiti Blood Bank.

- KNPC ranked 3rd among the top ten blood donors in Kuwait, in the annual celebration organized by the Central Blood Bank, on the occasion of the World Blood Donor Day, and was sponsored by the Minister of Health Dr. Basil Al-Sabah. The ceremony aimed to promote awareness of the importance of voluntary blood donation to save lives and help the patients and needy.

- For the fourth consecutive year, the company organized the Occupational Health Day meant particularly for the workers in Al-Ahmadi Industrial Area, near their places of work. Being the first of its kind effort in the oil sector, KNPC is proud of these health campaigns to provide free medical examination services for expatriates who came to Kuwait to work in our development projects and build our economy. It aims to promote health awareness and provide medical advice and medication to the largest possible number of workers belonging to various nationalities and cultures, under the supervision of consultants and specialists. Specialized companies provided medical consultations thus saving time and effort for workers.


One of the blood donation campaigns organized by KNPC throughout the year

One of the Occupational Health Day activities in " Industrial Ahmadi "

- KNPC hosted a group of owners and representatives of news accounts on the social media networks. The aim was to identify the company's activities and major projects. They were received at the Head Office by the CEO, DCEO for Projects, and the Corporate Communication Department Manager. The visit underscored the role of media professionals in shedding light on whomever contributes to the community development, and highlight the role of national companies in supporting the Kuwaiti economy. During the visit, there was an extensive discussion about the Company's background, the development of its activities, and the most important projects currently being under construction. Later, the visitors moved to the CFP site, where they were introduced to the scope of the project's work and objectives.

- In collaboration with the Kuwaiti Teachers Society, Bait Al-Wataniya hosted 60 children from the "Fener Club," as part of the summer program thereby regular trips are organized by the club for cultural and entertainment centers across the State of Kuwait.

- As part of the agreement entered to between KNPC and INJAZ-Kuwait, MAB Refinery organized a "Job-Shadowing Day" for students of Ajyal Bilingual High School. The program included watching a short movie on the company's background and its significant activities. Presentations were submitted with focus on the oil refineries' nature of work in addition to the importance and methods of information security attainment at the oil sector.

- CCD organized a forum, entitled "Injazi Debate - A Story of Success" at the conclusion of the activities of the "Be a Leader" training program, sponsored by the company, in collaboration with INJAZ-Kuwait.

- KNPC sponsored the graduation ceremony of the excellent students of Intellectual Education School - Girls, for the academic year 2018/2019. The school Principal thanked the company for its patronage and continuous concern in participating in such social activities held by the Administration of Special Education schools. KNPC representatives were honored and handed over a commemorative shield.

During "Injaz Debate – A Story of Success" Forum

- MAB Refinery received a group of female students from the College of Engineering and Petroleum to get practical training. The students made a field tour in the refinery, visited some of the refining production units that the students had previously studied and received a full explanation thereabout.

- In collaboration with the Ministry of Awqaf and Islamic Affairs which provided the company with judging committees, KNPC organized its 12th Annual Ramadan Contest for memorization and recitation "Tajweed" of the Holy Quran for the oil sector employees and their children. CCD organized this competition at Bait Al-Wataniya club. This year's contest witnessed an extensive participation from the K-Company's employees.

- Continuing its annual tradition in Ramadan, the company set up its Ramadan Tent near the Head Office in Ahmadi to provide Iftar for about 1000 fasting people. This effort reflects KNPC role in various social fields, including the company's initiative in distributing Iftar meals to the customers in some of its petrol stations across the country.

- As part of the company's community activities during Ramadan, and in order to enhance communication and interaction with the various civil society organizations, the company provided consumable supplies needed by the worshipers during Attarawih prayer. This contribution covers a group of mosques in different parts of Kuwait.

- As part of the 12th Ramadan Championship for the oil sector martyrs, KNPC organized a football tournament in Bait Al-Wataniya which included a group of games and competitions. This tournament has become an annual tradition that brings together distinguished players in K-companies.

- KAFCO organized a visit for the people of the oil sector to its building and Kuwait International Airport.

- KAFCO set up a special corner for the company at the 2nd Gulf Cyber Security Conference and Exhibition for Information and Communications.

- KAFCO hosted 5 students from local universities for field training on different technical activities at the company.

Participation in Local and International Conferences and Exhibitions

- The company organized the 2nd ResidHydrotreat Symposium in November 2019, in which a large number of specialists tackled the latest technology in refining the residual oil. This constitutes a great quantum leap associated with Kuwait's endeavor to expand its conversion capabilities to refine the cheap residual oil and convert it into high-quality products, which improves the profit margin, especially since Kuwait will be one of the leading centers in hydrotreatment of oil residues after commissioning Al-Zour refinery.

- KNPC hosted a meeting for the 5th Consolidated Partnership Advisory Council 2019/2021 (C-PAC) between K-companies and private sector companies, including suppliers, contractors and local manufacturers, governmental and non-governmental agencies. The forum was chaired by DCEO for Admin. and Commercial Affairs. This council aimed to enhance the involvement of the Kuwaiti private sector in K-companies' works and projects, in addition to achieving success at the oil industrial, service and digital levels.

- The company hosted the first meeting of the Sub-Committee of the C-PAC (2019/2021) headed by Commercial Department Manager, a member of the Partnership Council and the Chairman of the Committee. The Sub-Committee discussed the council's proposals and work plan as well as the

10th International Conference and Exhibition on HSSE possibility of implementing the mechanism followed by the Public Authority for Housing Welfare in the oil sector regarding the right to petition by the local companies affected by the failure of the main contractor to give priority to the local national product. During the meeting, the problems related to the appointment and training of Kuwaiti national manpower by K-companies and the local private sector were considered.

- The company participated in the activities of the 10th International Conference and Exhibition on Health, Safety, Security & Environment that was held under the slogan "Occupational Development and Loss Prevention," under the patronage of the Minister of Oil and Minister of Electricity and Water. The conference was organized by the American Society of Safety Professionals - Kuwait Chapter, in cooperation with the Kuwaiti Society of Engineers. The company's CEO delivered a speech during the conference in which he stressed the importance of the issues raised by the conference and their relevance to the downstream industry and to the oil sector projects in general. The conference seminars also included other participations by the two DCEOs of Mina Al-Ahmadi refinery, Support Services, and a number of managers and team leaders. They exhibited the company's expertise outcome for years in HSE, whereas engineers from the company's various departments also presented working papers on its best applications in the fields of occupational safety, change management, risk mitigation and other significant topics.

- With the participation of the Japan Cooperation Center Petroleum (JCCP) and Japan Petroleum Institute, KNPC participated in the 19th Kuwaiti-Japanese Symposium. The bi-annual event is organized by the Petroleum Research Center of the Kuwait Institute for Scientific Research. Under the title "Developments in the Oil Downstream Industry," the symposium included a key lecture entitled "The role of research and development in the future of heavy oil use and improvement: solutions and mitigation of problems," in addition to 22 other scientific lectures, in which the company's engineers

KNPC Participating in the Kuwaiti-Japanese Symposium participated in five working papers, covering a number of issues related to the oil refining industry, including improving characteristics of the feedstock in Kuwait Export Crude, and the use of water in the Tail Gases Treatment Reactor.

- In collaboration with Kuwait Society of Engineers, "Dabdaba" Solar Energy Team organized an awareness lecture on modern principles in the field of renewable energy during which the solar energy expert of European Energy Center spoke about "Modern Applications in Renewable Energy." The latest technologies in this field were also reviewed.

- In coordination with the Ministry of Electricity and Water, KNPC hosted the Head of the Gulf Campaign for Rationalization, Eng. Iqbal Al-Tayyar, who delivered a lecture entitled "Conscious Behavior of the Citizen." Al-Tayyar, stressed that sustainability became a global demand advocated by all countries because of its significant impact on conservation of resources. Head of KNPC Rationalization Campaign said that the company seeks to make rationalization a part of its employees' culture in particular, and the community in general, explaining that the company follows the most effective ways to reduce the power consumption and waste in the Head Office, refineries and all its facilities, the thing which also optimizes the financial cost to the company.

- The company participated in the 2nd Kuwait IT Governance, Risks and Compliance Forum, organized by the Central Agency for IT. KNPC IT Depart Manager delivered a lecture entitled "Communicating IT risks to stakeholders."

- The Project Management Technical Committee, one of the Gulf Downstream Association committees, held its Q4 meeting under the patronage of DCEO for Projects. The Committee comprises a number of oil companies, such as: Aramco, ADNOC and Bapco. The most important applications and developments that recently took place in the field of project management were discussed and reviewed, in addition to exchanging expertise on best practices in projects.

- The company participated in the 2nd Al-Adan Scientific Forum for Biology and Geology Teachers, which was organized by Al-Adan High School – Girls. The company's booth gave an explanation of its activities and refining operations, as well as samples of the various petroleum derivatives. Eleven governmental organizations and NGO's participated in the forum, including Ministry of Health, Al-Adan Environmental Police, Kuwait Fire Service Directorate, and the Public Authority for Agriculture Affairs and Fish Resources.

- Under the patronage of HE the Speaker of the National Assembly and with the support of Kuwait Foundation for the Advancement of Sciences, the company participated in the 37th Engineering Design Exhibition, organized by the Engineering Training Center and graduates at the College of Engineering and Petroleum – KU. The exhibition was held in the conference hall of Sheikh Jaber Al-Ahmad Cultural Center. The sponsors, including KNPC, were honored at the opening ceremony, whereas the exhibition had 107 total projects put together by 440 students for their senior engineering university project.

- Deanship of Student Affairs - KU honored KNPC as one of the main sponsors of the debate tournament among higher education institutions in Kuwait in English language for the academic year 2018/2019.

- Aiming to enhance joint efforts and emphasizing the readiness and preparedness to deal with emergencies and crises, KNPC hosted a coordination meeting in which senior employees from Security and Fire in K-companies and from Kuwait Fire Service Directorate participated. The meeting was chaired by the Security and Fire Department Manager in the company, and was attended by a number of officials of the KFSD, during which they discussed joint coordination in emergencies and crises, the mechanism of communication and reporting accidents, and the speed of response to deal with emergency cases, in addition to unifying the procedures for issuing official statements in such cases, and how to deal with social media to curb rumors and prevent spreading thereof.

- As part of Gulf cooperation in the field of information security, the Gulf Cyber Security Committee for the oil sector held a meeting in KNPC Head Office, headed by DCEO for Projects and the CEO representative of KPC in the committee, who stressed the importance of exchanging expertise and information in the field of cyber security in light of the increasing information risks in the oil sector in the Gulf. The meeting included panel discussions in which the experiences, best practices, and precautionary measures in the field of information security were shared among the member companies.

- Based on KPC recommendation, the company held a meeting with KOC, in which it presented its successful experience in obtaining external loans to finance strategic projects, and how to meet the requirements of international funding agencies. The meeting aimed to exchange the company's experience in funding CFP as it was the first national oil company to succeed in obtaining a huge external loan and to be able to fulfill its contractual obligations and terms in accordance with international standards.

- Under the patronage of the Minister of Oil and the Minister of Electricity and Water, the Kuwait 4th Oil and Gas Flow Measurement Technology Conference was held, which was organized by KOC, with the participation of KNPC and a number of local and international oil companies. The attendees discussed the latest practical applications of oil and gas measurement technology, in addition to 38 working papers, including three submitted by the company.

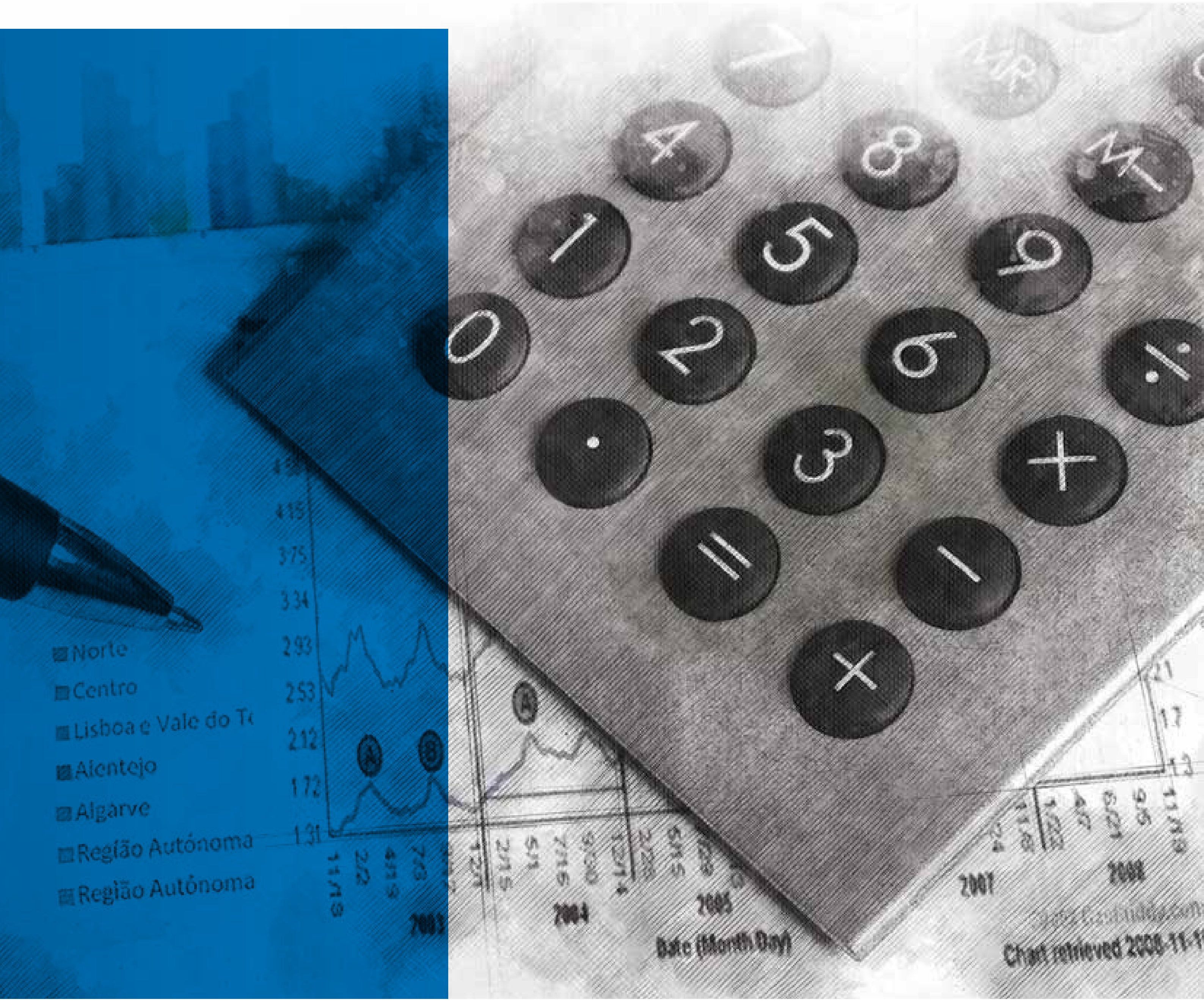
- Based on the oil sector 2040 strategy, CCD of KNPC organized the 2nd Oil Sector Communication Forum under the banner "Our Partnership Distinguishes Us," in the presence of a number of oil leaders. During her speech, CCD Manager introduced two initiatives, the first of which is to focus on two main issues at the forum, namely "Automation" and "Commercial Contracts," and the second is to launch the "Humanity Ambassadors ... Good Front" initiative that seeks to enhance the feeling of contribution by employees who dedicate their own time and resources in support of the community. The forum witnessed a panel discussion on developments in traditional and digital media in which three well-known media professionals have participated.

Chapter Eight

Financial Report

The data mentioned herein explains the FY results ending on 31/3/2020 compared to the previous FY results ending on 31/3/2019.

Total assets value in the balance sheet amounted to KD 9,979,442,725 compared to KD 9,872,767,635 for FY ending on 31/3/2019 showing a rise amounting to KD 106,675,090.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Algarve
Região Autónoma
Região Autónoma
Date (Month Day)

Revenues

The Company's total revenues amounted to KD 7,549,700,630 showing a decrease amounting to KD 1,692,650,080 compared to the previous year detailed hereunder as follows:

Description	2020/2019	2019/2018
Oil refining revenues	4,896,188,599	6,277,039,444
Gas liquefaction revenues	1,985,758,100	2,641,147,098
KAFCO Revenues	157,821,536	174,895,108
Kuwait Aromatics Co. Revenues	498,394,986	144,555,800
Carwash revenues	205,667	248,463
Other revenues *	11,331,743	4,464,798
Total revenues	**7,549,700,630**	**9,242,350,711**

* Including interest on deposits, foreign currency exchange discrepancies, return on investment with an affiliate company, sale of depleted catalysts, obsolete materials and depreciated assets

KNPC continued marketing its petroleum products in the local market in favor of KPC and whose value amounted to KD 581,138,427 in the current fiscal year compared to KD 566,391,781 in the previous year.

Profit & Loss

The Company's operations during the fiscal year 2019/2020 revealed a net loss of KD 61,816,521 compared to the last year's profit which amounted to KD 213,115,535.

The breakdown of the Company's Profit & Loss is detailed hereunder as follows:

Description	KD
Profit (loss) resulting from oil refining & gas liquefaction Ops	(96,593,118)
Profit (loss) resulting from KAFCO activities	16,982,616
Profit (loss) resulting from Kuwait Aromatics Co. activities*	24,130,455
Profit (loss) resulting from Local Marketing activities	80,119
Other revenues	(10,500,572)
Provisions	4,153,828
Remuneration for the members of the Board of Directors	(69,849)
Total profit (loss)	**(61,816,521)**

* Kuwait Aromatics Co. sales in 2019 / 2020 represents 60%.

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Independent auditor's report and consolidated financial statements for the year ended 31 March 2020

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Independent auditor's report

The Shareholders
Kuwait National Petroleum Company K.S.C.
State of Kuwait

Opinion

We have audited the consolidated financial statements of Kuwait National Petroleum Company K.S.C. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 March 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the Board of Directors report included in the Group's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

KPMG Safi Al-Mutawa & Partners, a Kuwaiti Public Accountant and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISA 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG

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

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Companies Law No. 1 of 2016, as amended, and it's Executive Regulations and the Company's Memorandum and Articles of Association. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognised procedures and the accounting information given in the board of directors' report agrees with the books of accounts of the Company. We have not become aware of any violations of the provisions of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations, or of the Company's Memorandum and Articles of Association during the year ended 31 March 2020 that might have had a material effect on the business of the Company or on its consolidated financial position.

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

Kuwait: 5 May 2020

Kuwait National Petroleum Company K.S.C.
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شركة البترول الوطنية الكويتية
KNPC

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 March 2020

	Note	2020 KD'000	2019 KD'000
Revenue	*5*	7,598,752	9,317,049
Cost of sales	*6*	(7,503,164)	(9,351,074)
Gross profit / (loss)		95,588	(34,025)
General and administrative expenses	*7*	(155,904)	(187,041)
Other income	*8*	7,732	16,171
Provisions – net	*9*	3,946	(13,432)
Share of results of investment in a joint venture		16,953	26,953
Finance costs		(6,213)	(1,864)
Finance income		8,964	3,435
Foreign exchange loss		(16,104)	(13,212)
Loss before board of directors' remuneration and taxes		(45,038)	(203,015)
Board of directors' remuneration		(129)	(113)
Taxes related to a subsidiary	*10*	(563)	(372)
Loss for the year		(45,730)	(203,500)
Other comprehensive income / (loss)			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences		5,617	3,312
Other comprehensive income for the year		5,617	3,312
Total comprehensive loss for the year		(40,113)	(200,188)
Loss attributable to:			
Shareholders of the Company		(61,817)	(213,115)
Non-controlling interests	*24*	16,087	9,615
Loss for the year		(45,730)	(203,500)
Total comprehensive loss attributable to:			
Shareholders of the Company		(58,447)	(210,530)
Non-controlling interests	*24*	18,334	10,342
Total comprehensive loss for the year		(40,113)	(200,188)

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

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شركة البترول الوطنية الكويتية
KNPC

Consolidated statement of financial position
as at 31 March 2020

	Note	2020 KD'000	2019 KD'000
Assets			
Property, plant and equipment	*11*	6,562,324	6,208,965
Intangible assets	*13*	38,725	41,811
Right-of-use assets	*2(e)*	12,253	-
Deferred expenses	*12*	13,616	14,220
Investment in a joint venture	*14*	54,639	73,709
Receivable from the Parent Company	*17*	182,600	182,600
Term deposits	*19*	-	91,260
Non-current assets		6,864,157	6,612,565
Inventories	*15*	321,198	448,742
Trade receivables	*16*	71,519	136,537
Due from related parties	*17*	1,866,241	1,623,104
Funds held by the Parent Company	*17*	479,999	726,441
Other receivables and prepayments	*18*	93,888	108,626
Term deposits	*19*	172,944	153,658
Cash and cash equivalents	*20*	68,611	29,935
Assets held for sale	*21*	40,886	33,160
Current assets		3,115,286	3,260,203
Total assets		9,979,443	9,872,768
Equity and liabilities			
Share capital	*22*	1,587,000	1,587,000
Statutory reserve	*23*	182,600	182,600
Foreign currency translation reserve		15,105	11,735
Accumulated losses		(274,932)	(213,115)
Acquisition reserve		27,006	27,006
Sub total		1,536,779	1,595,226
Non-controlling interests	*24*	172,978	154,644
Total equity		1,709,757	1,749,870
Loans and borrowings	*25*	2,333,563	2,707,348
Employees' end of service benefits	*26*	423,933	414,822
Financing received from the Parent Company	*17*	4,513,959	3,901,937
Deferred payments	*17*	71,930	141,506
Lease liabilities	*2(e)*	11,414	-
Non-current liabilities		7,354,799	7,165,613
Loans and borrowings	*25*	427,129	436,147
Deferred payments	*17*	71,402	69,969
Lease liabilities	*2(e)*	1,502	-
Trade payables		4,717	5,906
Other payables and accruals	*27*	391,554	406,275
Due to related parties	*17*	18,583	38,988
Current liabilities		914,887	957,285
Total liabilities		8,269,686	8,122,898
Total equity and liabilities		9,979,443	9,872,768

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

Hamza Abdullah Bakhash
Chairman

Waleed Al-Bader
Chief Executive Officer

Kuwait National Petroleum Company K.S.C.
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Consolidated statement of changes in equity
for the year ended 31 March 2020

	Share capital KD '000	Statutory reserve KD '000	Foreign currency translation reserve KD '000	Accumulated losses KD '000	Acquisition reserve KD '000	Total KD '000	Non controlling interests KD '000	Total KD '000
Balance at 1 April 2018	1,587,000	182,600	9,150	-	27,006	1,805,756	-	1,805,756
Loss for the year	-	-		(213,115)		(213,115)	9,615	(203,500)
Other comprehensive income	-	-	2,585	-	-	2,585	727	3,312
Total comprehensive loss for the year	-	-	2,585	(213,115)	-	(210,530)	10,342	(200,188)
Acquisition of a subsidiary	-	-	-	-	-	-	162,554	162,554
Dividend relating to non-controlling interest	-	-	-	-	-	-	(18,252)	(18,252)
Balance at 31 March 2019	1,587,000	182,600	11,735	(213,115)	27,006	1,595,226	154,644	1,749,870
Balance at 1 April 2019	1,587,000	182,600	11,735	(213,115)	27,006	1,595,226	154,644	1,749,870
Loss for the year	-	-	-	(61,817)		(61,817)	16,087	(45,730)
Other comprehensive income	-	-	3,370	-	-	3,370	2,247	5,617
Total comprehensive income / (loss) for the year	-	-	3,370	(61,817)	-	(58,447)	18,334	(40,113)
Balance at 31 March 2020	1,587,000	182,600	15,105	(274,932)	27,006	1,536,779	172,978	1,709,757

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

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شركة البترول الوطنية الكويتية
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Consolidated statement of cash flows
for the year ended 31 March 2020

	Note	2020 KD'000	2019 KD'000
Cash flows from operating activities			
Loss for the year		(45,730)	(203,500)
Adjustments for:			
Depreciation of property, plant and equipment	*11*	98,724	74,321
Depreciation of right-of-use assets	*2(e)*	4,783	-
Provisions - net	*9*	(3,946)	12,648
Amortisation of intangible assets	*13*	3,215	887
Amortisation of deferred expenses	*12*	11,577	11,441
Share of results of investment in a joint venture		(16,953)	(26,953)
Gain on sale of property, plant and equipment		2,281	(2,410)
Provision for employees' end of service benefits	*26*	52,703	125,255
Finance income		(8,964)	(3,434)
Finance costs		6,213	1,864
Expected credit losses	*9*	-	705
		103,903	(9,176)
Changes in:			
- Inventories		131,744	(10,556)
- trade receivables		62,451	35,476
- due from related parties		(243,137)	(79,769)
- other receivables and prepayments		14,738	(7,597)
- trade payables		(1,189)	(4,643)
- other payables and accruals		(14,721)	(52,796)
- due to related parties		(20,405)	(41,780)
Cash flows from (used in) operations		33,384	(170,841)
End of service benefits paid	*26*	(43,592)	(34,065)
Board of directors' remuneration paid	*27*	-	(68)
Net cash flows used in operating activities		(10,208)	(204,974)
Cash flows from investing activities			
Purchase of property, plant and equipment	*11*	(455,793)	(617,420)
Proceeds on sale of property, plant and equipment		1,429	3,956
Acquisition of a subsidiary- net of cash acquired		-	(69,954)
Purchase of catalysts	*12*	(10,973)	(8,501)
Funds held by the Parent Company maturing after three months from original maturity		-	246,732
Net movement in term deposits		71,974	55,236
Dividend received		36,698	11,988
Interest income received		8,964	3,434
Net cash flows used in investing activities		(347,701)	(374,529)
Cash flows from financing activities			
Proceeds from loans and borrowings		-	1,008,453
Funding received from the Parent Company	*17*	612,022	310,304
Repayment of loans and borrowings		(382,803)	(123,419)
Payment of lease liabilities	*2(e)*	(4,720)	-
Deferred payments		(68,143)	(32,789)
Dividend paid to non-controlling interests		-	(9,126)
Interest paid		(6,213)	(1,864)
Net cash flows from financing activities		150,143	1,151,559
Net change in cash and cash equivalents		(207,766)	572,056
Cash and cash equivalents at beginning of the year		756,376	184,320
Cash and cash equivalents at end of the year	*20*	548,610	756,376

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

Kuwait National Petroleum Company K.S.C.
and its subsidiaries
State of Kuwait

Notes to the consolidated financial statements
for the year ended 31 March 2020

1. Reporting entity

Kuwait National Petroleum Company K.S.C. (the "Company" or "KNPC") is a Kuwaiti shareholding company established in 1960. The Company is engaged in oil refining activities including the manufacturing of liquid petroleum gas. The address of the Company's registered office is P.O. Box 70, Safat 13001, Kuwait.

The Company is a wholly owned subsidiary of Kuwait Petroleum Corporation ("the Parent Company"), which is wholly owned by the Government of the State of Kuwait.

The Company buys crude oil and feedstock from the Parent Company for refining and sells the refined products primarily to the Parent Company. Prices for these transactions are determined in accordance with a supply agreement between the Company and the Parent Company.

The Company also distributes petroleum products within the State of Kuwait on behalf of the Parent Company in addition to providing other fuel station ancillary services. Approximately 91% (2019: 98%) of the Company's revenue is earned from the Parent Company.

The consolidated financial statements comprise of the Company, its equity accounted investee and its subsidiaries (together referred to as "the Group").

A list of significant directly and indirectly owned subsidiaries and the equity accounted investee are as follows:

Name of entity	Country of incorporation	Principal business	Percentage of ownership 2020	Percentage of ownership 2019
Subsidiaries				
Kuwait Aviation Fuelling Company K.S.C. (Closed) ("KAFCO")	Kuwait	Aviation Fuelling	100%	100%
Kuwait Aromatics Company K.S.C. (Closed) ("KARO")	Kuwait	Manufacturing and selling of Aromatics	60%	60%
Subsidiary held through KARO				
Kuwait Paraxylene Production Company K.S.C. (Closed) ("KPPC")	Kuwait	Manufacturing and selling of Aromatics	100%	100%
Joint venture held through KARO				
The Kuwait Styrene Company K.S.C. (Closed) ("TKSC" or "the Joint Venture")	Kuwait	Manufacturing and selling of Styrene	57.5%	57.5%

These consolidated financial statements were approved and authorised for issuance by the Board of Directors on 5 May 2020 and are subject to approval of the Parent Company at the Annual General Assembly, which has the power to amend these consolidated financial statements after issuance.

Kuwait National Petroleum Company K.S.C.
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شركة البترول الوطنية الكويتية
KNPC

Notes to the consolidated financial statements
for the year ended 31 March 2020

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), the requirements of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations, and the Company's Memorandum and Articles of Association and the Ministerial Order No. 18 of 1990.

b) Basis of measurement

The consolidated financial statements have been prepared on historical cost basis.

c) Functional and presentation currency

The consolidated financial statements are presented in Kuwaiti Dinars, which is the functional currency of the Company. All financial information presented in Kuwaiti Dinars has been rounded to the nearest thousand.

d) Use of estimates and judgements

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

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in Note 3(p).

e) Changes in accounting policies

The Group has adopted the following new standards and amendments to the standards effective current year:

IFRS 16 *Leases*

The Group applied IFRS 16 using the modified retrospective approach and hence the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Kuwait National Petroleum Company K.S.C.
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Notes to the consolidated financial statements
for the year ended 31 March 2020

(i) Definition of a lease
Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

(ii) As a lessee
As a lessee, the Group leases many assets including land, vehicles and data centers. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

Leases classified *as operating leases under IAS 17*

Previously, the Group classified various leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets ;
- used hindsight when determining the lease term.

(iii) As a lessor

As at the reporting date, the Group has not entered into any contracts in which the Group is a lessor.

Kuwait National Petroleum Company K.S.C.
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Notes to the consolidated financial statements
for the year ended 31 March 2020

(iv) Impact on transition

On transition to IFRS 16, the Group recognised right-of-use assets and related lease liabilities. The impact on transition as at 1 January 2019 is as follows:

	1 April 2019 (KD '000)
Assets	
Right-of-use assets	18,991
Total assets	18,991
Liabilities	
Lease liabilities – Non-current	12,984
Lease liabilities – Current	6,007
Total liabilities	18,991

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate which is determined at 2.75% as at the reporting date.

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year ended 31 March 2020:

	Right-of-use asset (KD '000)	Lease liabilities (KD '000)
Balance at 1 April 2019	18,991	18,991
Additions to right-of-use assets	423	-
Derecognition of right-of-use assets	(2,378)	-
Re-measurement of lease liabilities	-	(1,778)
Depreciation	(4,783)	-
Finance costs	-	423
Lease liabilities paid	-	(4,720)
Balance at 31 March 2020	**12,253**	**12,916**

The current and non-current portion of lease liability is set out below:

	KD '000
Current	1,502
Non-current	11,414
As at 31 March 2020	**12,916**

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. It clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

As at the reporting date, the application of IFRIC 23 did not result in any significant impact on the consolidated financial statements of the Group.

3. Significant accounting policies

The accounting policies set out below have been applied consistently by the Group to all periods presented in these consolidated financial statements, except as disclosed in note 2(e) above.

a) Basis of consolidation

i. Business combinations of entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities that the acquirer receives in the acquisition are accounted for at the acquiree's carrying amount on the acquisition date. The difference between the carrying amount of the acquired net assets and the consideration paid for the acquisition (including the total nominal value of shares issued) is recognised as other reserves in the consolidated statement of changes in equity. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

ii. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Accounting period of a subsidiary

The financial year end of KARO is 31 December. For the purpose of the consolidated financial statements of the Group, 31 December 2019 consolidated financial statements of KARO have been used. All significant transactions made between the closing date applied by KARO and the closing date of the Group have been adjusted for accordingly.

iii. Non-controlling interests ("NCI")

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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iv. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of profit or loss and other comprehensive income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

v. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses rising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee and unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Investment in a joint venture

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

The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

A joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the consolidated statement of profit or loss and other comprehensive income in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to the consolidated statement of profit or loss and other comprehensive income on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to the consolidated statement of profit or loss and other comprehensive income (as a reclassification adjustment) when the joint venture is disposed-off. When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to the consolidated statement of profit or loss and other comprehensive income, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to the consolidated statement of profit or loss and other comprehensive income on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

The consolidated financial statements of the equity accounted investees are prepared for the year ended 31 December, accordingly, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group. Dividend received from joint ventures are reduced from the carrying value of the investment.

c) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of profit or loss and other comprehensive income as incurred.

Depreciation is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative year are as follows:

Tanks, pipelines and jetties	25 years
Plant and machinery	5 to 25 years
Buildings and facilities	25 years
Vehicles and transportation equipment	5 years
Insurance spares	25 years

Freehold land and assets under construction are not depreciated.

The assets residual values, useful lives and methods of depreciation are reviewed at each reporting date, and adjusted prospectively, if appropriate.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Cost includes all capital costs in accordance with the Group's accounting policy. Assets under construction are transferred to the related assets under property, plant and equipment when the underlying project is substantially completed and the related asset is brought into use. Depreciation of these assets commences when the assets are ready for their intended use as determined by the management.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

d) Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised in the consolidated statement of profit or loss and other comprehensive income as incurred.

Intangible assets consist of technology and licenses for the manufacture of benzene and paraxylene, and reservation right fees for the right of use of the utilities and infrastructure facilities developed and owned by EQUATE Petrochemical Company K.S.C. (Closed) ("EQUATE").

The intangible assets are amortised on a straight-line basis over their estimated useful lives which is determined by the management as twenty-five years, except for reservation right fees, which is amortised over the period of twenty years. The estimated useful lives, residual values and amortisation methods are reviewed at each year end, with the effect of any changes in estimate being accounted for on a prospective basis.

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e) Impairment of tangible and intangible assets

The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

f) Leases

Policy applicable from 1 April 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 April 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- amounts expected to be payable under a residual value guarantee; and
- Payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of profit or loss and other comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Policy applicable before 1 April 2019

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payment made under operating leases are recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

g) Inventories

Refined petroleum products are valued at the lower of cost and net realisable value. Cost is calculated on an individual product basis, using the cost of crude oil and natural gas supplied with an allocation of processing costs and overheads to each product based on their relative market values. Net realisable value represents selling prices in accordance with the supply agreement with the Parent Company (Note 1) less all estimated costs of completion and costs necessary to make the sale.

Aromatic products are stated at the lower of weighted average cost and net realisable value. The cost of finished products includes direct materials, direct labour and fixed and variable manufacturing overhead and other costs incurred in bringing inventories to their present location and condition. Net realisable value is the estimated selling price for inventories in the ordinary course of business less estimated costs of completion and selling expenses.

Crude oil, chemicals and other inventories are valued at the lower of cost and net realisable value after recognising due allowance for obsolete or slow moving items. Cost is determined using the weighted average cost method. Net realisable value is based on estimated replacement cost.

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

h) Deferred expenses

Deferred expenses primarily comprise of catalysts and are amortised on a straight-line basis over their estimated useful lives.

i) Financial instruments

Recognition and initial measurement
Financial assets and financial liabilities are initially recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

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Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the consolidated statement of profit or loss and other comprehensive income. Financial assets and financial liabilities not at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Classification and measurement
Financial assets based on the business model for managing the assets and the asset's contractual terms, are measured at either:

- Financial assets carried at amortised cost; or
- Financial assets carried at fair value through other comprehensive income ("FVOCI"); or
- Financial assets carried at fair value through profit or loss ("FVTPL").

Financial assets carried at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method (EIR) and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument by instrument basis but at a higher level of aggregated portfolios and is based on a number of observable factors. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cash flows are solely payments of principal and interest ("the SPPI test")

For the purpose of this assessment, principal is defined as the fair value of the financial asset at initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as, a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers.

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par-amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual profit (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Contractual terms that introduce more than a de minimis exposure to risks or volatility in the contractual cashflows that are unrelated to a basic lending arrangement do not give rise to contractual cashflows that are solely payments of principal and interest. In such cases, the financial assets are measured at fair value through profit or loss.

The Group's financial assets at amortised cost include funds held by the Parent Company, due from related parties, receivable from the Parent Company, trade receivables, other receivables, term deposits and bank balances.

Trade receivables

Trade receivables arising from the activities of the Group will continue to be recognised at amortised cost as the management has concluded that these are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of these instruments and concluded that they meet the criteria for measurement under the amortised cost method. Accordingly, there is no change in the classification of these instruments.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand and cash at bank held in current accounts with local financial institution.

Subsequent measurement

The subsequent measurement of these financial assets will be at undiscounted original or contracted amounts less any expected credit losses. Any gain or loss upon derecognition is recognised in the consolidated statement of profit or loss and other comprehensive income.

Reclassification of financial assets

The Group does not reclassify its financial assets subsequent to their initial recognition apart in the exceptional circumstances in which the Group acquires, disposes of or terminates a business line.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group previously recognised impairment losses on financial assets based on incurred loss model, under IAS 39. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses on financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach under IFRS 9.

Determination of ECL on financial assets
With respect to the financial assets, the Group has applied the simplified approach and has calculated ECL based on lifetime expected credit losses as the simplified approach does not require the changes in credit risk to be tracked. The Group has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the Group's economic environment.

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The management considers a financial asset in default when the contractual payments are 90 days past due. However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

The Group does not recognise ECL on bank balance and due from related parties as these financial assets are considered to carry low credit risk and the Group does not expect to incur any credit losses on these instruments.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include loans and borrowings, financing received from Parent Company, due to related parties, lease liabilities, trade payables and accruals and other liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss;
- Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss and other comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

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Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

j) Employees' end of service benefits

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

Employees are entitled for an end of service indemnity payable under the Kuwait Labor Law, oil sector Law and the Company's by-laws based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. The expected costs of these benefits are accrued over the period of employment.

Kuwaiti employees

Additionally, pensions and other social benefits for Kuwaiti employees are covered by The Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's share of contributions to this scheme, which is a defined contribution scheme, is recorded in the consolidated statement of profit or loss and other comprehensive income in the year to which they relate. The difference between Oil Sector Law and Labor Law is also accrued for Kuwaiti employees.

k) Foreign currency transactions

Foreign currency translation

Transactions in foreign currencies are translated into KD at rates of exchange prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into KD at rates of exchange prevailing at reporting date. The resultant exchange differences are recorded in the consolidated statement of profit or loss and other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

The assets and liabilities of subsidiaries are translated to KD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to KD at the average exchange rates for current year. Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

When a subsidiary is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the consolidated statement of profit or loss and other comprehensive income as part of gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary while retaining control, the relevant proportion of the cumulative amount is reattributed to the non-controlling interests.

l) Assets held for sale

Assets classified as held for sale are separately presented in the consolidated statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities classified as held for sale are presented in current assets and liabilities in the consolidated statement of financial position.

m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using rates that reflect, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

n) Borrowing costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time the assets are substantially ready for their intended use, i.e. when they are capable of production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short-term out of money borrowed specifically to finance a project, the income generated from such short-term investments is also capitalised and deducted from the total capitalised borrowing costs. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the year.

Finance costs are recognised in the consolidated statement of profit or loss and other comprehensive income for all interest bearing instruments on effective interest rate basis. The calculation includes all contractual terms of the financial instrument and includes any fee or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

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o) Revenue recognition

Sale of goods

Revenue from contracts with customers is recognised upon satisfaction of the performance obligations for the transfer of the promised goods and services. The revenue amount that are recognised reflect the consideration to which the Group expects to be entitled in exchange for those goods and services. Revenue from the sale of finished products is recognised when a customer obtains control of those products, which normally is when title passes at point of delivery, based on the contractual terms of the agreements.

For export sales, products are sold on cost and freight basis, where the Group is required to provide shipping and handling services after the date at which the products have transferred to the customer. The Group determines that shipping and handling activities is a separately identifiable and distinct performance obligation from the sale of products. The Group allocates a portion of the total transaction price to delivery services based on a best estimate of a similar stand-alone service. Revenues on these services are recognised over the time.

The Group also enters into long-term contracts with local customers for sale of light naphtha, benzene and other products. The Group determined that each unit of aforementioned products are distinct because it could be sold separately and are not dependent on or highly interrelated with the other units. Transfer of products to customers is considered as a series of distinct products. Revenue is recognised over the time as the customer simultaneously receives and consumes the benefits. Output method is used to measure the progress towards complete satisfaction of performance obligation.

Certain products in certain markets may be sold with variable pricing arrangements. Such arrangements determine that a preliminary price is charged to the customer at the time of transfer of the control of products, while the price of products can only be determined by reference to a time period ending after that time. In such cases, and irrespective of the formula used for determining preliminary and final prices, revenue is recorded at the time of transfer of control of products at an amount representing the expected final amount of consideration that the Group receives. Where the Group records receivable for the preliminary price, subsequent changes in the estimated final price will not be recorded as revenue until such point in time at which the final price is determined.

The Group also pays demurrages for delays caused by incomplete shipments at the customer port. The Group considered demurrages as price adjustments. Under IFRS 15, the Group considered this as variable consideration while determining the transaction price for sale of products.

Local marketing and distribution network operation
Cost of operating filling stations and distribution network is reimbursed by the Parent Company and is recognised over the period of time.

Other Services

The Group also provides ancillary services such as car washing, defueling and other maintenance services for which is recognised over a period of time as the related services are performed.

Interest income

Interest income is accrued on a time proportion basis with reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

p) Critical accounting judgements and key sources of estimation uncertainty

The following are the critical accounting judgements, apart that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Investment in a joint venture

An arrangement can be a joint arrangement even though not all of its parties have joint control of the arrangement. When the Group is a party to an arrangement it shall assess whether the contractual arrangement gives all the parties, or a group of the parties, control of the arrangement collectively; joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that control the arrangement collectively. Management needs to apply judgment when assessing whether all the parties, or a group of the parties, have joint control of an arrangement.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below:

Estimation of useful lives

The Group determines the estimated economical useful life of property, plant and equipment which requires considerable judgment.

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Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows.

Impairment provision of inventories

Inventories are held at the lower of cost and net realisable value. When 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 inventory and the degree of ageing or obsolescence, based on historical experience.

At the reporting date, gross inventories were KD 339,852 thousand (2019: KD 467,396 thousand). Their related provisions for slow moving and obsolete items relating to spare parts were KD 18,654 thousand (2019: KD 18,654 thousand). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss and other comprehensive income.

4. Standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements, when adopted:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8); and
- IFRS 17 Insurance Contracts.

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5. Revenue

	2020 KD '000	2019 KD '000
Refined products	4,896,189	6,277,039
Liquefied petroleum gas	1,985,758	2,641,147
Aromatic products	498,395	144,556
Aviation fuel	157,821	174,895
Revenue from local marketing operations	60,589	79,315
Other revenue	-	97
	7,598,752	9,317,049

The Group disaggregates its revenue from contracts with customers by products, services and geographic region.

	2020 KD'000	2019 KD'000
Point in time		
Refined products	4,896,189	6,277,039
Liquefied petroleum gas	1,985,758	2,641,147
Aviation fuel	157,821	174,895
Paraxylene	222,107	60,502
Heavy aromatics	2,688	400
	7,264,563	9,153,983
Over the time		
Benzene	50,934	11,525
Light naptha	189,988	48,576
Other products	22,358	12,001
Reimbursement of local marketing operating expenses	60,589	79,315
Other revenue	-	97
Shipping and handling services	10,320	11,552
	334,189	163,066
Total sales	7,598,752	9,317,049

Remaining performance obligations represent the transaction price of firm sales arrangements for which volumes have not been delivered. At the reporting date, remaining performance obligations for shipment and handling services has not been disclosed because the original duration of these services are within one year. Additionally, long-term contracts are also excluded from the remaining performance obligations due to uncertainty associated with estimating the future production volumes and market prices.

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6. Cost of sales

	2020 KD '000	2019 KD '000
Cost of crude oil and gas	6,415,892	8,530,936
Cost of feedstock (including KARO depreciations)	475,845	124,778
Staff costs	288,426	359,662
Local marketing operating expenses (including depreciation)	60,509	79,315
Other costs	192,689	180,783
Amortisation (Note 12)	11,577	11,441
Depreciation (Note 11)	58,226	64,159
	7,503,164	9,351,074

7. General and administrative expenses

	2020 KD '000	2019 KD '000
Staff costs	142,098	174,508
Other costs	11,259	10,885
Depreciation (Note 11)	2,547	1,648
Recovery of local marketing overheads from the Parent Company	-	-
	155,904	187,041

8. Other income

	2020 KD'000	2019 KD'000
Recovery of contract penalties	2,831	7,335
Handling charges	1,385	3,740
Gain on sale of catalysts	104	404
Gain on disposal of scrap materials	1,215	354
Insurance recoveries	(85)	365
Others	2,282	3,973
	7,732	16,171

9. Provisions - net

	2020 KD'000	2019 KD'000
Provision for legal claims	-	-
Provision for expected credit losses	(254)	(784)
Provision for assets retirement obligation	-	-
Write-back of / (provision) for inventories	4,200	(12,648)
	3,946	(13,432)

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10. Taxes related to subsidiary

KARO calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Contribution to Zakat is calculated at 1% of the profit of the subsidiary in accordance with the Ministry of Finance resolution No. 58/2007.

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11. Property, plant and equipment

	Tanks, pipelines and jetties KD '000	Plant and machinery KD '000	Freehold land, buildings and facilities KD '000	Vehicles and transportation equipment KD '000	Insurance spares KD '000	Assets under construction KD '000	Total KD '000
Cost							
Balance at 1 April 2019	873,113	2,980,825	290,157	8,930	42,977	4,695,051	8,891,053
Additions	-	8,966	-	59	1,633	445,135	455,793
Transfer from assets under construction	1,507	49,311	15,166	84	-	(66,068)	-
Disposals	-	(220)	-	-	(9,516)	-	(9,736)
Balance at 31 March 2020	874,620	3,038,882	305,323	9,073	35,094	5,074,118	9,337,110
Accumulated depreciation and impairment losses							
Balance at 1 April 2019	711,990	1,736,619	204,710	7,459	21,310	-	2,682,088
Charge for the year	14,852	76,556	5,724	531	1,061	-	98,724
Disposals	-	(211)	-	-	(5,815)	-	(6,026)
Balance at 31 March 2020	726,842	1,812,964	210,434	7,990	16,556	-	2,774,786
Carrying amounts							
At 31 March 2020	147,788	1,225,918	94,889	1,083	18,538	5,074,118	6,562,324

11. Property, plant and equipment (continued)

	Tanks, pipelines and jetties KD '000	Plant and machinery KD '000	Freehold land, buildings and facilities KD '000	Vehicles and transportation equipment KD '000	Insurance spares KD '000	Assets under construction KD '000	Total KD '000
Cost							
Balance at 1 April 2018	806,906	2,147,960	246,406	8,821	41,906	4,479,089	7,731,088
Additions	15	2,282	1	6	1,071	553,474	556,849
Assets acquired on acquisition of a subsidiary	-	586,122	18,314	-	-	6,662	611,098
Transfer from assets under construction	66,192	252,542	25,363	103	-	(344,200)	-
Disposals	-	(10,419)	-	-	-	-	(10,419)
Foreign currency translation adjustments	-	2,338	73	-	-	26	2,437
Balance at 31 March 2019	873,113	2,980,825	290,157	8,930	42,977	4,695,051	8,891,053
Accumulated depreciation and impairment losses							
Balance at 1 April 2018	697,577	1,484,680	193,950	7,054	20,132	-	2,403,393
Charge for the year	14,413	58,476	4,522	405	1,178	-	78,994
Assets acquired on acquisition of a subsidiary	-	200,004	6,212	-	-	-	206,216
Disposals	-	(7,407)	-	-	-	-	(7,407)
Foreign currency translation adjustments	-	866	26	-	-	-	892
Balance at 31 March 2019	711,990	1,736,619	204,710	7,459	21,310	-	2,682,088
Carrying amounts							
At 31 March 2019	161,123	1,244,206	85,447	1,471	21,667	4,695,051	6,208,965

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Freehold land, buildings and facilities includes an amount of KD 422,484 (2019: KD 422,484) which represents freehold land. Further assets under construction of KD 4,286,717 thousand (2019: KD 3,986,162 thousand) relates to the Clean Fuels Project ("CFP"). During the year, the Group capitalised borrowing cost amounting to KD 93,128 thousand (2019: KD 4,647 thousand) related to CFP.

Certain property, plant and equipment have been assigned as security for the loans and borrowings secured by KARO (Note 25).

The depreciation charge has been allocated as follows:

	2020 KD '000	**2019** KD '000
Cost of sales (Note 6)	58,226	64,159
General and administrative expenses (Note 7)	2,547	1,648
Depreciation relating to KARO	28,162	8,513
Local marketing costs	5,463	1,144
Charged to the Group's profit or loss	94,398	75,464
Charged to Kuwait Oil Company and other related parties	4,326	3,530
	98,724	78,994

12. Deferred expenses

	2020 KD'000	**2019** KD'000
Balance at beginning of the year	14,220	17,160
Additions	10,973	8,501
Amortisation charge (Note 6)	(11,577)	(11,441)
Balance at end of the year	13,616	14,220

13. Intangible assets

	2020 KD'000	**2019** KD'000
Balance at the beginning of the year	73,194	-
Assets acquired through acquisition of a subsidiary	-	73,194
Balance at end of the year	73,194	73,194
Accumulated amortisation and impairment losses		
Balance at the beginning of the year	31,383	-
Acquired through acquisition of a subsidiary	-	30,466
Charge for the year	3,215	887
Foreign currency translation differences	(129)	30
Balance at end of the year	34,469	31,383
Carrying amount	38,725	41,811

Intangible assets include license fees paid to UOP Limited and reservation rights. The license fees paid to UOP Limited represent the technology purchased from UOP Limited that is used in the production of paraxylene.

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Reservation right fees represent the Group's share of total utilities and infrastructure facilities developed and owned by EQUATE (Note 17). Amortisation is allocated to cost of sales as it relates primarily to the Aromatics plant.

14. Investment in a joint venture

	2020 KD '000	2019 KD '000
Investment in a joint venture	54,639	73,709
	54,639	73,709

Investment in a joint venture

The Group has 57.50% (2019: 57.50%) equity interest in TKSC, which is indirectly held through Company's subsidiary i.e. KARO. TKSC is involved in the production of styrene monomer and other related products in the State of Kuwait.

The following table illustrates summarised financial information of TKSC, not adjusted for Group's share of interest:

	2020 (KD'000)	2019 (KD'000)
Statement of financial position		
Non-current assets	88,702	95,038
Current assets	41,532	87,785
Non-current liabilities	(9,471)	(25,427)
Current liabilities	(27,111)	(29,207)
Net assets	93,652	128,189
Group's share of net assets	54,639	73,709

The Group's share of TKSC's commitments and contingencies amounted to KD 2.31 million (2019: KD 1.6 million).

15. Inventories

	2020 KD '000	2019 KD '000
Crude oil	18,654	14,233
Finished goods	238,042	357,023
Maintenance and spare parts	62,116	63,635
Catalysts and chemicals	21,040	32,502
Goods in transit	-	3
	339,852	467,396
Provision for obsolete and slow-moving inventories	(18,654)	(18,654)
	321,198	448,742

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16. Trade receivables

	2020 KD '000	2019 KD '000
Trade receivables	72,744	138,126
Expected credit loss allowances	(1,225)	(1,589)
	71,519	136,537

Trade receivables are non-interest bearing and have average credit period ranges from 30-90 days. Movement in the expected credit loss allowances are as follows;

	2020 KD'000	2019 KD'000
Balance at beginning of the year	1,589	805
ECL for the year	(364)	784
Balance at end of the year	1,225	1,589

17. Related parties

Related parties include the shareholder and executive officers of the Company, close members of their families and companies of which they are the principal owners or over which they are able to exercise significant influence. The transactions of related parties are carried out at terms approved by the management.

Related party balances reflected in the consolidated statement of financial position are unsecured and neither bear any interest nor there any agreed repayment terms, except as disclosed below. Accordingly, these balances are treated as recoverable / payable on demand, except as disclosed below.

Funds held by the Parent Company represents temporary placement by the Company using the proceeds received from the export credit agencies loans until those proceeds are being used for their intended use. These amounts have been invested in term deposits by the Parent Company on behalf of the Company and it earns interest at an average rate of 2.64% to 2.71% respectively (2019: 2.85% to 3.25% per annum).

Receivable from the Parent Company, in accordance with Articles of Association, represents an amount equal to prior year statutory reserve was transferred to the Parent Company. The amount receivable from the Parent Company is unsecured and non-interest bearing, with no fixed terms of payment. This has been classified as non-current as the Group does not intend to request repayment in the short-term.

Financing received from the Parent Company represent amounts received to finance capital projects and are to be repaid in line with the related depreciation charge for capital projects. No interest is recognised on the outstanding amounts.

The Group is engaged in carrying out local marketing sales on behalf of the Parent Company. The products sold in the local market are the property of the Parent Company, accordingly they are not reflected in the consolidated statement of profit or loss and other comprehensive income of the Group. Local marketing sales represent sale of gasoline and other related products amounting to KD 581,138 thousand (2019: KD 566,392 thousand).

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On 2 December 2004, KARO signed the Material and Utility Supply Agreement ("MUSA") and Operation, Maintenance and Service Agreement ("OMSA") with EQUATE. On 8 February 2006, an agreement to amend the MUSA and service agreements ("primary agreements") was signed between the parties to the primary agreements releasing KARO from its obligations and liabilities under the primary agreements and appointing KPPC in place of KARO to assume and perform all obligations of KARO as if KPPC was and had been a party to the primary agreements.

Under the terms of the MUSA, KPPC contributed reservation right fees to EQUATE that represent 27.51% of the capital construction costs incurred by EQUATE on the utilities and infrastructure facilities developed by and owned by EQUATE. The percentage contribution of reservation right fee is based on the usage percentage of the utilities and infrastructure facilities by KPPC.

Under the terms of the OMSA, EQUATE operates, maintains and provides various services to KPPC for which EQUATE receives management and incentive fees over and above the actual operating costs.

On 2 December 2004, KPPC signed a Benzene Supply Agreement with TKSC, under which KPPC has an obligation to supply TKSC with a minimum quantity of 325,000 metric tons of benzene per annum at the contract price.

On 14 April 2007, the KPPC signed a marketing agreement with Petrochemical Industries Group K.S.C. ("PIC") under which PIC acts as an exclusive agent of sale of Paraxylene quantities produced by the Subsidiary. PIC receives commission of 0.1% of the contracted price of all Paraxylene quantities sold by KPPC.

On 29 April 2007, KPPC entered into Aromatics Plant Feedstock and Product Supply Agreement ("FS&PS") with KPC. Under the terms of FS&PS, KPPC purchase full range Naphtha from KPC as feedstock to produce Paraxylene and Benzene and sell by-products i.e. Light Naphtha ("LN"), Liquefied Petroleum Gas ("LPG") and Hydrogen to KPC.

On 29 April 2007, KPPC signed an agreement with KPC for the supply of feedstock which is used in the production of paraxylene and benzene. In addition, KPPC entered into a deferred payment agreement with KPC, which stipulated that 50% of the feedstock cost for 24 months shall be deferred from the start date of operations and the consumption of raw material by KPPC and an aggregate amount at the end of the 24th month shall be repayable over 18 consecutive semi-annual instalments effective from the 36th month from the start date of the deferred payment in addition to a deferral fee equivalent to nine months LIBOR over and above the aggregate deferral payment. The effective interest rate on the outstanding deferred payments balance was 0.86% (2017: 0.87%) per annum. According to the agreement, KPPC shall not pay any dividends to its shareholders until the aggregate deferral amount is paid to KPC and KNPC in full.

The Group also recorded a portion of the depreciation charge relating to certain assets included in property, plant and equipment to the Parent Company, Kuwait Oil Company and related parties (Note 6).

The aggregate value of significant related party transactions and outstanding balances other than those disclosed elsewhere in the consolidated financial statements are as follows:

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	2020 KD '000	2019 KD '000
Balances with related parties		
Due from related parties		
Parent Company	1,863,945	1,618,312
Kuwait Oil Tanker Company K.S.C.	80	329
Kuwait Gulf Oil Company K.S.C.	114	58
Kuwait Integrated Petroleum Industries Company K.S.C	2,011	4,264
Kuwait Foreign Petroleum Exploration Company K.S.C.	19	5
Kuwait Petroleum International	21	56
Oil Sector Servicing Company K.S.C.	1	2
Petrochemical industries Company K.S.C	50	78
	1,866,241	1,623,104
Funds held by the Parent Company	479,999	726,441
Receivable from the Parent Company (non-current)	182,600	182,600
Due to related parties		
Kuwait Oil Company K.S.C.	18,583	38,941
Petrochemical Industries Company K.S.C.	-	47
	18,583	38,988
Financing received from the Parent Company (non-current)	4,513,959	3,901,937
Deferred payments		
Non-current	71,930	141,506
Current	71,402	69,969
	143,332	211,475

Movement in financing received from the Parent Company is as follow:

	2020 KD '000	2019 KD '000
Balance at beginning of the year	3,901,937	3,655,793
Advances received	674,891	310,304
Advances credited to the Parent Company's current account	(62,869)	(64,160)
Balance at end of the year	4,513,959	3,901,937

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	2020 KD '000	2019 KD '000
Transactions with related parties		
Sales		
Parent Company	6,942,536	8,997,598
Benzene to TKSC	51,716	12,678
Light naptha and LPG to the Parent Company	192,889	53,430
Light ends, pygas and other products to EQUATE	805	266
Light ends to TKOC	1,252	147
Purchases		
Crude oil from the Parent Company	6,271,717	8,370,389
Light naphtha from the Parent Company	406,291	104,438
Others		
Aromatics plant management fees to EQUATE	770	189
Operating and utilities cost reimbursed to EQUATE for running the Aromatics plant	31,710	5,841
Marketing fees to PIC	243	364
Marine expenses	26,587	31,374
Interest income adjusted against borrowing costs	16,462	22,394
Medical expenses	78,963	76,722
Net assets of Az Zour refiner transferred to the Parent Company	-	-
Deferred payments	70,889	69,969
Key management compensation		
Salaries and short-term benefits	916	1,021
Employees' end of service benefits	91	238
	1,007	1,259

18. Other receivables and prepayments

	2020 KD '000	2019 KD '000
Prepayments and deposits	15,982	13,893
Advances against projects	31,160	31,724
Other receivables	46,746	63,009
	93,888	108,626

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19. Term deposits

	2020 KD'000	2019 KD'000
Term deposits with original maturity of more than one year	-	91,260
Term deposits with original maturity of more than three months and less than one year	172,944	153,658
	172,944	244,918

Term deposits are placed with financial institutions and carries effective interest rate of 3.02% (2019: 3.05%) per annum (Note 25).

20. Cash and cash equivalents

	2020 KD '000	2019 KD '000
Cash in hand	905	255
Cash at bank	67,706	29,680
Cash and cash equivalents as disclosed in the consolidated statement of financial position	68,611	29,935
Funds held by the Parent Company maturing within three months from original maturity	479,999	726,441
Cash and cash equivalents as disclosed in the consolidated statement of cash flows	548,610	756,376

Cash and cash equivalents include funds held by the Parent Company as these are expected to be received within three months from the date of placement (Note 17).

Term deposits represents deposits placed with financial institutions of original maturity of less than three months from the date of placement and earn average interest rate of nil (2019: 1.91%) per annum. At the reporting date, bank balances and term deposits are placed as security for project financing (Note 25).

21. Assets held for sale

Following the Board of Directors resolution dated 21 March 2017, the Company closed down the Shuiaba Refinery ("SHU") operations with effect from 31 March 2017. Consequently, the Company transferred certain assets to other refineries and decided to dispose off the remaining assets. Subsequent to above, the management classified SHU as asset held for sale in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* and presented separately in the consolidated statement of financial position. Furthermore, a Disposal Committee was established and actively working on identification and negotiation with the potential buyers of the SHU assets. The management determined that substantial period is required for dismantling and transferring of SHU assets to the potential buyer, after conclusion of the sales transaction.

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Movement of assets classified as held for sale are as follows:

	2020 KD '000	2019 KD '000
Balance at beginning of the year	33,160	38,082
Reclassification from property, plant and equipment	3,700	-
Reclassification to / from inventories	4,026	(4,922)
Balance at end of the year	40,886	33,160

Subsequent to initial classification of assets as held for sale, the management determined the following:

- Estimated fair value less cost to sell of property, plant and equipment is higher than the carrying value as at 31 March 2020. As a result, no impairment loss was recognised; and

- Estimated fair value less cost to sell of inventories is approximate to its carrying value as at 31 March 2020.

22. Share capital

The authorised, issued and fully paid up share capital of the Company comprises of 1,587 million shares of KD 1 each (2019: 1,587 million shares of KD 1 each) and is fully contributed in cash.

23. Statutory reserve

In accordance with the Companies Law and the Company's articles of association, 10% of profit for the year is to be transferred to the statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital. The shareholders 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.

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24. Non-controlling interests

The following table summarises the information relating to the non-controlling interest ("NCI") in KARO, before any intra group eliminations.

	2020 KD'000	2019 KD'000
NCI percentage	40%	40%
Statement of financial position		
Non-current assets	475,430	604,339
Current assets	248,114	203,129
Non-current liabilities	(99,699)	(214,991)
Current liabilities	(191,400)	(205,867)
Net assets	432,445	386,610
Net assets attributable to NCI	172,978	154,644

	2020 KD'000	2019 KD'000
Statement of profit or loss and other comprehensive income		
Revenue	498,185	144,556
Profit	38,229	24,038
OCI	2,463	3,312
Total comprehensive income	40,692	27,350
Profit allocated to NCI	16,087	9,615
OCI allocated to NCI	2,247	727
Cash flows from operating activities	68,483	11,677
Cash flows from investment activities	113,317	21,701
Cash flows from financing activities	(182,814)	(33,368)
Net change in cash and cash equivalents	1,014	10

25. Loans and borrowings

	2020 KD '000	2019 KD '000
Current portion		
Long term loans	158,799	158,855
Export credit agencies loans	188,617	186,109
Project financing related to KARO	79,713	91,260
	427,129	436,224
Non-current portion		
Long term loans	873,901	1,032,482
Export credit agencies loans	1,434,148	1,601,330
Project loans related to KARO	25,514	73,459
	2,333,563	2,707,271

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Long-term loans

On 28 April 2016, the Company entered into a long term loan agreement ("Facility") of KD 1.2 billion with a consortium of banks. The Facility consists of conventional and Islamic financing and is repayable in semi-annual installments of KD 80 million from April 2019 till 28 April 2026. The Facility carries an interest rate of 1% (2019: 1%) per annum over and above the Central Bank of Kuwait discount rate and is unsecured. The funds were specifically borrowed to finance the CFP. At the reporting date, the Company fully utilised Islamic and conventional facility of KD 710 million and KD 490 million respectively.

Export credit agencies loans

On 29 August and 31 August 2017, the Company signed USD 6,245 million (equivalent to KD 1,872 million) long term loan facilities agreement with export credit agencies ("the ECAs Financing"). The ECAs Financing are repayable over a period of 8 to 10 years in biannual instalments starting from 2018 and maturing between 2026 to 2028. Out of the total committed ECAs Financing, USD 500 million (equivalent to KD 150 million) carries fixed interest rate of 3.22% per annum and USD 5,745 million (equivalent to KD 1,772 million) carries variable interest rate of 6 months LIBOR + margin that ranges from 0.75% to 1.25% per annum. Interest is payable on a biannual basis. ECAs Financing is guaranteed by the Parent Company and were specifically borrowed to finance CFP.

ECAs Financing and long term loans carry covenants which are tested on annual basis. These covenants includes leverage covenant, interest cover charge, tangible net worth. At the reporting date, the Company is in compliance with above said customary covenants.

Project financing related to KARO

On 17 May 2007, KPPC, a 100% owned subsidiary of KARO, signed a KD 427 million project financing facility with a consortium of banks which includes commercial facilities of KD 321 million and an islamic loan facility of KD 106 million. The term loan is repayable over a period of 11 years in biannual instalments starting from 15 December 2010 and maturing on 15 June 2021. The coupon rate on this facility is LIBOR + 0.4% till the completion of the project, LIBOR + 0.45% till 7th anniversary of the project, LIBOR +0.6% till 10th anniversary of the project and LIBOR + 0.7% till the maturity date. The effective interest rate on the outstanding balance was 2.82% per annum. Project finance is secured by a charge over the Subsidiary's property, plant and equipment and assignment of bank balances (Note 11 & Note 20).

26. Employees' end of service benefits

	2020 **KD '000**	**2019** **KD '000**
Balance at beginning of the year	414,822	323,606
Acquisition of a subsidiary	-	26
Charge for the year	52,703	125,229
Payments made during the year	(43,592)	(34,039)
Balance at end of the year	423,933	414,822

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27. Other payables and accruals

	2020 KD '000	2019 KD '000
Accrued expenses	121,806	115,210
Accrued utilities	32,513	30,542
Contract retentions	172,028	201,127
Other payables	32,368	30,998
Leave provision	32,839	28,398
	391,554	406,275

Accrued expenses include an amount of KD 70 thousand (2019: KD 65 thousand) relating to the Company's board of directors' remuneration for the year ended 31 March 2020, which is subject to approval of shareholders in the Annual General Assembly.

28. Dividends payable

	2020 KD '000	2019 KD '000
Balance at beginning of the year	-	121,144
Profit for the year	-	-
Amounts transferred to the Parent Company	-	(121,144)
Balance at end of the year	-	-

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

29. Operating lease arrangements

The Group has entered into leases for motor vehicles and certain equipment. These leases have an average life of not more than five years with renewal terms at the option of the lessee whereby they can extend the lease terms based on market prices at the time of renewal. There are no restrictions placed upon the lessee as a result of entering into these leases.

	2020 KD '000	2019 KD '000
Minimum lease payments recognised as an expense in the current year	-	7,897

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Future minimum lease payments under non-cancellable operating leases as at 31 March are as follows:

	2020 KD '000	2019 KD '000
Within one year	-	8,312
After one year but not more than five years	-	16,552
	-	24,864

30. Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors is responsible for developing and monitoring the Group's risk management policies.

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

The Group's risk oversight committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade receivables, due from related parties, receivable from the Parent Company, funds held by the Parent, other receivables, term deposits and bank balances.

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Exposure to credit risk

The table below shows the gross maximum exposure to credit risk across financial assets before taking into consideration the effect of credit risk mitigation.

	2020 KD '000	2019 KD '000
Receivable from the Parent Company	182,600	182,600
Trade receivables	71,519	136,537
Other receivables	46,746	63,009
Due from related parties	1,866,241	1,623,104
Funds held by the Parent Company	479,999	726,441
Term deposits	172,944	244,918
Cash and cash equivalents	68,611	29,935
	2,888,660	3,006,544

The Group manages credit quality of customers by reference to external credit ratings, if applicable, or to historical information about counter party default rates. Trade receivables are considered to be impaired when the amount is in dispute, customers are believed to be in financial difficulty or if any other reason exists which implies that there is a doubt over the recoverability of the balance due from customers. Of above total trade receivables KD 30,084 thousand (2019: KD 52,826) are neither past due nor impaired. The Group does not hold any collateral against these receivables. At the reporting date, majority of the Group's trade receivables represents amounts due from governmental institutions.

At the reporting date, following customers' accounts for more than 53% (2019: 83%) of the outstanding trade receivables balance:

	2020 KD '000	2019 KD '000
First Fuel Marketing Company K.S.C.	8,080	13,962
Al-Sour Fuel Marketing Company K.S.C.	14,441	14,829
Ministry of Defence, Kuwait	8,594	5,605
Ministry of Interior, Kuwait	2,155	1,694
Kuwait Airways Company K.S.C	4,738	78,728

Expected credit losses

Trade receivables
Loss allowance for trade receivables is measured at an amount equal to lifetime ECLs. The lifetime ECLs on trade receivables are assessed based on the Group's historical credit loss experience, adjusted for factors that are specific to the customers, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Impairment was assessed to be insignificant as there has been no history of default and there has been no dispute arising on the invoiced amount from customers.

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Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate funding reserves fromm the Parent Company, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the reporting date compared to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

		Contractual cash flows				
	Carrying amounts KD '000	Within 3 months KD '000	3 to 12 months KD '000	1 to 5 years KD '000	More than 5 years KD '000	Total KD '000
2020						
Loans and borrowings	2,760,692	177,110	256,823	1,443,612	937,914	2,815,459
Financing received from the Parent Company	4,513,959	-	-	4,513,959	-	4,513,959
Trade payables	4,717	4,717	-	-	-	4,717
Other payables and accruals	391,554	-	391,554	-	-	391,554
Due to related parties	18,583	18,583	-	-	-	18,583
Lease liabilities	12,916	18	1,513	13,434	-	14,965
	7,702,421	200,428	649,890	5,971,005	937,914	7,759,237
	KD '000	**KD '000**	**KD '000**	**KD '000**	**KD '000**	**KD '000**
2019						
Loans and borrowings	3,204,066	332,084	232,342	1,810,739	1,394,191	3,769,356
Financing received from the Parent Company	3,901,937	-	-	3,901,937	-	3,901,937
Trade payables	5,906	5,906	-	-	-	5,906
Dividends payable	121,144	121,144	-	-	-	121,144
Other payables and accruals	406,275	-	406,275	-	-	406,275
Due to a related party	38,988	38,988	-	-	-	38,988
	7,768,647	376,978	709,823	5,855,665	1,394,191	8,336,657

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Market risk

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

The Group's exposure to market risk arises from:

- Commodity price risk;
- Currency risk;
- Interest / profit rate risk; and
- Equity price risk.

Commodity price risk

Volatility in oil and refined products prices is a pervasive element of the Group's business environment as the Group's purchases of crude oil and sales of refined products from / to the Parent Company are based on international commodity prices in accordance with a commercial supply agreement.

The Group's refining margin is affected by disproportionate fluctuations in the prices of crude oil and refined products. The Group does not use derivative instruments either to manage risks or for speculative purposes.

Currency risk

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rates exposures are managed within approved policy parameters.

Currency risk is mainly related to the Group's exposure to the loans and borrowings, cash at bank and funds held by the Parent Company denominated in US Dollars.

	2020 **KD'000**	**2019** **KD'000**
Assets	547,705	860,868
Liabilities	(1,726,787)	(2,436,142)
Net short exposure	(1,179,082)	(1,575,274)

The following exchange rates has been applied;

	Average rate		**Year-end spot rate**	
	2020	**2019**	**2020**	**2019**
US Dollars	0.30373	0.30177	0.30815	0.30420

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Sensitivity analysis

A 5 percent strengthening of the KD against US Dollars at the reporting date would have increased / (decreased) the loss for the year and equity by KD 190,271 thousand (2019: KD 272,548 thousand). This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest / profit rate risk

Interest rate risk is the risk that the fair value or future cash flows of Group's financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is the risk of fluctuations in interest rates on the Group's interest bearing liabilities.

Interest rate risk is assessed by measuring the impact of reasonable possible change in interest/ profit rate movements. At reporting date, the Group is exposed to interest / profit rate pertaining to the following interest bearing financial instruments:

	2020 KD '000	2019 KD '000
Loans and borrowings	(2,760,692)	(3,204,066)
Deferred payments	(143,332)	(211,475)
Funds held by the Parent Company	479,999	726,440
Term deposits	172,944	244,918
	(2,251,081)	(2,444,183)

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and loss for the year by KD 22,511 thousand (2019: KD 24,442 thousand). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market.

The Group is not exposed to equity price risk as there are no investments in equity securities.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes. Management has implemented health and safety policies and procedures addition to an adequate insurance coverage to mitigate operational risk.

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Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The Group is not significantly exposed to prepayment risk.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

In the opinion of the management, the estimated fair value of financial assets and liabilities, except for receivable from / due to Parent Company, that are not carried at fair value at the reporting date is not materially different from their carrying value.

31. Capital risk management

The management's policy is to maintain a strong capital base to sustain future development of the business and maximise shareholder value. In order to determine or adjust the capital structure, the Group monitors its capital structure and makes adjustment to it in light of changes in economic conditions. The Group monitors its capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is defined as financing received from the Parent Company and term loans less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position.

The gearing ratios at the reporting date are as follows:

	2020 KD '000	**2019 KD '000**
Financing received from the Parent Company	4,513,959	3,901,937
Loans and borrowings	2,760,692	3,204,066
Deferred payments	143,332	211,475
Cash and cash equivalents	(68,611)	(29,935)
Net debt	7,349,372	7,287,543
Total equity	1,709,757	1,749,870
Total capital	9,059,129	9,037,413

There were no changes in the Group's approach to capital management during the year. Further, the Company is not subject to externally imposed capital requirements, except the minimum capital requirements of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations.

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32. Capital commitments

As at the reporting date, the Company had commitments with respect to future capital expenditure amounting to KD 122,202 thousand (2019: KD 579,409 thousand). Except for CFP, other commitments will be financed by the Parent Company.

KARO's subsidiary has following fixed sale and purchase commitments until the agreement is cancelled in writing by both contractual parties:

- Sale of benzene to TKSC amounting to approximately KD 0.14 million per day (2018: KD 0.2 million per day); and
- Purchase of naphtha from the Parent Company amounting to approximately KD 1.10 million per day (2018: KD 1.36 million per day).
- Sale of return streams of naphtha to Parent Company amounting to approximately KD 0.52 million per day (2018: KD 0.66 million per day).

In addition to the above, the subsidiary also has capital commitments amounting to KD 809 thousand.

33. Contingent liabilities

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

34. Subsequent event

Subsequent to the reporting date, the coronavirus (COVID-19) outbreak has resulted in significant drop in demand for goods and services and supply chain disruptions. There is also high volatility in the financial markets worldwide. There has been a sharp decline in the oil prices during the subsequent period, amid the coronavirus epidemic, and is likely to impact the oil exporting countries.

The existing and anticipated effects of the outbreak of COVID-19 on the global economy and financial markets are expected to continue to evolve. The scale and duration of these developments remain uncertain at this stage but could negatively impact the Group's consolidated financial performance, consolidated cash flows and consolidated financial position. Given the ongoing economic uncertainty, a reliable estimate of the potential impact cannot be determined at the date of authorisation of these consolidated financial statements.

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