البترول الوطنية
KNPC

Promising Prospects

Annual Report 2020/2021

Annual Report
2020/2021

H.H. Sheikh Nawaf AL-Ahmad Al-Jaber Al-Sabah
The Amir Of The State Of Kuwait

H.H. Sheikh Meshal AL-Ahmad Al-Jaber Al-Sabah
The Crown Prince Of The State Of Kuwait

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CEO Statement

As we issue the annual report for the fiscal year 2020/2021, I would like to extend my sincere thanks to all the company's employees, especially in the Clean Fuels Project and in other support departments, for their continuous efforts that resulted in the completion of the majority of the project's work. Sparing a few of Mina Abdullah Refinery units, the entire CFP is almost completed with 99.38%.

It has been comforting that the tie-ins, commissioning and operation of all CFP units went smoothly and without lost-time accidents. Our two refineries continued performance as usual while maintaining the set production rates to meet the needs of our local and international clients.

With increased conversion capabilities, the complexity of the two refineries is now (10+). With utilized new technologies and increased ARD capabilities, we can convert the heavy and low value oil to quality high-value products to get the maximum added value of our national wealth. The enhanced competitiveness gives us the edge to enter new markets that were difficult for us, such as Europe and North America.

What makes this project unique, even at the global level, is that no other refining company has ever been able to modernize its existing refineries of this size, while at the same time continuing the production process and fulfilling its obligations towards its customers at home and abroad.

The project works continued smoothly despite the strict health requirements and travel restrictions due to the Corona virus pandemic.

Similarly, the works of the Gas Train-5 project are now progressing in full swing, and we expect to launch it before the end of the next fiscal year. The project will contribute to providing stable gas supplies to power stations and petrochemical industries, which will raise the integration level among national oil companies.

As we enter a new challenging phase in KNPC history fully confident of in the efficiency, experience and commitment of our employees in managing these technologically advanced new facilities.

It is gratifying that our total profits for the fiscal year 2020/2021 amounted to KD 146,544,097, after the previous year recorded loss of KD 61,816,521. The total revenues of the company (including KAFCO and KARO revenues) amounted to KD 5,188,818,315, a decrease from 2019/2020 revenues of KD 7,549,700,630. The company's total sales amounted to KD 5,219 million, down from the sales of the previous fiscal year, of KD 6,882 million.

These declines in sales and revenues are attributed to the Covid-19 pandemic, which caused an extensive decline in various economic activities, and a sharp drop in the global demand for oil and its products. Despite these enormous difficulties faced by the refining industry worldwide, the company continued its various operations, and succeeded in meeting all the demand for its products locally and globally without interruption.

11 new fuel stations were opened in the new cities of Sabah Al-Ahmad and Jaber Al-Ahmad, Saad Al-Abdullah and Abdali Farms, bringing the total of the company's stations to 59 in various parts of the State of Kuwait. Most of these stations use renewable energy by installing solar panels to produce electricity.

As part of KNPC's endeavor to play its pivotal role and maintain its positive impact on stakeholders, several workshops were organized about environment-related best practices among K-companies, such as GHGs, climate change and combating oil spills. The company also issued the 5th Sustainability Report, which mirrors the company's activities in adding value to the national wealth, social responsibility, protection of environment and its role in achieving sustainable development in Kuwait.

Reflecting the company's support for innovation and creativity, the in-house Innovation Committee organized the second virtual Hackathon, titled "Refinery Challenge." The event focused on finding solutions for certain refinery problems.

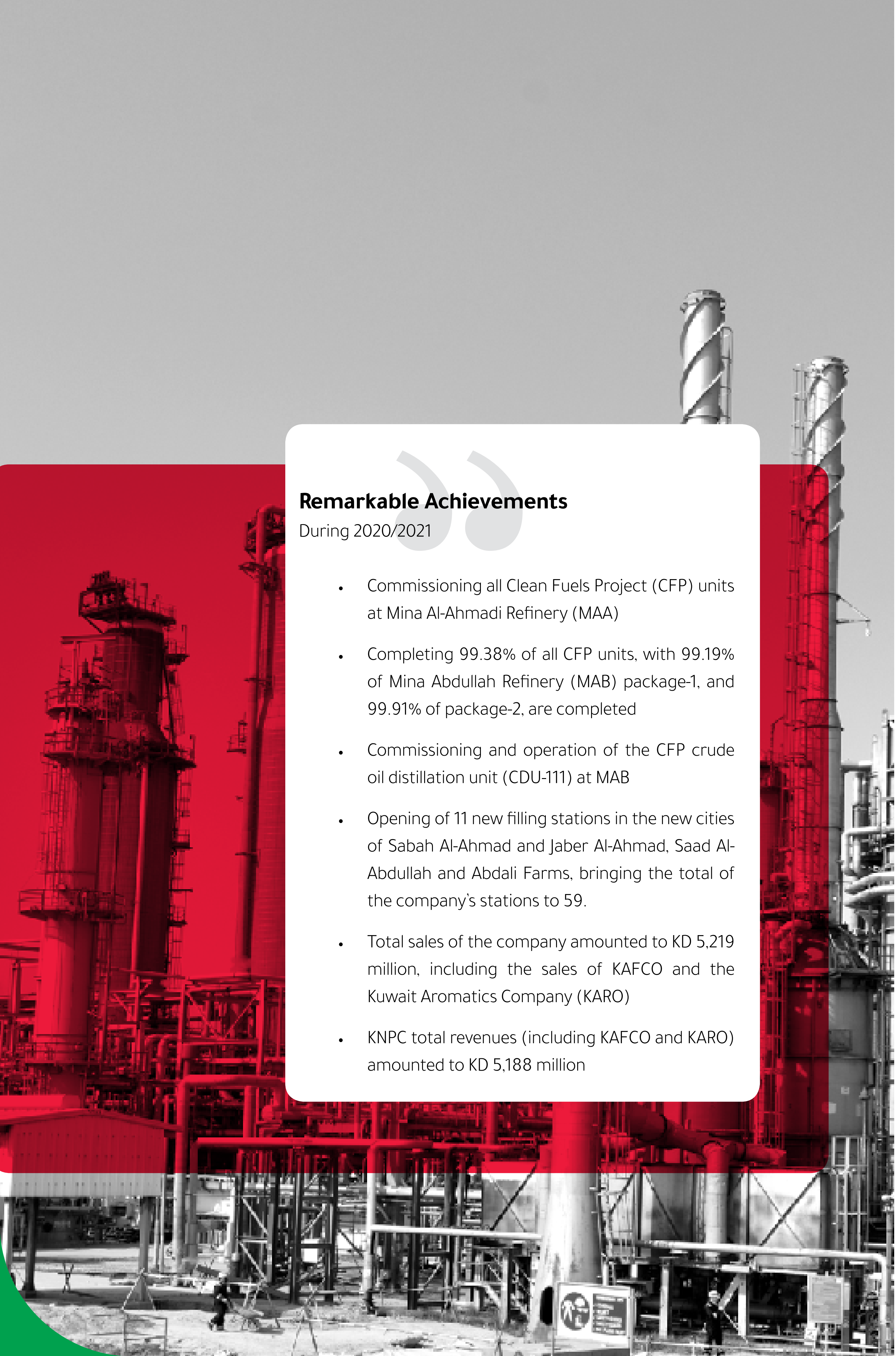
This year, 105 new Kuwaiti employees were appointed. In addition, 1,267 employees underwent technical and administrative training organized through virtual learning. As well, 34 engineers followed the Structured on Job Training (SOJT). Such training enhances know-how and competency of our work-force.

What KNPC has achieved this year is the result of our employees efforts who worked under one-team spirit, and demonstrated professionalism, proficiency and high experience that gives us full confidence that our new and advanced facilities will be managed by efficient and technically competent national hands.

Allow me to express, on my own behalf and on behalf of all the members of the Board of Directors and the senior management, my deep gratitude to all the employees at various departments and sections for their sincere effort that was behind the company's outstanding successes. Wishing you and the company more success.

Waleed Al-Bader

Chief Executive Officer



Remarkable Achievements

During 2020/2021

- Commissioning all Clean Fuels Project (CFP) units at Mina Al-Ahmadi Refinery (MAA)
- Completing 99.38% of all CFP units, with 99.19% of Mina Abdullah Refinery (MAB) package-1, and 99.91% of package-2, are completed
- Commissioning and operation of the CFP crude oil distillation unit (CDU-111) at MAB
- Opening of 11 new filling stations in the new cities of Sabah Al-Ahmad and Jaber Al-Ahmad, Saad Al-Abdullah and Abdali Farms, bringing the total of the company's stations to 59.
- Total sales of the company amounted to KD 5,219 million, including the sales of KAFCO and the Kuwait Aromatics Company (KARO)
- KNPC total revenues (including KAFCO and KARO) amounted to KD 5,188 million

Main Indicators

	2018/2019	2019/2020	2020/2021
Financial Indicators (Million KD)			
KNPC total sales(*)	8,918.0	6,882.0	4,848.0
KAFCO total sale	174.9	157.8	27.2
KARO total sale	144.6	498.4	343.3
Local Marketing total sales	566.6	581.1	465.6
Net profits/loss	(213.7)	(61.8)	146.5
Total operation expenses	816.4	718.8	949.1
Capital expenditure	549.3	436,631.0	145,405.0
Changes in total fixed assets	881,2	64,941.0	(193.6)
Average crude oil feedstock (X 1,000 BPD)			
Mina Abdullah Refinery	421.8	363.2	314.3
Mina Al-Ahmadi Refinery	270.6	256.2	274.9
Total	692.4	619.4	589.2
Sales			
Products exported to international markets(X 1,000 MT)	27,508.2	22,964.6	23,637.8
Fuel to local market (million liter)	6,851.8	6,916.7	5,559.1
Fuel to MEW (Million liters)	6,707.4	6,848.3	4,630.7
Bitumen (X 1,000 MT)	229.7	301.0	324.4
Manpower			
Manpower at the end of fiscal year (**)	6,378	6,322	6,029

(*) Sales of petroleum products to the local market include sales on behalf of KPC and KNPC sales
(**) Includes KAFCO manpower (52 employees, compared to 66 according to budget)

Kuwait National Petroleum Company 2040 **Strategy**

After updating the 2040 strategic directions for Kuwait Petroleum Corporation and approval by the KPC Board of Directors in October 2019 and the Supreme Petroleum Council in February 2020, KNPC formed a working group from various concerned departments to work on updating the strategic plan of the KNPC until the year 2040, in which the strategic initiative and objectives are included.

The company recently finalized updating its strategic plan and placed it on 22 March 2021 for review by the High Committee for Downstream Sector, then by the Board Members on 30 of March 2021. Following that, the oil sector all-inclusive strategic plan will be reviewed for approval by KPC Board Members.

KNPC Updated 2040 Strategy Directives for the Downstream Sector

- Reaching a maximum refining capacity of 1.6 mmbpd by 2025 and maximum conversion capability, absorbing most of Kuwait heavy oils in the local refineries, as well as fulfilling the local energy needs.
- Providing petroleum products with world and local standards.
- Maximizing integration between refining and petrochemical industries in Kuwait.
- Considering partnerships with other refiners to enhance operation efficiency.
- Working with the private sector to fulfill the local retail market needs of fuels, while focusing on enhancing competitiveness and increasing the private sector involvement.

Updated 2040 KPC and subsidiaries strategic directions

- Employ and maintain the highest international standards of operational excellence to achieve leadership and sustainability in the oil and gas industry.
- Continuous review of the operational portfolio to reach the optimal portfolio by utilizing the available opportunities, and excluding unprofitable assets that are not at the core of the operations and activities of KPC.
- Meet the current and future energy needs of the State of Kuwait by supplying different types of optimal fuels economically and environmentally, while making certain to provide a strategic alternative.
- Utilize alternative, renewable and other energy sources if they achieve an added value to the activities and operations of KPC.
- Establish a comprehensive digital strategy with own frame work to achieve operational excellency

To increase the refining capacity, strategic initiatives will be implemented in several phases:

- Short-term Phase (2020-2022): Increasing Kuwait's refining capacity to 1.415 million bpd, of which 800,000 bpd by KNPC refineries, and 615,000 bpd in the Al-Zour Refinery (Kuwait Integrated Petroleum Industries Company - KIPIC) in case KEC is refined.
- Medium-term Phase (2022-2027): 1.455 million bpd, of which 840,000 barrels per day by the refineries of KNPC, and 615,000 bpd in the Al-Zour refinery in case KEC is refined. It is expected that the refining capacity of MAB refinery will expand by 39,600 bpd by 2025, depending on the performance test results after the completion of CFP.
- Long-term Phase (2027-2040): Reaching production capacity of 1.575 million bpd, 840,000 bpd in KNPC refineries, and 735,000 bpd in Al-Zour refinery in case KEC is refined.

Expansion of gas processing capacity in line with future production plans:

- Short Term Phase (2020-2021): 2.32 billion scfpd for the existing 3 gas trains with 1.515 billion, plus 805 mmscfpd of Gas Train-4.
- Mid-term Phase (2021-2025): 3.125 billion scfpd for the existing 4 gas trains with 2.32 billion scfpd plus 805 mmscfpd of Gas Train-5.
- Long-term Phase (2025-2040): 3.93 billion scfpd. Of which, 3.125 billion scfpd for the existing five gas trains, plus 805 million scfpd for the 6th Gas Train to be built later. A KPC, KNPC, KOC, KGOC and KIPIC team will be formed to review the necessity of this additional gas train.

The strategy aims to produce high-quality petroleum products with low sulfur content, in line with the increasingly stringent environmental conditions around the world. This will allow our products to expand into new global markets. We will also supply the local market with clean motor oil, in addition to clean fuel oil to supply Kuwaiti power stations, all of which are products that contribute greatly to protecting the Kuwaiti environment.

Another critical point of the updated 2040 strategy is to enhance the company's conversion capacity by refining the low-value residue oil into high-value products, which would add financial returns for Kuwaiti crude.

The 2040 strategy also includes enhancing reliability and the company's refineries operation to the maximum capacity by reducing unscheduled shut-downs and prevention of accidents of any kind or level. Energy efficiency is also part of the updated strategy, including the expansion in the use of alternative energy at the company's various facilities.

The 2040 strategy aims to deepen integration among the oil sector various companies, especially between the refining and petrochemical industries, to reduce costs and add competitive edge to Kuwaiti petroleum products.

Chapter one

Refining and Gas Processing

As the CFP nears completion, Mina Al-Ahmadi and Mina Abdullah refineries have entered a new phase. The refining operations continued as planned as well as the new units tie-ins with the other facilities of the company.

The total refined quantities of crude oil in the company's two refineries amounted to 215 million barrels during the fiscal year 2020/2021, compared to 226 million barrels last year.

Crude oil
Refining

The refined crude oil quantities in the company's two refineries were below the plan due to the incomplete construction of all CFP units.

The crude oil refining rate in the two refineries amounted to 589.2 mbpd during the fiscal year 2020/2021, which is lower than the previous fiscal year rate of 619.4 mbpd.

The total refined quantities of crude oil in the company's two refineries reached 215 million barrels during the fiscal year 2020/2021, compared to 226 million barrels last year, a decrease of 4.4%.

Refining Crude Oil

589,2
mbpd

Total Refined Crude

215
million barrels

Mina Al Ahmadi Refinery

The total refined crude oil quantities amounted to 114.7 million barrels in the fiscal year 2020/2021, with a feed rate of 314.3 mbpd, compared to 132.9 million barrels at a feed rate of 363.2 mbpd in 2019/2020.

The total products exported from MAA refinery during this year amounted to 9,233 thousand metric tons, in addition to the export of about 826.5 thousand metric tons of sulfur.

MAA Achievements

- The low-sulfur diesel Unit 144 in the CFP has started producing gas oil (diesel) as planned. With its production capacity of 45,000 bpd and international specifications, this is one of the project's most important units. The 10 ppm sulfur content gas oil is in line with the global market standards, and enjoys a high profitability. In April 2020, the first low sulfur gas oil shipment was exported.

- The first shipment of high-quality petroleum coke was exported. The 15,000 metric tons represented first CFP petroleum coke production. The unit became operational in early April 2020, with a production capacity of 37, 000 bpd.

- The refinery exported the first shipment of Kuwait heavy oil in May 2020, and 3 shipments were sold during the first quarter of the fiscal year in cooperation with Kuwait Oil Company.

- Successfully producing and exporting low sulfur (0.5 wt %S) bunker fuel oil that conforms with the specifications of Kuwait Petroleum Corporation (KPC IFO 0.5 BFO) and the International Maritime Organization (IMO), which stipulate max 10 ppm sulfur content in gas oil and diesel. This product is characterized by its high quality in terms of viscosity compared with other production methods used globally.

- The operation of the Gas Oil Desulfurization Unit (GOD-144) was successfully tested. The Unit now treats the kerosene without resorting to major modifications. This transformation in the unit is an advanced achievement considering the absence of technical licensor companies due to the current circumstances.

- The heavy fuel oil produced from the cracking unit was treated with a fluid catalyst in the petroleum coke production unit, instead of converting it to a fuel oil product, which resulted in savings of about US$3.43 million. The gas oil derived from the cracking unit was also treated with a fluid catalyst in Gas Oil Desulfurization Unit (GOD-144/58) in order to avoid depleting the product by diverting it to fuel oil and avoiding US$3.7 million loss.

- Maximize the production of coker diesel in the Petroleum Coke production unit DCU-136 in order to meet the global market needs.

- Successful treatment of the maximum amount of waste generated from the Petroleum Coke Unit (DCU-136).
- Starting to receive Eocene crude oil from the Kuwait Gulf Oil Company at MAA during January 2021.
- Cooperating with MAB in storing vacuum fuel oil (VGO) during the maintenance of the Hydrocracking Unit (HCR-84) to avoid product depletion by converting it to fuel oil and to avoid US$4.15 million loss.
- Successively receiving quantities of high sulfur content of atmospheric residue (HSAR) from MAB Refinery during the fourth quarter to feed desulfurization units at MAB Refinery, which contributed to US$5.83 million of saving.
- Commissioning the liquid sulfur pit rehabilitation project sent by the Kuwait Oil Company via trucks.
- Replacing the main sea water 36 inche line, which connects the GT-4 and the LPG process units (1, 2, 3) without shutting down the units.
- Completing the maintenance of the Catalyst Cracking Unit (CCR-2) and cleaning of the heat exchanger where it was remotely supervised by Alfa Laval Company Team. Alfa Laval Team was unable to enter the country due to the Covid-19 pandemic.
- Successful re-conversion of flare gas in unit (NFGRU-105) to utilize the gas as fuel in the hydrogen sulfide recovery plant.

Mina Abdullah Refinery

The total refined quantities of crude oil in the refinery amounted to 100.3 million barrels during 2020/2021, an average feed of 274.9 thousand bpd, compared to 256.2 thousand bpd in the previous fiscal year.

8,538.1 thousand metric tons of petroleum products were exported through the Sea Island, and about 738.2 thousand metric tons of petroleum coke from the Shuaiba commercial port in, in addition to 485.1 thousand metric tons to the Petroleum Coke Industries Company by trucks. Also, the Kuwait Paraxylene Production Company was supplied with 27,133.4 thousand metric tons of Naphtha.

The initial handover of all facilities of the MAB package-2 of the CFP has been completed. Whereas work continues at an accelerated pace to complete the remaining units of the MAB package-1 of the project.

MAB Achievements

- Commissioning of the Crude Oil Distillation Unit (CDU-111), which represents the main gateway to the CFP in the refinery. It is the largest of its kind in the State of Kuwait, with a refining capacity of 264,000 bpd. The Unit raises the capacity of MAB refinery from 270,000 bpd to 454,000 bpd.

- Commissioning of the Naphtha Hydrotreatment Unit (U-117). The Unit removes sulfur, nitrogen, metals and other impurities in line with the highest international standards. The Unit production capacity is 23,500 bpd.

- Commissioning of the Kerosene Hydrogen Treatment Unit (U-115). With production capacity of 39,000 bpd, the Unit produces dual-purpose kerosene (DPK) and aviation turbine kerosene (ATK), according to international specifications.

- Commissioning of the Diesel Hydrotreating Unit (116). The production capacity of this unit is 73,000 bpd. It produces low-sulfur diesel with max 7ppm, with improved viscosity and spillage specifications for export purposes.

- Commissioning of the Hydrogen Recovery Unit (U-119) with a capacity of 93 mmscfpd, with 99.9% purity.

- Commissioning of the Hydrogen Unit (U-118), which consists of three identical hydrogen production units, each with a production capacity of 185 mmscfpd.

- Commissioning of Gas Compressor & Treatment Unit (U-128) to feed the hydrogen production unit, with a processing capacity of 249 mmscfpd.

- Commissioning of Hydrocracking Unit (U-214). With a capacity of 50,000 bpd, this unit is the second largest of its kind in Kuwait. It enhances the production of high-quality Kerosene for jet planes and other aircrafts as well as various other industries. It also helps in the production of Euro 45/ Diesel as a final product, gasoline and LPG.

- Commissioning of Sulfur Recovery Unit No. (1123-) with a production capacity of 450 metric tons per day.

- All CFP MAB boilers are now operational. These boilers fulfil the CFP various units' total needs for steam through burning of gas, which in itself takes into account the permissible limits of gas emissions approved by the K-EPA.

- As the CFP Cooling Unit has become fully operational, it joins the previously operated units, such as boilers, flare gas, nitrogen production, instrumentation air, as well as the fire water network at MAB Refinery.

- the first oil tanker docked at oil pier No. 33 in Shuaiba. The pier was shut down for over 3 years, and underwent extensive maintenance and restoration. The tanker was loaded with 30,000 tons of low-sulfur gas oil, which was produced in the CFP units.

- Commissioning of the naphtha tanks in the Shuaiba refinery related to CFP.

Hydrogene Production Unit (U-18) Mina Abdullah Refinery

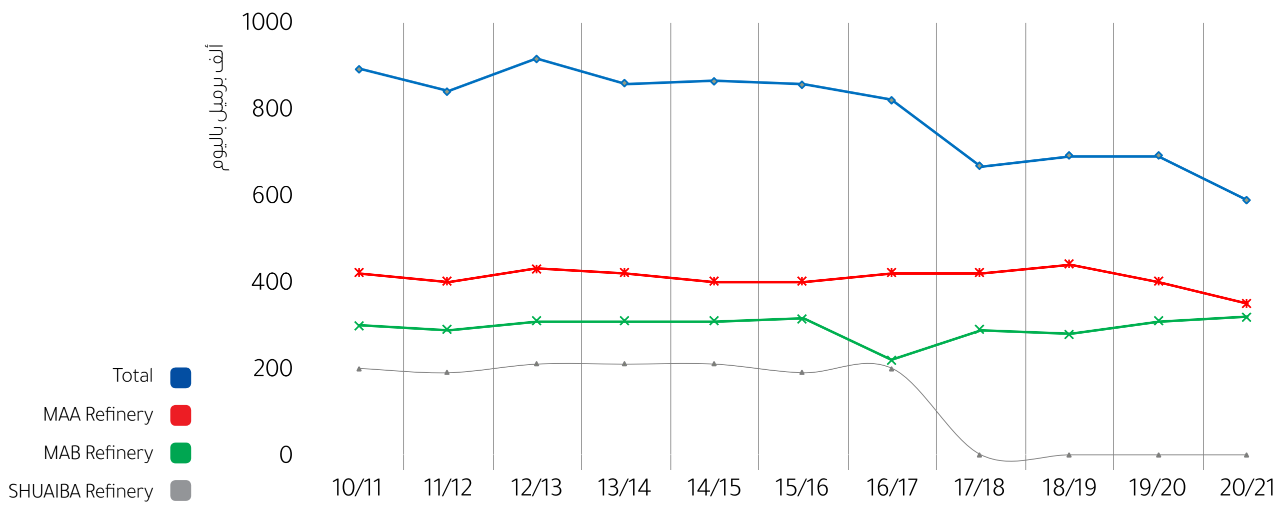
Productivity of the two Refineries

The net produced quantities of petroleum products during the fiscal year 2020/2021 amounted to about 29.5 million metric tons, compared to 30.8 million metric tons in the fiscal year 2019/2020, as detailed in the following table:

Product	Annual Production 2020/2021		Annual Production 2019/2020	
	MT X 1000	**%**	**MT X 1000**	**%**
Naphtha/Car Gasoline/Reformat	7,116.2	23,8	6,718.4	21.4
Kerosene/ATK - Jet Fuel	5,424.3	18,2	5,849.3	18.6
Gas oil/Diesel	9,456.8	31,7	7,898.8	25.1
Fuel oil/Residues	3,889.4	13,0	7,415.3	23.6
Other products (*)	3,628.5	12.1	2,895.5	9.2
Total net products	**29,515.2**	**98.8**	**30,777.3**	**97.9**
Consumption/loss	359.7	1,2	671.6	2.1
Total	**29,874.9**	**100**	**31,448.9**	**100**

(*) Include refineries LPG, Sulfur, Petroleum Coke, Bitumen and Propylene

The crude oil daily refining average during 2010/2011 - 2020/2021 is shown in the following chart:

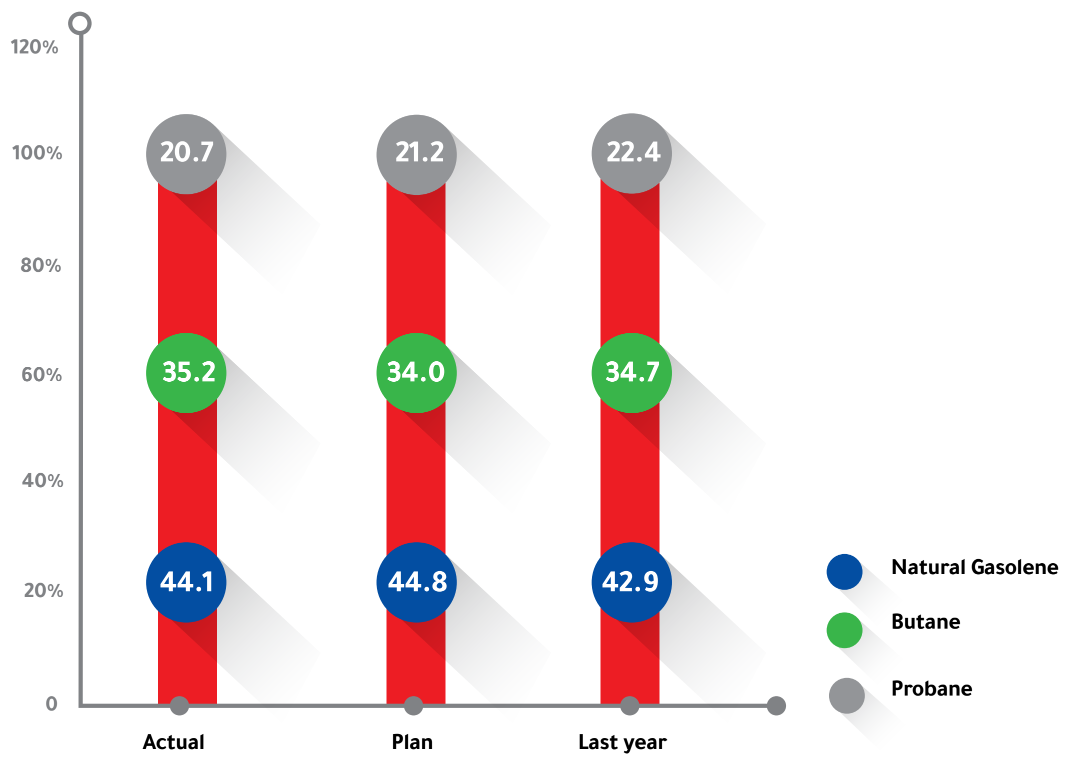


Gas
Processing

The total feedstock for the 4 gas trains in 2020/2021 amounted to 575 billion scf, against 616 billion scf in 2019/2020.

The daily feedstock in the fiscal year 2020/2021 was 1,577.6 billion scfpd against 1,682.5 in 2019/2020. This represents the actually produced amounts of gas in the oil fields and refineries.

Details of the Gas Processing Plant production



Production of 4 Gas Trains

The exported propane and butane in this fiscal year amounted to 4,473.6 thousand MT, compared to 4,868.4 thousand MT in the previous year, i.e. 8.1% reduction.

KAFCO

- In the fiscal year 2020/2021, KAFCO bagged KD 430,236, compared to KD 16,983,000 in 2019/2020, i.e. KD 16,553,000 reduction as a result of sales decline due to Corona Virus implications.

- The total sales of aviation fuels (Jet A-1 and JP-8) in the fiscal year 2020/2021 amounted to 248 million liters, compared to 932 million liters in 2019/2020, i.e. 683 million liters reduction (73.34%).

- 11,831 aircrafts were refueled in 2020/2021 against 49,985 aircrafts in 2019/2020, 76.33% reduction.

- Signing a contract with Project International Ltd. Company for aircraft refueling at Kuwait International Airport.

- Upgrading the 2040 Long Term Strategy to reflect the strategic directives of KPC and KNPC. The Strategy main elements were also upgraded to achieve the Vision and reach the aircraft refueling excellency in support of the national economy.

Chapter Two

Local Marketing

KNPC meets the local market needs of all kinds of oil products. The company also supplies the MEW with gas and fuel oil for power stations, in addition to road Bitumen.

The 2020/2021 fiscal year was featured with inaugurating 11 new permanent filling stations in Sabah Al-Ahmad & Jaber Al-Ahmad cities, Saad Al-Abdullah and Alabdali Farms. Another temporary station was also deployed in Al-Mahboula area due to total lockdown during the COVID-19 pandemic.


KNPC
KNPC

Local Market
Sales

Compared with the previous fiscal year, the local market sales dropped down in 2020/2021 following the total lockdown imposed all over the country due to COVID-19 pandemic.

The 2020/2021 fiscal year local market sales, compared with 2019/2020 fiscal year, are broken down as follows:

Local Marketing Sales

(Million Liters)

	Fiscal Year 2020/2021	Fiscal Year 2019/2020	-/+ (%)
Gasoline Premium (91 Octane)	2,273.4	2,884.5	(21.2)
Gasoline Super (95 Octane)	1,217.6	1,550.8	(21.5)
Gasoline Super (98 Octane)	43.5	48.7	(10.7)
Gasoline Euro-4	0.0	0.0	0.0
Total Gasoline Sales (cars)	**3,534.6**	**4,484.0**	**(21.2)**
Kerosene	108.8	163.4	(33.4)
Gas oil (local market)	1,915.7	2,269.3	(15.6)
Gas oil Euro-4	0.0	0.0	0.0
Total Fuel sales to local market	**5,559.1**	**6,916.7**	**(19.6)**
Gas oil to MEW	1,074.0	866.4	24.0
Heavy Fuel oil to MEW	3,556.7	5,981.9	(40.5)
Total sales to MEW	**4,630.7**	**6,848.3**	**(32.4)**
Total Fuel sales	**10,189.8**	**13,765.0**	**(26.0)**
Bitumen (MT)	324,393.0	301,025.0	7.8

Local Market sales development in the last 5 years

An overall drop in sales of all petroleum products has been recorded, with the exception of gas oil sales to MEW, which have seen 20% increase, compared with the previous fiscal year.

(Million Liters)

Product	16 / 2017	17 / 2018	18 / 2019	19 / 2020	20 / 2021
Gasoline Premium (91 Octane)	1,663.3	2,627.7	2,835.4	2,884.5	2,273.4
Gasoline Super (95 Octane)	2,418.3	1,683.8	1,615.0	1,550.8	1,217.6
Gasoline Super (98 Octane)	68.6	50.8	49.3	48.7	43.5
Gasoline Euro-4	0.03	0.05	0.05	0.0	0.0
Total Gasoline Sales (cars)	**4,150.0**	**4,362.3**	**4,499.8**	**4,484.0**	**3,534.6**
Kerosene	141.0	158.0	169.1	163.4	108.8
Gas oil (local market)	1,823.0	2,038.1	2,183.0	2,269.3	1,915.7
Gas oil Euro-4	0.0	0.02	0.04	0.0	0.0
Total Fuel sales to local market	**6,114.0**	**6,558.4**	**6,851.9**	**6,916.7**	**5,559.1**
Gas oil to MEW	1,061.3	711.1	618.1	866.4	1,074.0
Heavy Fuel oil to MEW	7,097.8	6,694.6	6,089.4	5,981.9	3,556.7
Total sales to MEW	**8,159.1**	**7,405.7**	**6,707.4**	**6,848.3**	**4,630.7**
Total Fuel sales	**14,273.1**	**13,964.0**	**13,559.3**	**13,765.0**	**10,189.8**
Bitumen (MT)	112,877	147,593	229,654	301,025	324,393

Filling Stations

In addition to 4 temporary filling stations, KNPC has now 59 filling stations spread all over Kuwait. 13 new filling stations in different areas have been inaugurated during 2020/2021 to raise the KNPC total filling stations to 63.

11 permanent filling stations were inaugurated in Sabah Al-Ahmad, Jaber Al-Ahmad, Saad Al-Abdullah and Alabdali farms within the 2020/2021 fiscal year. Another temporary station was also installed in Al-Mahbola area during the total lockdown, besides other temporary stations in the city of Sabah Al-Ahmad, west of Abdullah Al-Mubarak area, the South Island of Jaber Al-Ahmad Bridge due to the lack of stations in these areas.

New 100 Filling Stations Program

Responding to the urban and population expansion in Kuwait, and in line with KPC directives, KNPC prepared a plan to build 100 new filling stations in order to fulfill the growing future needs for petroleum products. 16 out of 18 were built and already put into service, the rest will be built over five sets within the next few years.

- The new stations stand out with their modern design and provide wide variety of services, like mini market, spare parts, car service etc. In addition, the renewable energy is implemented by using solar panels. Numerous services are smoothly provided, like the e-petrol payment.

- Feasibility study and initial blueprints for 15 new filling stations were completed. Whereas, the necessary licenses and approvals of the concerned governmental committees for another 6 new filling stations have been obtained. Due to budget cuts in capital expenses during the previous year, this group of stations has been divided into two stages. The first will include building 3 new stations, then 12 in the second.

- In addition to that, a feasibility study and initial blueprints contract for the third group was singed in June 2020. It plans building 25 new filling stations for which the feasibility study is ongoing. For the necessity of rationalizing expenses too, this group will be executed over two stages, 13 in the first, then 12 in the second.

Chapter Three

Capital Projects

The company is carrying out a number of different kinds of projects that aim at boosting its technical and operational abilities, and producing high quality products. KNPC is also carrying out environment-related projects that aim to reduce the environmental impacts of its operations. These projects also contribute in enhancing KNPC role in the national economy and providing job opportunities for national competent workforce.

CFP is the largest and the most important among these projects. It also forms a qualitative leap in the development of KNPC operations and efficiency as well as boosting reliability and safety levels.

Clean Fuels
Project

By the End of March 2021, the overall CFP execution reached 99.38%. Soon to be, all CFP units will be put into service in June 2021.

The project aims at developing and expanding MAA and MAB refineries to become an integrated refining complex with 800 mbpd capacity. Another major aim of the project is to increase the conversion capability of the two refineries in order to address the future challenges and requirements of the international markets with high quality petroleum products.

Increasing the conversion capabilities means converting low value products into high value ones, which will add value to Kuwait hydrocarbon resources. The project will also boost the operational and energy efficiency, safety levels, and reduce environment impacts of the company operations.

The two refineries products will stand out with low sulfur, metals and other impurities in accordance with the stringiest environmental regulations that are ever increasing all around the world. Our products will have the competitive edge to enter new international markets, like Europe and East Asia.

All of the CFP MAA units have been completed; whereas, EPC works at MAB-1 Package reached 99.19% at MAB-1 Package and 99.91 % in MAB-2.

Boilers at CFP

MAB Two Packages

All works of MAB-2 Package were concluded, the initial handing over operations for all facilities were done and commissioning process started. Meanwhile we have had accelerating work pace to accomplish the rest of this Package.

Main units put into service:

- Crude Oil Distillation Unit (CDU-111).
- Naphtha Hydrotreatment Unit (U-117).
- Kerosene Hydrogen Treatment Unit (U-115).
- Diesel Hydrotreating Unit No. (116).
- Hydrogen Recovery Unit (U-119).
- Hydrogen Unit (U-118).
- Gas Compressor & Treatment Unit (U-128).
- Hydrocracking Unit (U-214).
- Sulfur Recovery Unit No. (1-123).
- All CFP MAB boilers are now operational.
- The CFP Cooling Unit has become fully operational, as well as boilers, flare gas, nitrogen, instrumentation air, fire water network.

Gas Train-5 at MAA

To build a 5th unit with 805 mmscfpd of gas and 106 mbpd of condensates, in addition to a new gas fuel processing unit to jointly serve both 4th and 5th Gas Trains. This project is identical with Gas Train - 4.

This Train will accommodate the expected increase of gas production and condensates in line with the new exploration development plans of gas and oil fields.

96.03% have been actually accomplished of the KD 428 million project. It is expected to be completed in August 2021. Delay in the project execution is mainly attributed to heavy rain in November 2018. The mechanical works are done and an initial project's facilities commissioning have started.

AGRP Unit Revamping Project - MAA

The project includes revamping of the existing acid gas recovery unit at MAA in order to absorb all acid gases produced by KOC. The project is in line with KPC strategy to reduce gas flaring to less than 1%.

This Unit entered service in 2002, and currently has a production capacity of 230 mmscfpd of gas and 39,000 bpd of condensates. The Unit removes H_2S and CO_2 from gas and condensates to produce raw sulfur.

Possible alternatives for executing the project were in line with KOC production. Future prospective of gas production was received from KPC in May 2020. Coordination with KPC is ongoing to select the suitable option to modernize the Unit and to start the FEED accordingly.

Upgrading Delayed Coker Unit (U-20) at MAB

Maintaining the current operation level of 40,000 bpd is the target of the project. The aim is to eliminate constrains or deficiencies in maintenance, mechanical availability, reliability and certain safety criteria.

Works in the KD 27.7 million project started in December 2017. Works in unit-2 is completed, and are well underway in unit-1, with 87.77% completed. The project is expected to be commissioned in June 2022.

Deisopentanizer
(Unit (U-137

Replacement of MAB Old Sub-Stations

The project involves replacing 9 of the old substations in MAB refinery with new expanded capacity and high-tech substations inside blast proof buildings. Increased safety levels and operational efficiency of the substations, as well as enhanced equipment availability by installing protection systems and new advanced power controls to boost power system efficiency are also part of the project's objectives.

This in turn will enhance operations and load distribution during emergency power outage. According to the Quantitative Risk Assessment (QRA) report, blast proof buildings are a top priority to ensure better work environment and workers safety in line with the refinery safety specifications.

The project's approved budget was KD 88.7 million. The tender was floated in May 2019, the contract was signed in June 2020 and execution started in September 2020.

So far, around 25.85% of the project have been executed, with completion is expected to be in October, 2024.

Gas Train-5

Oil Pier Development and Enhancement Project (Shuaiba)

Under this project, urgent repairs to the Oil Pier (Shuaiba) of MAB Refinery will be carried out, and the steel foundations and structure of the oil berth will be repaired. Based on a study carried out by a specialized consultant in March 2019, the areas threatened with collapse were identified for urgent repairs, provided that the evaluation process would be completed later, the final report would be issued to determine the next stage works.

Project's works started in October 2019 and most of the major fixations are done. It is expected to finish in December 2021.

The approved budget for the project is KD 4.9 million.

Development of MAB Sea Island

The project aims to upgrade all facilities of the Sea Island - MAB in order to raise the level of reliability and operations efficiency. The scope of work includes replacing the loading equipment, facilities, control systems, and repairing the steel foundations and structures, in addition to replacing the pumps, fire pumps, tanks, and its control and monitoring systems.

The estimated budget of KD 29 Million for the project was approved, and documents are prepared to float the tender. The project is expected to be completed in March 2025.

Ahmadi Depots Expansion and Modernization Project

With its KD 75.67 Million budget, this project comes under the future strategic demand study recommendations for the local market until 2030. Until then, local market demands will be provided on stages, and this project is considered the first. It includes building tanks for petroleum products, loading arms and supporting services facilities.

The project is commissioned with some works are still ongoing based on Fire General Directorate observations.

Petroleum Products Strategic Demand Study for Local Market until 2045

Under KPC request, the project scope of work for building petroleum products depot in Al-Mutla'a area and updating its technical studies, KNPC, through an international consultant, studied the strategic demand of the petroleum products to meet the local market demands and identify the logistic requirements attributed until 2045. This was done after taking into consideration the latest consumers future predictions, distribution of the geographic demand and KPC strategic reserve controls and criteria. The operational age of local market facilities, refineries loading facilities, products delivery networks, as well as identifying all renovations, amendments and the new required facilities were all reviewed as well. KNPC management and concerned parties at KPC approved the outcome of the study.

Also, it was agreed on resuming the project of building petroleum products depot in Al-Mutla'a area as soon as possible in order to meet the local market needs. Accordingly, an initial FEED study will begin in April 2021 in parallel with the study regarding the expansion of Al-Ahmadi Depot and upgrading of the loading facilities in MAA and Shuaiba as a substitute for building Al-Mutla'a Depot.

Study for Constructing CDU & Bitumen Unit

The execution of this project is in line with KPC 2040 strategic directions for the refining, marketing and petrochemical sector in order to ensure providing local market future needs of this product.

The feasibility study was carried out in two phases; the first included verification and review of the company study to assess the age of Bitumen and Eocene units, as well as to review and update the predicted local market future demands for Bitumen according to the study made by the Consultant (Fluor), in addition to identify and develop the necessary alternatives to fulfill the local market requirements in the short, medium and long run.

Phase-2 included 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. The results of phase-2 of the feasibility study was reviewed by the concerned company's departments, and obtaining the approval of KNPC Projects Committee and the EPA on the findings of the feasibility study.

Project initial FEED was concluded based on using KEC, West Kuwait oil and Kuwait Heavy Oil in addition to building a 30-day strategic storage capacity of Bitumen.

Based on KPC request of capital expenses rationalization during the last year, and after considering the expected drop in Bitumen demand, according to the consultant study, the project was postponed for two years. A detailed study to be conducted during the units stoppage in February 2022. Then, all units' equipment will be inspected to assess extending the current units service for the coming years with the lowest cost possible.

Executed Project During 2020/2021

New AGRP Project - MAA

This project aimed at building a new AGRP Unit in order to treat all quantities of acid gases expected to be produced by KOC. This project goes in line with KPC strategy to bring gas flaring down to less than 1% and reduce pollution accordingly.

At first, it involved building a new AGRP Unit and revamping of the current unit. Then the project scope of work was later amended to include building a new AGRP Unit and the needed support facilities only.

Liquid Sulfur Treatment Facilities - MAA

The project aimed at building facilities to treat KOC produced Sulfur as per Sulfur Master Plan prepared by KPC Marketing Sector jointly with KOC and other subsidiary companies.

It included sourcing and building liquid Sulfur handing facilities in MAA with 1,000 TPD capacity.

The KD 31 million budget project was completed and commissioned in April 2020.

Chapter Four

Health, Safety, Security and Environment

The KNPC applies advanced and strict systems in everything related to the health of employees, the safety and security of its facilities in a manner that ensures that its operations do not pose any impact on the surrounding environment. Commitment to health, safety, security and the environment is part and parcel of the company's strategy, mission and values.

The company regularly reviews these systems and constantly works to ensure that these systems comply with the highest international standards. It is currently following the Integrated Management System, which includes periodic audits and inspections to certify strict adherence to health, safety, security and environment practices by all employees at all levels and in all company facilities.


KNPC

Health, Safety and Environment are a Top Priority

- Based on the KNPC's concern in ensuring that its operations are safe and sound, the company has carried out many projects aimed at enhancing safety levels and reducing environmental impacts. Such as the new Acid Gas Recovery Project (AGRP) at MAA, which actually started operating in June of 2020. Another part of the project is to modernize and revamp the existing Acid Gas Recovery Unit in the refinery. The two projects aim to treat the gases coming from the Kuwait Oil Company to reduce emissions and extraction of sulfur for economic benefit.

- The first internal audit of the integrated management system (IMS) was conducted remotely in December 2020 for all of the company's sites. The system was renewed for three years.

- As part of the Internal Auditors Competency Development Program, a series of ICCA Certified Lead Auditor training sessions as well as another for internal auditors was conducted to improve understanding of the new standards and effective implementation of the IMS. The training on the system was implemented for senior and middle management.

- Organized remote 70 training courses in the areas of HSE attended by 911 of the company's employees.

- Training courses were held for a certified lead auditor for the management system certification body (IRCA) in the following areas:

- Quality Management System (ISO 9001: 2015)

- Occupational Health Safety Management System (ISO 45001:2018)

- ISO 22301 Business Continuity Management System

- Environmental Management System ISO 14001:2015

- KAFCO completed the external audits and renewed the integrated quality system certificates ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018. The company's policy for the Integrated Quality System for the year 2020 was also updated.

Preemptive measure against Covid-19 pandemic.

Health

- As part of Corona virus (Covid-19) prevention activities, the HSE Department carried out the following:

  - Covid-19 safe workplace checklists to be used to verify compliance with prevention measures.

  - Periodic audits at various sites to verify compliance.

  - Prepared a plan for the safe return to work in five languages, based on the guidelines of the International Labor Organization, the World Health Organization, the Occupational Safety and Health Administration (OSHA) and the Centers for Disease Control and Prevention (CDC).

- Corporate Communication Department regularly issued awareness bulletins on the company's websites about Corona disease and the necessary precautions to be taken to avoid infection. The department also issued a "public links" booklet, which contains the numbers and locations of the entities that the employee may have needed during the curfew periods. It was also published electronically to all employees. The Department also, in cooperation with the HSE Department, prepared and launched the "Safe Return to Work Rules" campaign, which also included a brochure in five primary languages.

- Completion of consultant audits (TUV) to re-certify the Food Safety Management System (ISO 22000:2018) for the company's three central kitchens.

- The Health Team carried out:

  - First aid awareness training.

  - Prostate cancer awareness campaign at all company sites.

  - An industrial health survey on heat stress, personal protective equipment, chemical risk management, respiratory system, and office work environment. The results were shared with the concerned authorities in the company to take the necessary measures.

Safety

- To enhance security and firefighting capabilities, the company acquired 16 advanced firefighting vehicles, representing the first batch of 23 new fire trucks. Includes 8 firefighting vehicles, 4 foam tanks, 2 water tanks, and the same for stationing and supporting firefighters during accidents.

  These vehicles are NFPA compliant, and are equipped to handle large industrial facilities. They specifically designed to meet the requirements and needs of the company, and the work spaces inside the refinery. Another 7 trucks are in the final stages of quality control, and are expected to be received in May 2021.

- The 2nd Center for firefighting support in its temporary location at CFP area at MAA Refinery was inaugurated. This Center shall cover the refinery's needs following the completion of CFP, and Gas Train-5 project, the administration building, external parking area and some neighboring buildings. The Center contains offices, a meeting room and two rest areas for firefighters to ensure social distancing and adherence to health and safety requirements.

- The Security and Fire Department received the buildings and facilities of the Main Support and Emergency Operations Center (MSEOC) in October 2020, as well as the security operations at the main center, and developed the response plan where the

The HSE Department launched awareness campaigns about:

- Leak detection and repair (LDAR) software
- Main Escalator (Scaffolding)
- Environmental and social impact studies in the State of Kuwait
- Hazard analysis for critical tasks.

emergency control room was established to deal with emergency cases.

Advanced fire-fighting vehivles

- The Security and Fire Department also renovated and equipped the Service Management Center at the company's headquarters with the latest systems to facilitate effective handling of emergency situations by the company's top management.

- Additional fire stations were established including crews and equipment in both MAA and MAB refineries for dealing with emergencies in the CFP facilities.

- The security system in the local marketing warehouses is reinforced with surveillance camera system (CCTV) for the external fence in the Ahmadi warehouse, and new automatic security barriers were installed at the main gate. A separate entry gate for employees has also been established in Sabhan warehouse.

- The Security Section held an 8-day security course entitled "Responding, Reporting, Investigating and Measuring Performance at Security Incidents" in November 2020. The course covered the new unified operating procedure that was updated by the KPC. 8 fields were included in the course that aimed at updating the knowledge and techniques needed for the company's security team and give them the ability to plan and respond to emergencies in any location, as well as to properly develop emergency response plans and crisis management. The course was attended by 64 employees from the Section.

- The Security & Fire Department organized firefighting training programs at the main support center, which included 1691 company and contractor employees.

- A basic 13-week firefighting course was attended by 24 newly appointed employees during January 2021, divided into an classroom training at the MSEOC, and a practical training at the General Fire Force training center at Kabad area. The course included the basics of firefighting and rescue operations for qualifying the candidates for a fireman position.

- KNPC has attained a remarkable achievement by obtaining prestigious international awards in the field

Cleaning Mina Abdullah Beach

of occupational health and safety, among hundreds of competing companies. Four of the company's facilities: MAA, MAB, Local Marketing Department and Projects Department received the International Safety Awards - Merit for the year 2020, while the Head Office received the International Safety Award - Excellence for the year 2020, which is granted by the British Safety Council.

- This international award is accredited in the field of occupational health and safety. The award committee commended the company's efforts and commitment to international standards and requirements, and its keenness to apply health and safety rules in its various projects and operations.

- The KNPC, represented by its various sites (MAA, Local Marketing Department, Projects Department and Head Office Building), received the RoSPA Gold Award for the year 2020, for commitment to enhancing safety standards at various facilities and operations. MAB Refinery was also awarded the RoSPA Excellence Award for the year 2020.

- KAFCO won the International Merit Award from the British Safety Council for its commitment to health and safety during the year 2020.

- KAFCO won the RoSPA Gold Award for Health and Safety Performance for the 2020, and the Gold Award for Fleet Safety for 2020.

- KAFCO organized a number of HSE awareness campaigns. All operations personnel were also trained about safety systems in the airport yard and about firefighting systems.

Environment

- The company issued "Seasons," a new book about the environment of Kuwait. The book depicts and documents Kuwait land, sea and air, and reflects the company's keenness to fulfill its social responsibility to the fullest possible extent in various fields, foremost of which is the environment that pays great attention to it.

  The book was jointly made in cooperation with the Kuwaiti Environment Lens Team, which includes a group of Kuwaiti youth volunteers who exert great and sincere efforts to highlight the beauty of Kuwait's environment.

- The company took the initiative to research the recycling and reuse of its solid waste. A committee was formed to facilitate waste recycling operations by Kuwait Cement Company and other approved recycling companies. The scope of work and bid documents were developed in December 2020.

- Awareness training sessions were held for all IMS coordinators. The training focused on the new procedures for assessing and defining environmental aspects, risks and opportunities. 200 participants from all departments and sections followed the training about the changes in the new procedures related to risks, opportunities and evaluation criteria that focus on internal and external issues, the needs and expectations of stakeholders.

- A seminar on environment-related legal requirements was held in January 2021, which was organized by the IMS Team. The seminar, which was attended by 250 participants, aimed to raise awareness of the environmental risks of the refinery operations, environmental laws and EPA regulations (air, water, environmental impact assessment studies, and solid waste) and other legal environmental requirements, in addition to the environmental legislative record of the KNPC and environmental compliance.

- A voluntary campaign was organized to clean the MAB refinery's beach. MAB DCEO, a number of managers, in addition to more than 100 male and female employees working in MAB and CFP shared in this effort. The company regularly organizes such voluntary campaigns as part of its responsibility towards the environment and society, and engrain the culture of voluntary work, positive practices, and the spirit of cooperation and involvement among employees.

- The Environment Section participated in cleaning the beach of the chalets in the Bnaider area (Al-Zour region) on November 2020, following EPA request.

Mawasem

Chapter Five

Achievements and Performance Improvement Initiatives

KNPC devotes particular attention to promoting innovation spirit, enhancing ideas and individual initiatives that aim to develop work, improve performance and efficiency, as well as to minimize time and cost thus reducing expenditure in general. KNPC also works to follow the best available industrial and technological practices, which reinforce the company competitive ability and contribute in maximizing its profitability.


Inspire
CREATIVITY
TAKES
COURAGE
Introduction

Profitability and Operations Efficiency

- Represented by Research & Technology Department, and in line with its strategy and values in encouraging innovation, KNPC launched the patent registration program for the company employees as part of executing and supporting the intellectual ownership strategy. Bases of patent registration program were set and KNPC top management approval was acquired for carrying out and encouraging this initiative.

- Information Technology Department inaugurated the electronic correspondence system with e-signature "Easy Memo" for the company's different departments and divisions (31 departments and 186 divisions). All departments may electronically prepare and sign internal and external memos. In addition to cutting down on using papers, letters and memos can be unified with flexibility in preparing and signing externally incoming memo. All correspondences, can be easily tracked.

- The Cost Optimization & Profit Improvement Committee continued its work during the fiscal year 2020-2021 in creating and follow up of programs and initiatives in this respect. The top management gave a top priority for such efforts. The work resulted in several achievements and yielded around US$ 91.51 Million in returns among which US$ 79.69 million from increasing profitability program towards the end of 2021.

- The first shipment of high quality petroleum coke was exported to the international markets. The 15,000 metric tons was the first production of CFP Petroleum Coke Unit in MAA Refinery which was put to service early April 2020 with production capacity of 37,000 bpd.

- After over 3 years of suspension, the first oil tanker berthed at Oil Pier No. 33 in Shuiba. The Pier underwent extensive maintenance and renovation works. The tanker was loaded with 30,000 tons of low-sulfur diesel produced by one of CFP units.

- In order to maximize savings, the Commercial Department launched numerous initiatives and procedures:


Loading an oil tanker

- Around KD 10.73 million were saved by negotiating submitted materials supplies bids, contracting and services assignments, besides adjusting some of the agreements' conditions.

- Around KD 20.27 Million were saved following the unification of single-source materials specifications, the optimal use of the stored materials in order to fulfill the different departments' requirements, besides downsizing or declining materials requested by the users to be added to the stored ones as well as rationalizing storage spaces rented from Agility.

- Issuing "KNPC Tenders List" which contained the preparation and review of the proposed amendments on the procurement work regulation and company tenders approved by the Board of Directors in June 2020 and was put to work ever since.

- During the Covid-19 pandemic restrictions, the Commercial Department provided the company's needs of materials, equipment and necessary services to guarantee continued work in the process units and different projects:

  1- 733 Purchasing Orders were issued.

  2- Provided thermal cams, facemasks and other materials.

  3- Supplied the company quarantine areas with requirements and materials.

  4- Changing the materials and equipment shipment strategy and transportation from the countries of origin into the company's warehouses, which worked around the clock.

- In line with the 2040 strategy for research and technology regarding keeping up with the latest technology and quality control to address the operational challenges, the Research & Technology Department, in cooperation with the Quality Assurance Department in MAA, managed to manufacture and install 3D metal printed parts. These parts will contribute in improving the quality of heath-exchangers and extend operational.

- In cooperating between R&T Department and MAA Maintenance Department, an initial 'experimental' technology was launched to conduct remote equipment testing and inspection. Due to Covid-19 travel restrictions, a direct contact was remotely made between MAA employees and outside Kuwait experts using ABB technology. Inspection services were remotely conducted, which led to reduction of maintenance costs.

- Represented by the Innovation Committee, KNPC launched a new digital platform that enables the employees to hold meetings and presentations through the web and the company servers. The new platform has wide spectrum that enables the maximum number of participants to remotely take part in these events. It is also differently featured with ability to host around 1,000 participant in or outside Kuwait. The platform slashes down on cost and time while maintaining social distancing in compliance with the conditions imposed by Covid-19 crisis.

- IT Department launched the digital archiving system to help the Financial Department to store documents related to the products and sales accounts.
- As well, together with KPC, the IT Department started the electronic portal system for PTC tenders' system where users were trained to operate on the system.
- IT Department is also preparing to launch the electronic signature system for KNPC contracts which will enable the companies to sign contracts electronically using PACI's ID Mobile Kuwait.
- The company has been successfully registered in (SWIFT) system. The approval was also acquired to grant the company the required bank ID number for PayTech Swift project. Joining this system aims at automize and unify the payments of the oil sector companies through PaymentSafe gate in KPC using (SWIFT) system seeking quick service, minimizing mistakes, quality and safety control, and maintaining confidentiality, besides slashing down the odds of forgery.
- The company signed a memorandum of understanding with OAPEC in the field of oil and energy sector research and development. The memorandum aims at boosting cooperation between the two parties and gaining access to OAPEC research and technology database. It also seeks to develop an integral electronic office system for KNPC to establish an integrated oil and energy database which will help to give mutual access to the most recent technological updates.
- KNPC best practices regarding the evaluation quarterly annual report of UD engineers undergoing (SOJT) in the HSE Department were shared with the concerned parties in KUFPEC and KIPIC. the method of the

Signing MOU with OAPEC

- In December 2020, KNPC Innovation Committee organized the second virtual Hackathon under the title "The Refineries Challenges." The event casted wide participation by oil sector companies, local and global commercial partners and Kuwaiti youth entrepreneurs collaborating with the National Fund for Small and Medium Enterprises Development. In a discussion session during the event, a number of experts in design innovation gave presentations which tackled the basics of designing thinking, and how to apply them in the industrial organizations and showed examples from the oil and gas sector. The Hackathon was organized at the Innovation Studio.

- KNPC took part in developing and executing cooperation mechanism in the field of research and development with the companies of petrochemicals, marketing and refining sector. This came in line with the cooperation plan approved by KPC Steering Committee for Research and Technology in the refining, marketing and petrochemicals sector.

- KNPC IT Department launched a unified security awareness program among all Kuwait oil companies and GCC oil and gas companies.

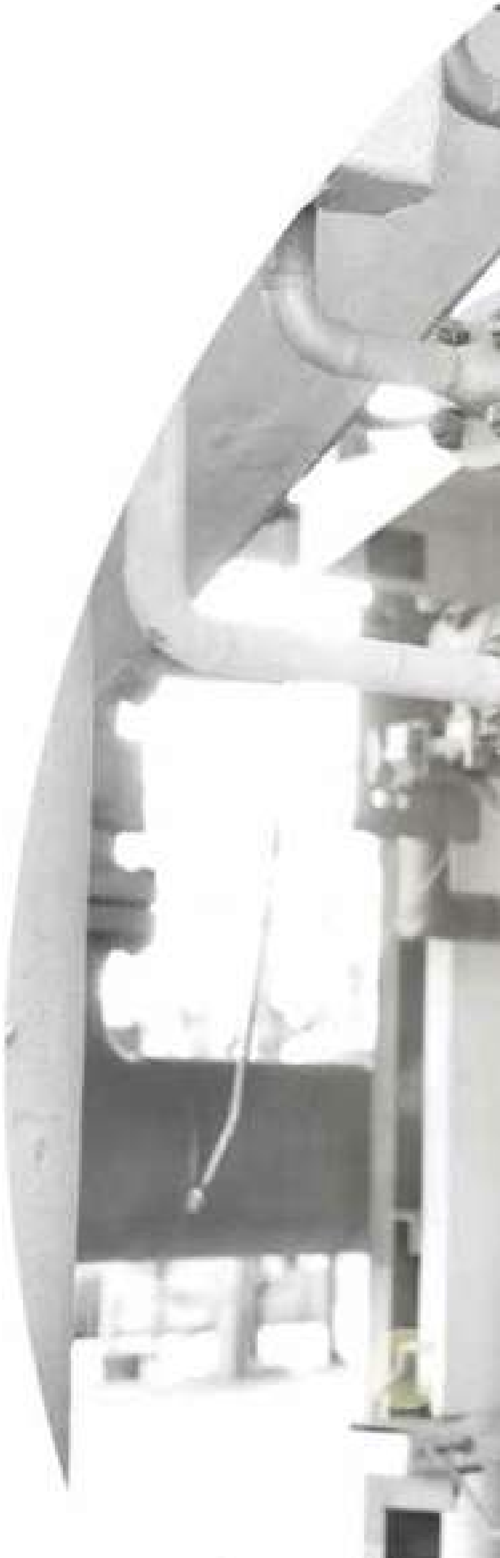
- In February 2021, "Sharing KNPC Environment Best Practices" workshop was organized for KIPIC Environment Team. The workshop focused on "Calculating Greenhouse Gases for the National Reserve According to The WMO/ KNPC Approved Program/Environment Public Authority" and lessons learnt, besides approved best practices in the field of combating oil spills.

- KAFCO was ranked first in the field of "Best Strategy for Change Management and Human Resourcing" for annual nomination for talents management and preparing future leaders, which was announced live in a virtual broadcasting from Dubai 10 November 2020.

- KAFCO succeeded in developing the control system for the old warehouse through designing, supplying and installing the distributed control system (DCS), including related equipment and programs. Three other tanks in the old warehouse were also rehabilitated.

- KAFCO succeeded in reducing and rationalizing expenses through introducing different initiatives, which amounted to KD 50,000. In addition, the reserve materials levels was amended, which is expected to save around KD 40,000.

Aircraft fuel tanks at Kuwait International Airport



Chapter Six

Training and Career Development

KNPC role is not limited to enhancing Kuwait economy through adding value to the national wealth and ensuring sustainable energy sources, but rather extends to include a comprehensive social commitment in order to maintain the country's prosperity and development as well as citizens' welfare.


PRODUCT

Manpower

By the end of this year, operational and nonoperational Manpower totaled 5,977 employees, with 287 drop compared with the end of the previous year. During this year, 105 new Kuwaiti employee were appointed.

Kuwaiti staff working in KNPC reached 5,339 by the end of the fiscal year, with 89,33% of the total working manpower, with a 169 drop in the Kuwaiti employees compared to the previous fiscal year.

47 diploma holders in refineries operation technology were appointed, in addition to 30 Kuwaiti employee in different majors.

Breakdown of KNPC employees number and percentage by department

	31 / 3 / 2021			31 / 3 / 2020		
Department	No. of employees	Kuwaiti workforce		No. of employees	Kuwaiti workforce	
		No.	%		No.	%
Head Office *	892	855	95.85	915	867	94.75
Local Marketing	196	194	98.98	261	257	98.47
HSE	181	103	56.91	181	100	55.25
Security & Fire	799	795	99.50	833	829	99.52
MAB	1,610	1,396	86.71	1,682	1,417	84.24
MAA	2,299	1,996	86.82	2,391	2,037	85.19
Sub Total	5,977	5,339	89.33	6,263	5,507	87.93
POWs				1	1	100
Rehabilitation **	-	-	-	-	-	-
Sub Total	**0**	**0**		**1**	**1**	**100**
KNPC Total	**5,977**	**5,339**	**89.33**	**6,264**	**5,508**	**87.93**

(*) Includes: Top Management, Legal Dept., Corporate Planning Dept., Corporate Communication Dept., HR Dept., Financial Affairs Dept., General Services Dept., Projects-I Dept., Projects-II Dept., Al-Zour Refinery Management, Commercial Dept., T&CD, Management Support Dept., Risk Management Dept., Manufacturing Optimization Group, CFP., IT Dept.

(**) POW are categorized under MAA

(***) This item includes the employees to be re-distributed to the departments according to the Workforce Optimization Study.

Employees' distribution according to nationality

Nationality	No. of employees		Change	% of total manpower		% (-/+)
	31/3/2021	31/3/2020		31/3/2021 %	31/3/2020 %	
Kuwaitis	5,339	5,508	169 -	89.33	87.93	3.07 -
Arab nationals	90	113	23 -	1.51	1.80	20.35 -
Subtotal	5,429	5,621	192 -	90.83	89.73	3.42 -
Non-Arab nationals	548	643	95 -	9.17	10.27	14.77 -
Total	**5,977**	**6,264**	**287 -**	**100.00**	**100.00**	**4.58 -**

KAFCO manpower

Department	31/3/2021			31/3/2020		
	No. of employees	Kuwaiti workforce		No. of employees	Kuwaiti workforce	
		No.	%		No.	%
Gen. Manager Office	5	5	100	4	4	100
Fin.,Admin., & Services	15	14	93.33	18	16	88.88
Opn., Eng. & Maint.	32	32	100	36	36	100
Total	**52**	**51**	**98.08**	**58**	**56**	**96.29**

Training and Career Development

Seeking to maintain its vital role and display its positive impact on the stakeholders and the rest of society, the company carried out numerous of cultural and social activities in the service of society, be it on the human, charity or educational level. Among these activities:

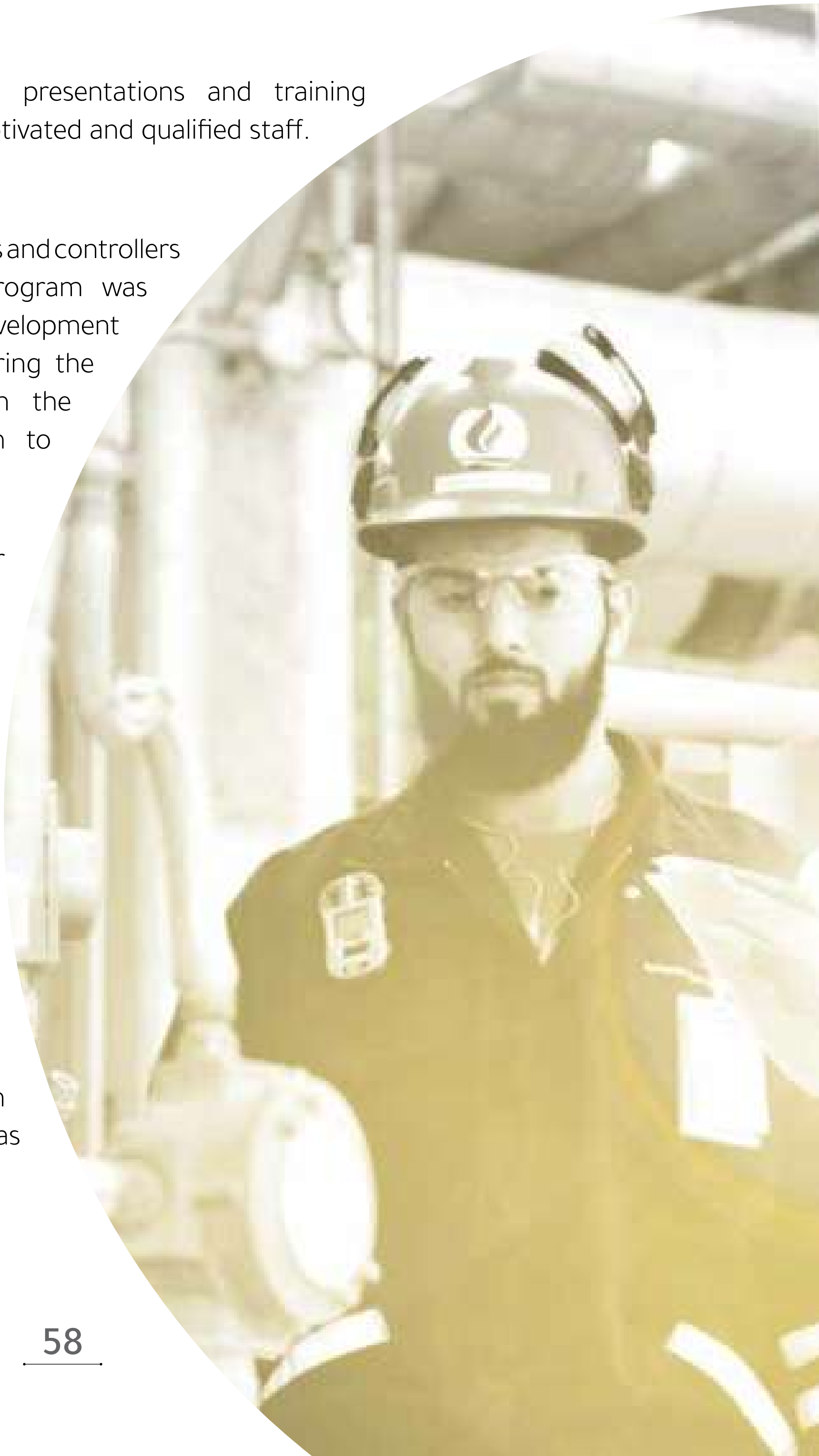
- During the fiscal year 2020/2021, KNPC held a number of courses, seminars and presentations in different topics related to employees' job requirements. 1,267 employees took part in 93 local courses that were held using E- and Virtual Learning, with the cooperation of KPC/ PTC and international companies.

- Numerous of courses, symposiums, presentations and training programs were held to develop the motivated and qualified staff. including:

- Training program for 77 senior engineers and controllers from different departments. The program was organized by the Training & Career Development Department via MS Teams, to preparing the participants for higher positions in the company through introducing them to leadership principles and KNPC policies.

- Awareness sessions were held for managers and team-leaders regarding the implementation of the Blended Learning related to different learning tools, like (training during work/ self-learning)

- Completion of the 3rd cycle of Talent Management program with the participation of 20 Controller-level engineers. The 4th cycle was launched for this program on the level of Senior Engineer/ Senior Controller with the title of "Pioneering and Developing Leadership." Selection of eligible nominees for this stage has already started.



- 34 engineers completed their Structured on Job training this year. Altogether, 836 engineers have completed SOJT since the establishment of this program.

- 751 participants from the technical staff of MAA and MAB followed 34 training courses using MS Teams program. Also, 54 employees of MAA and MAB were trained under new field operators program, 231 of refineries operation staff wo were trained on the refinery units simulation system, 185 refineries Control rooms' operators followed enhancement program, and 185 of refineries control room operators were trained under the same program.

Structured on Job Training

- 16 engineering students from (Kuwait University, American University, other abroad universities), 14 chemical engineering students, and 86 students in Refinery Operation were all trained using MS Teams.

- Training & Career Development Department made an electronic draw to distribute Refinery Operation Technology graduates, College of the Technological Studies. 54 new employees were absorbed to fulfill MAA and MAB work needs. The new employees will undergo specialized and intensive training programs to acquire the skills and technical abilities which will help them to perform their tasks in high professional fashion. Absorbing the same major graduates goes according to an annual plan under an agreement with The Public Authority for Applied Education & Training. Another draw was made in February 2021 for 20 new employees majored in Refinery Operation Technology, to fulfill the different company refineries' needs and domestic marketing as well.

- The company signed training contracts with 138 of Refinery Operation Technology students, College of the Technological Studies. KNPC will train these students for two and half years in T&CD training centers, where they will undergo intensive training and simulation programs for refinery unites in addition to the students' college curriculum. KNPC will give monthly allowance throughout the study period provided the student achieves the needed GPA. This reflects the company concern in promoting the Refinery Operation Technology graduates and providing them with the needed practical skills. KNPC through this training program aims to invest in the Kuwaiti youth and ensure employments opportunities after graduation, as well as fulfilling the operation department requirement for this major graduates who will undertake an important and basic role in the refinery work.

- In September 2020, Risk Management Department organized an online symposium using @Risk program for the Comprehensive Risk Management System users in the oil sector. Online symposiums and discussions with two international companies (Risk Hive - Palisade) were also held addressing the latest practices in risk management. The concerned oil sector employees attended the symposium.

- Risk Management Department held a comprehensive training program on the basics of risk management for 22 oil sector risk analysts. The training program was held in the coordination with the PTC and one of the international institutes in Britain (IRM- London). The 22 analysts were added to specialization certificate program in risk management from the same institute.

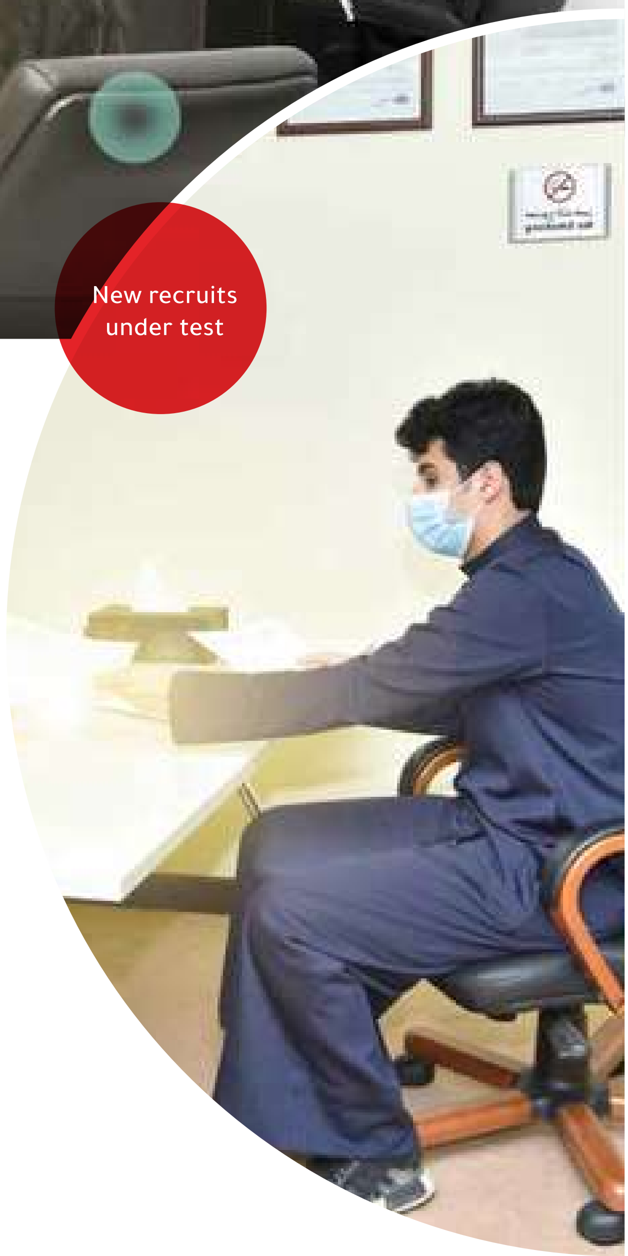
- Training and development is a top dynamic activity and a priority at KAFCO. The management fosters the development of human element, due to the vital role it plays in boosting efficiency. Thus, HR and Career Development Department took upon themselves to plan, prepare and execute all activities of this area. During the fiscal year 2020/2021, it covered all training courses and programs as well as paralleled events to develop the staff efficiency as follows:

  - Preparing and completing self-development plan for 28 employees.

  - Coordinating and following up the participation of 26 employees in local online conferences and symposiums.

  - Executing the company approved plan of Employees Engagement initiative with 100% achievement.

  - Coordinating the design and preparation of the internal electronic platform for learning



New recruits under test

management, and introducing 4 online self-training courses which were undertaken by 33 employees.

- Accomplishment of preparing training center to absorb future training requirements related to current and newly appointed employees, in addition to using this center for the National Guards and Ministry of Defense trainings.

- A training course was held to 18 Ministry of Defense employees for "airplanes refueling," in addition to training and qualifying KAFCO 5 newly graduate employees.

Chapter Seven

Social Responsibility

KNPC role is not limited to enhancing Kuwait economy through adding value to the national wealth and ensuring sustainable energy sources, but rather extends to include a comprehensive social commitment in order to maintain the country's prosperity and development as well as citizens' welfare.

Engagement with Stakeholders

Seeking to maintain its vital role and display its positive impact on the stakeholders and the rest of society, the company carried out numerous of cultural and social activities in the service of society, be it on the human, charity or educational level. Among these activities:

- Issuing the "5th Sustainability Report" which states the company activities in adding value to the national resources through supporting the national economy, maintaining the social, protecting the environment and achieving the sustainable development of Kuwait.

- Releasing a new updated issue of "Leading Role in Refining Industry" book, which reviews KNPC roles and tasks since its establishment in 1960 until now. The book timed the company 60th anniversary and presented information about Kuwait pre and post oil discovery, the stages of KNPC and its refineries. The book also explained KNPC 2040 strategy and addresses the mega CFP that is about to be inaugurated.

- Addressing the volunteer and humanitarian work, and under the patronage of the CEO and a number of the DCEOs, CCD of KNPC organized the first Forum of "KNPC Talk" through its online platform. On the occasion, the DCEO for Support Services underlined Kuwait as a leader in the voluntary work as manifested by the late Sheikh Sabah Al-Ahmad, when he was given the Emir of Humanity title. "KNPC contributions in this field undertaken by STAR Team in and outside the company sites are part of the company values and pride," he added. Member of STAR Team spoke about their experience and challenges while doing the voluntary work in Kuwait and abroad.

- As part of KNPC initiatives to provide variable and distinguished services for employees, a shopping mall and a restaurant were inaugurated in MAB. In addition to the usual services provided by the company Catering Section, this initiative, which was welcomed by the refinery employees, aims to provide quality multi-services for the employees of KNPC as well as the contractors.

- KNPC Media Team released a kids comic story with the title "KNPC Faces Coronavirus." In a simple and interesting style, the story depicts KNPC and its employees' efforts since the start of COVID-19, in running its operations and carrying out the projects, as well as supporting the State and society to face the pandemic. This booklet reflects the company commitment to fulfill its social responsibility through addressing different age groups and kids in particular. KNPC issued a series of kids' educational stories which aims to develop awareness of life different aspects, and oil industry in particular as it is Kuwait main source of income.

- On behalf of Sabah Al-Ahmad city, a delegate represented its families paid a visit to the company. The delegation expressed their thanks for the company support in providing them a fuel station at the city. The delegation honored the CEO, DCEO for Fuel Supply Operations, and Local Marketing Manager for their efforts. The company has recently inaugurated a new fuel station in Sabah Al-Ahmad city with 4 fuel pumps.

- Employees Relations of HR Department organized the Forum of Employees and Industrial Relations 20/21 via MS Teams. The event was attended by HR representatives of K-companies. The Forum sought exchanging experience among employees and industrial relations sections in the oil companies that operate within the same domain. Challenges and developments facing the oil sector in term of violations and employees' issues were also discussed. This is the second forum organized by KNPC HR Department in order to enhance cooperation and integration among K-companies.

- Performance assessment and annual incentive system for the oil sector employees were discussed at the awareness meeting for the Petroleum & Petrochemical Industries Employees Union organized by the Human Resources Department.

  The meeting reflects the ongoing collaboration between the oil sector and the Union in regard to work and employees' regulations, details of which were reviewed.

Sabah Al-Ahmad city delegation

Chapter Eight

Financial Report

The financial statements incorporated in the Report represent the company position on 31.3.2021 in comparison with the previous fiscal year ending on 31.3.2020. The total assets appeared in the Balance Sheet amounted to KD 10,005,608,362 compared to KD 9,979,442,725 in the fiscal year ending on 31.3.2020, showing an increase of KD 26,165,638.

KNPC Financial Results for the Fiscal Year 2020/2021

Revenues

The company total revenues totaled KD 5,188,818,315, i.e. a decrease of KD 2,360,882,315 from previous year, detailed as follows:

Description	2020/2021	2019/2020
Oil refining revenues	3,250,874,887	4,896,188,599
Gas processing revenues	1,597,433,824	1,985,758,100
KAFCO revenues	27,210,418	157,821,536
AROMATICS Co. revenues	343,283,276	498,394,986
Carwash	151,544	205,667
Other revenues *	(30,135,634)	11,331,743
Total revenues	**5,188,818,315**	**7,549,700,630**

* Includes interest on deposit, foreign currencies exchange, return on investment with a sister company, sale of depleted catalysts, obsolete and deteriorated assets.

The company continued the marketing of petroleum products in the local market on behalf of KPC which amounted to KD 465,601,482 in the current fiscal year compared to KD 581,138,427 in the previous one.

Profit & Loss

The company operations during the fiscal year 2020/2021 revealed a net profit of KD 146,544,097 compared to last year's loss of KD (61,816,521).

The breakdown of the company profit & loss is detailed as follows:

Description	**2020/2021**
Profits (losses) resulting from oil refining & gas processing	192,888,761
Profits (losses) resulting from KAFCO activities	430,236
Profits (losses) resulting from AROMATICS Co. activities	(797,612)
Profits (losses) resulting from local marketing activities	20,938
Other revenues	(43,695,750)
Remunerations	(2,233,123)
Remuneration for Board Members	(69,353)
Total profits (losses)	**146,544,097**

* AROMATICS Company sales profit for fiscal year 2020/2021 represents 60%.

Kuwait National Petroleum Company K.S.C.

and its subsidiaries

State of Kuwait

Independent auditor's report and consolidated fiscal statements for

the year ended 31 March 2021

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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 2021, 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 2021, 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 International Code of Ethics for Professional Accountants (including International Independence Standards) ("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.

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.

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 its 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 2021 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: 11 May 2021

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 March 2021

	Note	2021 KD'000	2020 KD'000
Revenue	5	5,276,588	7,598,752
Cost of sales	6	(4,938,344)	(7,503,164)
Gross profit		338,244	95,588
General and administrative expenses	7	(160,194)	(155,904)
Other income	8	9,390	7,732
Provision (charge) / write-back	9	(1,773)	3,946
Share of results of investment in a joint venture		10,234	16,953
Finance costs		(75,959)	(6,213)
Finance income		3,452	8,964
Foreign exchange gain / (loss)		22,746	(16,104)
Profit / (loss) before board of directors' remuneration and taxes		146,140	(45,038)
Board of directors' remuneration		(128)	(129)
Taxes related to a subsidiary	10	-	(563)
Profit / (loss) for the year		146,012	(45,730)
Other comprehensive income / (loss)			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences		(20,084)	5,617
Other comprehensive (loss) / income for the year		(20,084)	5,617
Total comprehensive income / (loss) for the year		125,928	(40,113)
Profit / (loss) attributable to:			
Shareholders of the Company		146,544	(61,817)
Non-controlling interests	25	(532)	16,087
Profit / (loss) for the year		146,012	(45,730)
Total comprehensive income / (loss) attributable to:			
Shareholders of the Company		141,882	(58,447)
Non-controlling interests	25	(15,954)	18,334
Total comprehensive income / (loss) for the year		125,928	(40,113)

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

شركة البترول الوطنية الكويتية
KNPC

Consolidated statement of financial position
as at 31 March 2021

	Note	2021 KD'000	2020 KD'000
Assets			
Property, plant and equipment	*11*	6,368,684	6,562,324
Intangible assets	*13*	34,418	38,725
Right-of-use assets	*14*	10,121	12,253
Deferred expenses	*12*	21,265	13,616
Investment in a joint venture	*15*	46,887	54,639
Receivable from the Parent Company	*18*	182,600	182,600
Non-current assets		6,663,975	6,864,157
Inventories	*16*	553,252	321,198
Trade receivables	*17*	70,373	71,519
Due from related parties	*18*	2,122,084	1,866,241
Funds held by the Parent Company	*18*	349,337	479,999
Other receivables and prepayments	*19*	104,771	93,888
Term deposits	*20*	37,379	172,944
Cash and cash equivalents	*21*	64,657	68,611
Assets held for sale	*22*	39,780	40,886
Current assets		3,341,633	3,115,286
Total assets		10,005,608	9,979,443
Equity and liabilities			
Share capital	*23*	1,587,000	1,587,000
Statutory reserve	*24*	182,600	182,600
Foreign currency translation reserve		10,443	15,105
Accumulated losses		(128,388)	(274,932)
Acquisition reserve		27,006	27,006
Sub total		1,678,661	1,536,779
Non-controlling interests	*25*	157,024	172,978
Total equity		1,835,685	1,709,757
Loans and borrowings	*26*	1,935,907	2,333,563
Employees' end of service benefits	*27*	389,973	423,933
Financing received from the Parent Company	*18*	5,019,998	4,513,959
Deferred payments	*18*	-	71,930
Lease liabilities	*14*	9,409	11,414
Non-current liabilities		7,355,287	7,354,799
Loans and borrowings	*26*	368,688	427,129
Deferred payments	*18*	70,541	71,402
Lease liabilities	*14*	1,734	1,502
Trade payables		5,272	4,717
Other payables and accruals	*28*	349,876	391,554
Due to related parties	*18*	18,525	18,583
Current liabilities		814,636	914,887
Total liabilities		8,169,923	8,269,686
Total equity and liabilities		10,005,608	9,979,443

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

Hamza Abdullah Bakhash
Chairman

Waleed Al-Bader
Chief Executive Officer

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Kuwait National Petroleum Company K.S.C.
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Consolidated statement of changes in equity
for the year ended 31 March 2021

	Share capital KD '000	Statutory reserve KD '000	Foreign currency translation reserve KD '000	Accumulated losses KD '000	Acquisition reserve KD '000	Sub-total KD '000	Non controlling interests KD '000	Total KD '000
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
Balance at 1 April 2020	1,587,000	182,600	15,105	(274,932)	27,006	1,536,779	172,978	1,709,757
Profit for the year	-	-	-	146,544	-	146,544	(532)	146,012
Other comprehensive loss	-	-	(4,662)	-	-	(4,662)	(15,422)	(20,084)
Total comprehensive (loss) / income for the year	-	-	(4,662)	146,544	-	141,882	(15,954)	125,928
Balance at 31 March 2021	1,587,000	182,600	10,443	(128,388)	27,006	1,678,661	157,024	1,835,685

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

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

Consolidated statement of cash flows
for the year ended 31 March 2021

	Note	2021 KD'000	2020 KD'000
Cash flows from operating activities			
Profit / (loss) for the year before board of directors' remuneration and taxes		146,140	(45,038)
Adjustments for:			
Depreciation of property, plant and equipment	*11*	321,323	98,724
Depreciation of right-of-use assets	*14*	5,797	4,783
Provision charge / (write-back)	*9*	1,773	(3,946)
Amortisation of intangible assets	*13*	3,568	3,215
Amortisation of deferred expenses	*12*	13,653	11,577
Share of results of investment in a joint venture		(10,234)	(16,953)
Gain on sale of property, plant and equipment		569	2,281
Provision for employees' end of service benefits	*27*	42,033	52,703
Finance income		(3,452)	(8,964)
Finance costs		75,959	6,213
		597,129	104,595
Changes in:			
- inventories		(232,054)	131,744
- trade receivables		(627)	62,451
- due from related parties		(255,843)	(243,137)
- other receivables and prepayments		(10,883)	14,738
- trade payables		555	(1,189)
- other payables and accruals		(58,877)	(15,413)
- due to related parties		(58)	(20,405)
Cash flows from operations		39,342	33,384
End of service benefits paid	*27*	(75,993)	(43,592)
Net cash flows used in operating activities		(36,651)	(10,208)
Cash flows from investing activities			
Purchase of property, plant and equipment	*11*	(145,405)	(455,793)
Proceeds on sale of property, plant and equipment		17,153	1,429
Purchase of catalysts	*12*	(21,302)	(10,973)
Net movement in term deposits		135,565	71,974
Dividend received		17,986	36,698
Interest income received		3,452	8,964
Net cash flows used in investing activities		7,449	(347,701)
Cash flows from financing activities			
Funding received from the Parent Company		506,039	612,022
Repayment of loans and borrowings		(456,097)	(382,803)
Payment of lease liabilities	*14*	(6,606)	(4,720)
Deferred payments		(72,791)	(68,143)
Interest paid		(75,959)	(6,213)
Net cash flows from financing activities		(105,414)	150,143
Net change in cash and cash equivalents		(134,616)	(207,766)
Cash and cash equivalents at beginning of the year		548,610	756,376
Cash and cash equivalents at end of the year	*21*	413,994	548,610

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

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 92% (2020: 91%) 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").

These consolidated financial statements were approved and authorised for issuance by the Board of Directors on 27 April 2021 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.

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	
			2021	2020
Subsidiaries				
Kuwait Aviation Fuelling Company, Sole Proprietorship. ("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%

2. Basis of preparation

a) Basis of accounting

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

A number of amendments to standards and interpretations are effective for annual periods beginning on 1 April 2020 as below, but they do not have material effect on the Group's consolidated financial statements.

- Amendments to IFRS 3: Definition of a Business;
- Adoption of profit rate benchmark reform (IBOR reform Phase 1);
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Conceptual Framework for Financial Reporting issued on 29 March 2018; and
- Amendments to IFRS 16 Covid-19 Related Rent Concession.

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 2020 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.

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 arising 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.

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

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.

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.

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.

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 are 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.

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 recognises expected credit losses ("ECL") using forward-looking 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.

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.

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.

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.

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.

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.

4. Standards and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2021 with earlier application permitted, however, the Group has not early adopted any of these new or amended standards in preparing these consolidated financial statements.

- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16;
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities;
- Profit Rate Benchmark Reform (Phase 2); and
- IFRS 17 – Insurance contracts.

The new standards and amendments are not expected to have a material impact on the Group's consolidated financial statements in the period of initial application.

5. Revenue

	2021 KD '000	2020 KD '000
Refined products	3,250,875	4,896,189
Liquefied petroleum gas	1,597,434	1,985,758
Aromatic products	343,283	498,395
Aviation fuel	27,210	157,821
Revenue from local marketing operations	57,786	60,589
	5,276,588	7,598,752

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

	2021 KD'000	2020 KD'000
Point in time		
Refined products	3,250,875	4,896,189
Liquefied petroleum gas	1,597,434	1,985,758
Aviation fuel	27,210	157,821
Paraxylene	141,917	222,107
Heavy aromatics	1,433	2,688
	5,018,869	7,264,563
Over the time		
Benzene	37,784	50,934
Light naphtha	140,532	189,988
Other products	15,645	22,358
Reimbursement of local marketing operating expenses	57,786	60,589
Shipping and handling services	5,972	10,320
	257,719	334,189
	5,276,588	7,598,752

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.

6. Cost of sales

	2021 KD '000	2020 KD '000
Cost of crude oil and gas	3,748,087	6,415,892
Cost of feedstock (including KARO depreciation)	354,873	475,845
Staff costs	295,571	288,426
Local marketing operating expenses (including depreciation)	57,765	60,509
Other costs	184,706	192,689
Amortisation (note 12)	13,653	11,577
Depreciation (note 11)	283,689	58,226
	4,938,344	7,503,164

7. General and administrative expenses

	2021 KD '000	2020 KD '000
Staff costs	144,639	142,098
Other costs	13,167	11,259
Depreciation (note 11)	2,388	2,547
	160,194	155,904

8. Other income

	2021 KD'000	2020 KD'000
Recovery of contract penalties	910	2,831
Handling charges	800	1,385
Gain on sale of catalysts	1,885	104
Gain on disposal of scrap materials	541	1,215
Insurance recoveries	1,469	(85)
Others	3,785	2,282
	9,390	7,732

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9. Provision (charge) / write-back

	2021 KD'000	2020 KD'000
Provision for legal claims	(2,224)	-
Provision for expected credit losses	(34)	(254)
Write-back of provisions for inventories	485	4,200
	(1,773)	3,946

10. Taxes related to a 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.

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 2020	874,620	3,038,882	305,323	9,073	35,094	5,074,118	9,337,110
Additions	-	-	-	1,212	2,260	141,933	145,405
Transfer from assets under construction	942,142	2,416,998	561,822	-	-	(3,920,962)	-
Disposals	(4)	(3,588)	(65)	(33)	-	(8,926)	(12,616)
Foreign currency translation relating to subsidiaries	-	(12,211)	(621)	-	-	(154)	(12,986)
Balance at 31 March 2021	1,816,758	5,440,081	866,459	10,252	37,354	1,286,009	9,456,913
Accumulated depreciation and impairment losses							
Balance at 1 April 2020	726,842	1,812,964	210,434	7,990	16,556	-	2,774,786
Charge for the year	70,824	212,830	35,740	854	1,075	-	321,323
Disposals	(4)	(3,019)	(56)	(33)	-	-	(3,112)
Foreign currency translation relating to subsidiaries	-	(4,380)	(388)	-	-	-	(4,768)
Balance at 31 March 2021	797,662	2,018,395	245,730	8,811	17,631	-	3,088,229
Carrying amounts							
At 31 March 2021	1,019,096	3,421,686	620,729	1,441	19,723	1,286,009	6,368,684

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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 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

Freehold land, buildings and facilities includes an amount of KD 306,967 (2020: KD 422,484) which represents freehold land. Further assets under construction of KD 463,074 thousand (2020: KD 4,286,717 thousand) relates to the Clean Fuels Project ("CFP"). During the year, the Group capitalised borrowing costs amounting to KD 57,067 thousand (2020: KD 93,128 thousand) related to CFP.

Certain property, plant and equipment have been assigned as security for the loans and borrowings secured by KARO (note 26).

The depreciation charge has been allocated as follows:

	2021 KD '000	2020 KD '000
Cost of sales (note 6)	283,689	58,226
General and administrative expenses (note 7)	2,388	2,547
Depreciation relating to KARO	27,128	28,162
Local marketing costs	4,329	5,463
Charged to the Group's profit or loss	317,534	94,398
Charged to Kuwait Oil Company and other related parties	3,789	4,326
	321,323	98,724

12. Deferred expenses

	2021 KD'000	2020 KD'000
Balance at beginning of the year	13,616	14,220
Additions	21,302	10,973
Amortisation charge (note 6)	(13,653)	(11,577)
Balance at end of the year	21,265	13,616

13. Intangible assets

	2021 KD'000	2020 KD'000
Balance at the beginning and end of the year	73,194	73,194
Accumulated amortisation and impairment losses		
Balance at the beginning of the year	34,469	31,383
Charge for the year	3,568	3,215
Foreign currency translation differences	739	(129)
Balance at end of the year	38,776	34,469
Carrying amount	34,418	38,725

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

Reservation right fees represent the Group's share of total utilities and infrastructure facilities developed and owned by EQUATE (note 18). Amortisation is allocated to cost of sales as it relates primarily to the Aromatics plant.

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14. Right of use assets and lease liabilities

The Group leases many assets including land, vehicles and data centers. The leases typically run for a period of 2 - 4 years, with an option to renew the lease after that date. The weighted average rate applied is within the range of 2.75% (2020: 2.75%)

Information about leases for which the Group is a lessee is presented below:

	KD'000	
	Right-of-use assets	Lease liabilities
Balance at 1 April 2019	18,991	18,991
Additions to right-of-use assets	423	-
Derecognition	(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
Additions to right-of-use assets	4,755	-
Derecognition	(1,047)	(235)
Re-measurement of lease liabilities	-	4,727
Depreciation	(5,797)	-
Finance costs	-	341
Lease liabilities paid	-	(6,606)
Foreign currency translation relating to subsidiaries	(43)	-
Balance at 31 March 2021	10,121	11,143

Amounts recognised in consolidated statement of profit or loss are as follows:

	2021 KD '000	2020 KD '000
Interest on lease liabilities	342	423
Depreciation charge for the year	5,797	4,783

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

	2021 KD '000	2020 KD '000
Current	1,734	1,502
Non-current	9,409	11,414
As at 31 March 2021	11,143	12,916

15. Investment in a joint venture

	2021 KD '000	2020 KD '000
Investment in a joint venture	46,887	54,639
	46,887	54,639

The Group has 57.50% (2020: 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:

	2021 KD'000	2020 KD'000
Statement of financial position		
Non-current assets	87,049	88,702
Current assets	32,494	41,532
Non-current liabilities	(639)	(9,471)
Current liabilities	(37,553)	(27,111)
Net assets	81,351	93,652
Group's share of net assets	46,887	54,639

The Group's share of TKSC's commitments and contingencies amounted to KD 4.14 million (2020: KD 2.31 million).

16. Inventories

	2021 KD '000	2020 KD '000
Crude oil	28,194	19,541
Finished goods	412,948	218,501
Maintenance and spare parts	113,843	80,771
Catalysts and chemicals	14,580	21,039
	569,565	339,852
Provision for obsolete and slow-moving inventories	(16,313)	(18,654)
	553,252	321,198

17. Trade receivables

	2021 KD '000	2020 KD '000
Trade receivables	71,147	72,744
Provision for expected credit losses	(774)	(1,225)
	70,373	71,519

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:

	2021 KD'000	2020 KD'000
Balance at beginning of the year	1,225	1,589
Reversal of provision for expected credit losses	(451)	(364)
Balance at end of the year	774	1,225

18. 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 represent temporary placements 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 0.96% to 1.03% respectively (2020: 2.64% to 2.71% 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 465,601 thousand (2020: KD 581,138 thousand).

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:

	2021 KD '000	2020 KD '000
Balances with related parties		
Due from related parties – entities under common control		
Parent Company	2,120,572	1,863,945
Kuwait Oil Tanker Company K.S.C.	36	80
Kuwait Gulf Oil Company K.S.C.	90	114
Kuwait Integrated Petroleum Industries Company K.S.C	1,218	2,011
Kuwait Foreign Petroleum Exploration Company K.S.C.	65	19
Kuwait Petroleum International	41	21
Oil Sector Servicing Company K.S.C.	1	1
Petrochemical industries Company K.S.C	61	50
	2,122,084	1,866,241
Funds held by the Parent Company		
Kuwait National Petroleum Company K.S.C	311,412	451,544
Kuwait Aviation Fuelling Company, Sole Proprietorship	37,925	28,455
	349,337	479,999
Receivable from the Parent Company (non-current)	182,600	182,600
Due to related parties - entities under common control		
Kuwait Oil Company K.S.C.	18,525	18,583
	18,525	18,583
Financing received from the Parent Company (non-current)	5,019,998	4,513,959
Deferred payments		
Non-current	-	71,930
Current	70,541	71,402
	70,541	143,332

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

	2021 KD '000	2020 KD '000
Balance at beginning of the year	4,513,959	3,901,937
Advances received	791,865	674,891
Advances credited to the Parent Company's current account	(285,826)	(62,869)
Balance at end of the year	5,019,998	4,513,959

	2021 KD '000	2020 KD '000
Transactions with related parties – entities under common control		
Sales		
Parent Company	4,906,095	6,942,536
Benzene to TKSC	37,295	51,716
Light naphtha and LPG to the Parent Company	138,713	192,889
Light ends, pygas and other products to EQUATE	772	805
Light ends to TKOC	1,320	1,252
Purchases		
Crude oil from the Parent Company	3,717,606	6,271,717
Light naphtha from the Parent Company	275,560	406,291
Others		
Aromatics plant management fees to EQUATE	756	770
Operating and utilities cost reimbursed to EQUATE for running the Aromatics plant	24,475	31,710
Marketing fees to PIC	246	243
Marine expenses	25,513	26,587
Interest income adjusted against borrowing costs	17,708	16,462
Medical expenses	78,435	78,963
Deferred payments	70,023	70,889
Key management compensation		
Salaries and short-term benefits	1,039	916
Employees' end of service benefits	188	91
	1,227	1,007

19. Other receivables and prepayments

	2021 KD '000	2020 KD '000
Prepayments and deposits	22,499	15,982
Advances against projects	43,808	31,160
Other receivables	38,464	46,746
	104,771	93,888

20. Term deposits

	2021 KD'000	2020 KD'000
Term deposits with original maturity of more than three months and less than one year	37,379	172,944
	37,379	172,944

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Term deposits are placed with financial institutions and carries effective interest rate of 3.05% (2020: 3.02%) per annum.

21. Cash and cash equivalents

	2021 KD '000	2020 KD '000
Cash in hand	16	905
Cash at bank	64,641	67,706
Cash and cash equivalents as disclosed in the consolidated statement of financial position	64,657	68,611
Funds held by the Parent Company maturing within three months from original maturity	349,337	479,999
Cash and cash equivalents as disclosed in the consolidated statement of cash flows	413,994	548,610

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 18).

Term deposits represent 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 (2020: nil) per annum. At the reporting date, bank balances and term deposits are placed as security for project financing (note 26).

22. 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.

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

	2021 KD '000	2020 KD '000
Balance at beginning of the year	40,886	33,160
Reclassification from property, plant and equipment	-	3,700
Reclassification to / from inventories	(1,106)	4,026
Balance at end of the year	39,780	40,886

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 2021 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 2021.

23. Share capital

The authorised, issued and fully paid up share capital of the Company comprises of 1,587 million shares of KD 1 each (2020: 1,587 million shares of KD 1 each) and is fully contributed in cash.

24. Statutory reserve

In accordance with the Companies Law and the Company's articles of association, 10% of profit for the year is required 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.

25. Non-controlling interests

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

	2021 KD'000	2020 KD'000
NCI percentage	40%	40%
Statement of financial position		
Non-current assets	431,113	475,430
Current assets	93,927	248,114
Non-current liabilities	(3,338)	(99,699)
Current liabilities	(129,140)	(191,400)
Net assets	392,562	432,445
Net assets attributable to NCI	157,024	172,978

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	2021 KD'000	2020 KD'000
Statement of profit or loss and other comprehensive income		
Revenue	339,907	498,185
(Loss) / profit	(1,317)	38,229
OCI	(779)	2,463
Total comprehensive income	(2,096)	40,692
(Loss) / profit allocated to NCI	(1,532)	16,087
OCI allocated to NCI	(15,422)	2,247
Cash flows from operating activities	14,992	68,483
Cash flows from investment activities	150,257	113,317
Cash flows used in financing activities	(182,804)	(182,814)
Net change in cash and cash equivalents	(17,555)	1,014

26. Loans and borrowings

	2021 KD '000	2020 KD '000
Current portion		
Long term loans	158,799	158,799
Export credit agencies loans	184,867	188,617
Project financing related to KARO	25,022	79,713
	368,688	427,129
Non-current portion		
Long term loans	715,101	873,901
Export credit agencies loans	1,220,806	1,434,148
Project loans related to KARO	-	25,514
	1,935,907	2,333,563

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% (2020: 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 21).

27. Employees' end of service benefits

	2021 KD '000	2020 KD '000
Balance at beginning of the year	423,933	414,822
Charge for the year	42,033	52,703
Payments made during the year	(75,993)	(43,592)
Balance at end of the year	389,973	423,933

28. Other payables and accruals

	2021 KD '000	2020 KD '000
Accrued expenses	109,186	121,806
Accrued utilities	40,082	32,513
Contract retentions	118,285	172,028
Other payables	33,820	32,368
Leave provision	48,503	32,839
	349,876	391,554

Accrued expenses include an amount of KD 69 thousand (2020: KD 70 thousand) relating to the Company's board of directors' remuneration for the year ended 31 March 2021, which is subject to approval of shareholders in the Annual General Assembly.

29. 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.

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.

	2021 KD'000	2020 KD'000
Receivable from the Parent Company	182,600	182,600
Trade receivables	70,373	71,519
Other receivables	38,464	46,746
Due from related parties	2,122,084	1,866,241
Funds held by the Parent Company	349,337	479,999
Term deposits	37,379	172,944
Cash and cash equivalents	64,657	68,611
	2,864,894	2,888,660

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 21,220 thousand (2020: KD 30,084 thousand) 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 49% (2020: 53%) of the outstanding trade receivables balance:

	2021 KD '000	2020 KD '000
First Fuel Marketing Company K.S.C.	12,966	8,080
Al-Sour Fuel Marketing Company K.S.C.	8,450	14,441
Ministry of Defence, Kuwait	11,506	8,594
Ministry of Interior, Kuwait	1,639	2,155
Kuwait Airways Company K.S.C	80	4,738

Expected credit losses

Trade receivables

Loss allowance for trade receivables is measured at an amount equal to lifetime ECL. The lifetime ECL 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.

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

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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**
2021						
Loans and borrowings	2,304,595	177,110	256,823	1,443,612	481,817	2,359,362
Financing received from the Parent Company	5,019,998	-	-	5,019,998	-	5,019,998
Trade payables	5,272	5,272	-	-	-	5,272
Other payables and accruals	349,876	-	349,876	-	-	349,876
Due to related parties	18,525	18,525	-	-	-	18,525
Lease liabilities	11,143	434	1,301	10,207	-	11,942
	7,699,409	201,341	608,000	6,473,817	481,817	7,764,975
	KD '000	**KD '000**	**KD '000**	**KD '000**	**KD '000**	**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 a related party	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

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 disproportionnte 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.

	2021 KD'000	2020 KD'000
Assets	374,433	547,705
Liabilities	(1,430,695)	(1,726,787)
Net short exposure	(1,056,262)	(1,179,082)

The following exchange rates has been applied:

	Average rate		Year-end spot rate	
	2021	2020	2021	2020
US Dollars	0.30616	0.30373	0.30220	0.30815

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 166,440 thousand (2020: KD 190,271 thousand). This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest 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:

	2021 KD'000	2020 KD'000
Loans and borrowings	(2,304,595)	(2,760,692)
Deferred payments	(70,541)	(143,332)
Funds held by the Parent Company	349,337	479,999
Term deposits	37,379	172,944
	(1,988,420)	(2,251,081)

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 19,884 thousand (2020: KD 22,511 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.

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 that are not carried at fair value at the reporting date is not materially different from their carrying value due to short to medium term nature of these instruments.

30. 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:

	2021 KD'000	2020 KD'000
Financing received from the Parent Company	5,019,998	4,513,959
Loans and borrowings	2,304,595	2,760,692
Deferred payments	70,541	143,332
Cash and cash equivalents	(64,657)	(68,611)
Net debt	7,330,477	7,349,372
Total equity	1,835,685	1,709,757
Total capital	9,166,162	9,059,129

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.

31. Capital commitments

As at the reporting date, the Company had commitments with respect to future capital expenditure amounting to KD 208,788 thousand (2020: KD 122,202 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 102 million per day (2020: KD 0.14 million per day);
- Purchase of naphtha from the Parent Company amounting to approximately KD 757 million per day (2020: KD 1.10 million per day); and
- Sale of return streams of naphtha to Parent Company amounting to approximately KD 379 million per day (2020: KD 0.52 million per day).

In addition to the above, the subsidiary also has capital commitments amounting to KD 379 thousand.

32. 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, the management has recorded certain provisions in the consolidated financial statements in relation to the ongoing litigations which are based on the probable estimate of the management in consultation with the Group's legal counsel.

33. Implications of COVID-19

Coronavirus ("COVID-19") a global pandemic. The COVID-19 pandemic and related economic repercussions have created significant volatility, uncertainty and turmoil in the oil and gas and related industries. This outbreak and the related responses of governmental authorities to limit the spread of the virus have significantly reduced global economic activity, resulting in an unprecedented decline in the demand for commodities. This supply-and-demand imbalance coincided with decisions of various global oil producers to increase the production levels, putting severe downward pressure on commodity prices. These factors caused a swift and material deterioration in commodity prices during the year. Due to above, the Group experienced among other things decline in revenue leading to an impact on the Group's financial results and financial position.

The full extent and impact of the COVID-19 pandemic and related factors is unknown at this time and the degree to which it may impact the Group's business operations and financial results will depend on future developments, which are highly uncertain and cannot be predicted with any degree of confidence, including: the duration, severity and geographic spread of the COVID-19 virus.

In response to the event, the Group has taken several executive decisions in response to minimise the financial impact as a result of the pandemic. In addition to the above, the Group also expects the market to recover in the coming months with an upward trend in the market prices subsequent to the year end.

The Group is closely monitoring the situation and has activated its Business Continuity Planning and risk management practices to manage the potential business disruption that COVID-19 outbreak may have on its operations and financial performance.

The Group has considered potential impacts of the current economic volatility in determination of the reported amounts of the Group's financial and non-financial assets and these are considered to represent management's best assessment based on available or observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

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