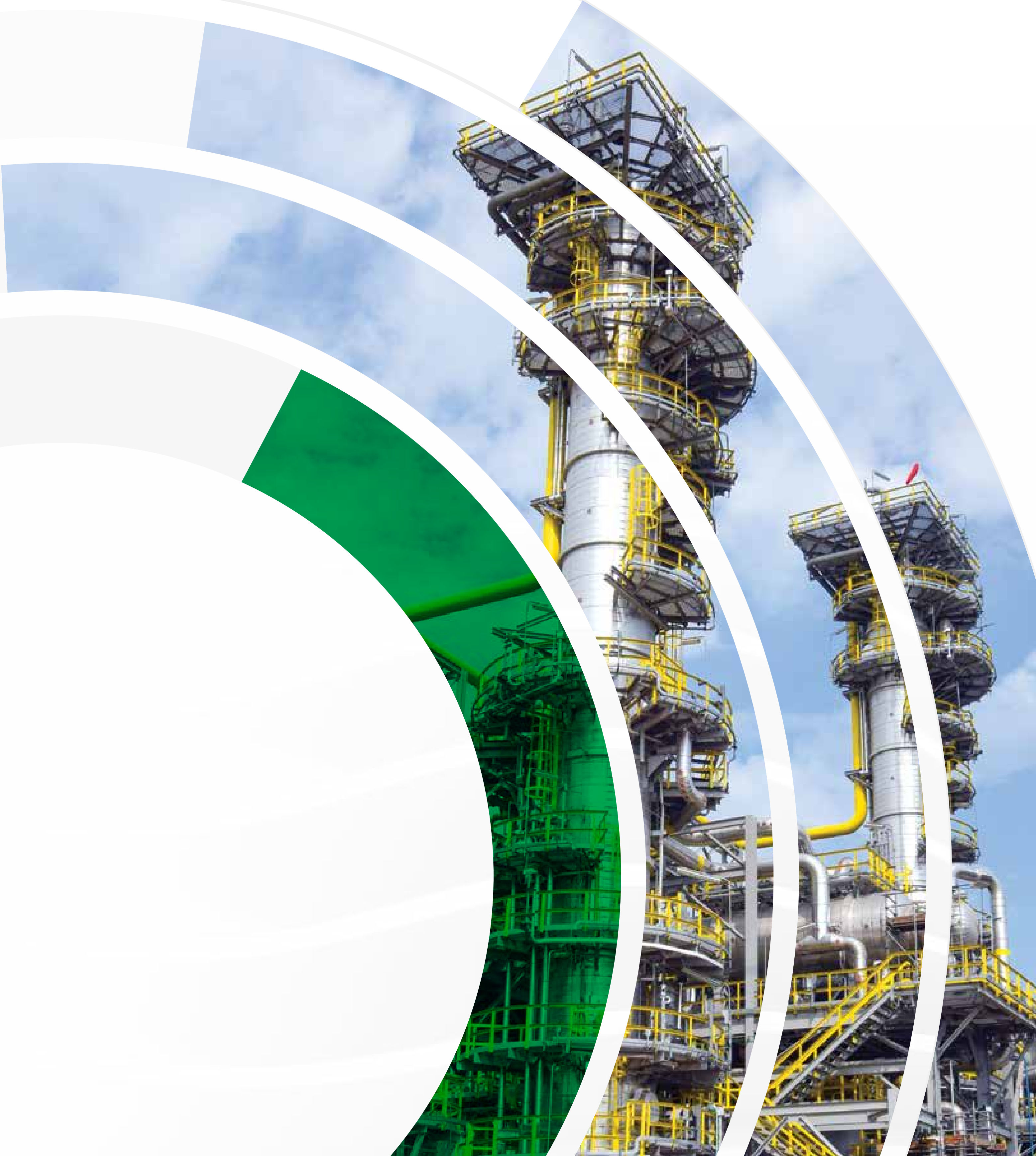
Fruitful Efforts

Annual Report

2022-2023



Annual Report

2022-2023

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

Contents

Top Management

Wadha Ahmad Al-Khateeb
Chief Executive Officer *

Mr. Khaled Ali Al-Khayyat
DCEO Planning & Finance

Mr. Ghanem Nasser Al-Otaibi
DCEO Fuel Supply Operations &
Acting Deputy CEO Projects

Shujaa Salem Al-Ajmi
DCEO Mina Al-Ahmadi Refinery

Mr. Abdulaziz Ahmed Al-Duaij
DCEO Support Services

Mr. Ahed Abdulla Al-Khurayif
DCEO Admin. & Commercial

* In November 2022, Wadha Ahmad Al-Khateeb has assumed the responsibility of Chief Executive Officer, to replace the Ex-CEO Waleed Khalid Al-Bader.

Board of Directors

Mr. Hamza Abdullah Bakhash
Chairman

Mr. Yousif Al-Yateem
Vice Chairman

Ms. Wadha Ahmed Al-Khateeb
Board Member

Ms. Ghadeer Saud Al-Qadfan
Board Member

Mr. Sulaiman Sultan Al-Marzouqi
Board Member

Mr. Saad Boukhosa
Board Member

Mr. Bader Al-Munaifi
Board Member

CEO Message

By Allah's will, and employees' fruitful efforts, Kuwait National Petroleum Company has completed a full of outstanding achievements fiscal year. Key indicators reflect the Company's marvelous operational and financial performance, most prominent is the KD 1016.5 million record profit. This 198% increase over the previous fiscal year was driven by petroleum products globally increased prices, paralleled with quantity and quality development of the Company's operation performance, especially after the successful and efficient commissioning of the Clean Fuels Project (CFP).

This mega milestone was a qualitative leap in the Company's progress and has contributed to upgrading the quality of its products to comply with the latest global environmental specifications and introduced the Company products into new global markets.

With the CFP, Kuwait has been earmarked in the world refining industry, with environmentally compatible products, placing the Company's two Refineries as world majors. Oil & Gas Magazine Middle East announcing the Clean Fuels Project "The Downstream Project of the Year" has been a clear indicator of regional recognition as the largest project in the history of Kuwait oil sector that eclipsed 140-record breaking nominations submitted by around 50 renowned oil and gas corporates.

The inauguration of the 5th LPG Train at Mina Al-Ahmadi Refinery has also contributed to increasing production capacity and lifted operational availability of gas processing plant, ensuring accommodating and liquefaction of all quantities produced from oil and gas fields in case of any emergency shutdown for any of the existing trains. In addition to the expansion achieved in production and export of profitable by-products that comply with global market requirements, the Plant with its 5 trains, also meets the LPG local market needs through supplying the Ministry of Electricity, Water & Renewable Energy with fuel gas needed for power generation, and in local industries as well.

Other outstanding positive indicators KNPC has realized during 2022/2023 Fiscal Year include the 775.1 thousand barrel per day (mmbpd) refining rate of crude oil, totaling the Company sales of refined petroleum products to KD 13.739 billion versus KD 9.57 billion during 2021/2022 Fiscal Year. The total revenues were KD 14.62 billion, with an increase of KD 4.38 billion over the previous year.

These high rates achieved despite the global energy market upheavals and volatility reveal the Company's high flexibility and operational efficiency, and reflect the agility in response to customer requirements and market variables.

Our success daring these challenges underscores the soundness of our strategic directives to expand our refining capacity and enhance our refining capabilities to produce high-quality, environment-friendly oil by-products that conform to global market standards. The 2022/2023 saw KNPC producing and exporting for the first time European Winter Grade Diesel of specific characteristics that conform with the harsh and cold weather conditions of European markets, the thing that gave the Company an additional quality advantage and raised its competitiveness reaching out to new international markets.

During 2022/2023 Fiscal Year, KNPC has started exporting low Sulfur, aromatic compounds and Gasoline compatible with the latest global environmental standards and specifications as these local-market excess quantities have been exported since 2022 along with low Sulfur Kerosene (less than 10 ppm).

Local needs of world-class low Sulfur Gas oil (Euro 5), with less than 10 ppm content, have also been fulfilled. This kind of Gas oil is a main CFP product, it has multi positive implications on the environment and sustainable development. The regular supply of this product to filling stations in the local market reflects the Company's concern in achieving KPC 2040 Strategic Objectives.

The qualitative leap achieved through our new major projects has been associated with an increase in the refining capacity of the Refineries' existing unit aimed at meeting the needs of the domestic market as well as the growing global demand for petroleum products, and all in line with the KPC's Downstream strategic Directives.

As for cost optimization & profit improvement, the Special Committee secured KD 140.72 million in savings during the Fiscal Year 2022/2023 through technical initiatives presented by KNPC employees.

Likewise, special achievements have been recorded in health, safety, and environment. For the 1st time, Mina Abdullah Refinery received the Royal Society for the Prevention of Accidents (ROSPA) highest award "Order of Distinction" for maintaining safety excellence for 18 consecutive years. The Head Office and Local Marketing Department buildings received the RoSPA 2022 Gold Award for the seventh year in a row. As well, the Projects Department also received RoSPA 2022 Gold Award.

Likewise, Mina Abdullah (MAB) and Mina Al-Ahmadi (MAA) Refineries have also made remarkable progress in the periodical field survey conducted by a group of renowned international insurance companies led by the American Marsh Company. Both got 96.30 & 95.55 points successively in risk management. This high score places the two refineries to be in the first quartile of risk engineering quality measurement and loss prevention when compared with over 1400 major refining and energy plants worldwide. This mirrors KNPC's sharp goals and effective plans to encounter different kinds of risks.

To achieve the Company's strategic plan objectives, KNPC is about to build a new depot in Al-Mitlaa area north of Kuwait to meet the growing demand for petroleum products towards 2045. Meanwhile, our plan to build 100 new filling stations in various areas of the country is ongoing.

Implementing a number of initiatives within KPC's and its subsidiaries strategy concerning energy transformation in the oil sector towards zero emissions by 2050 has also been undergoing in order to keep pace with the world's transformations and challenges in the energy sector. Under this context, the Company has prepared a road map for the execution of these initiatives, to include improving energy efficiency, reducing flare gas emissions, as well as studying the potential production of blue hydrogen and biofuels locally, in addition to participating with the Environment Public Authority in the greening initiative to reduce CO2 emissions in Kuwait.

The Company is also expanding in the use of digital transformation modern technologies, following KPC's adoption of the Corporate Strategy for Digital Transformation of the Oil Sector. KNPC formed a Steering Committee to implement pertaining initiatives in this regard. We launched the KNPC Digitization Awareness Campaign, an initiative of change management and skills to raise awareness of digital transformation.

As part of the Company's ongoing effort to develop its employees and create opportunities for Kuwaiti citizens, national employees' ratio has increased to 91.47% with 162 new Kuwaitis recruited. Training-wise, 2,646 employees underwent technical and administrative training through 186 local courses, in addition to completing Structured On Job Training (S-OJT) for 52 trainees as this specifically designed practice is considered a paramount pillar for running our facilities in an efficient manner.

The flying colors of this year bright up the future for our industry and Kuwait generations. Through outstanding operational and financial performance, KNPC is on the right track of realizing its Mission of maximizing the added value of Kuwait's hydrocarbon wealth towards becoming a world class refiner.

At the end of this Fiscal Year and on behalf of the members of the Board of Directors and Top Management, I extend my sincere thanks to all our employees who have been the real force behind the Company's achievement of this advanced level.

Wadha Ahmad Al-Khateeb
Chief Executive Officer

Remarkable Achievements During 2022 / 2023

- Commissioning of the 5th LPG Train
- KNPC total revenues amounted to KD 14.622 billion
- KNPC total profit amounted to KD 1.016 billion
- Total sales of fuels to the local market amounted to 7.613 billion liters while sales to the MEW amounted to 7.004 billion liters
- MAA and MAB achieved 96.30 & 95.55 Risk Management rate , the highest in the history of the two Refineries
- MAA and MAB crude oil refined rate amounted to 775.1 thousand barrels a day
- The CFP was awarded Downstream Project of the Year 2023 by Oil and Gas Magazine (Middle East)
- For the first time, KNPC produced European winter grade Diesel

The 5th LPG Train

Key Indicators

	2022/2023	2021/2022	2020/2021
Financial Indicators (Million KD)			
KNPC total products sales	13,739.0	9570.0	4848.0
KAFCO total sales	257.1	100.8	27.2
KNPC total aromatic sales	686.3	593.1	343.3
Total local marketing sales *	722.4	627.7	465.6
Net profit	1016.5	341.4	146.5
Total operational expenditure **	979.6	910.4	949.1
Capital expenditure	74.1	196.1	145.4
Changes in total fixed assets	(228.7)	(91.1)	(193.6)
Average Crude oil Feedstock (X000 bpd)			
Mina Al-Ahmadi Refinery	304.3	321.7	314.3
Mina Abdullah Refinery	470.8	356.2	274.9
Total	**775.1**	**677.9**	**589.2**
Sales			
Total products exported to global markets (x1000 MT)	32,489.9	27,250.2	23,637.8
Fuel to local marketing (million liters)	7613.4	6662.6	5559.1
Fuel to MEW & RE (million liters)	7004.3	6425.2	4630.7
Bitumen (x000 metric ton)	107.5	232.3	323.7
Manpower			
*** Manpower at the end of the fiscal year	6260	6270	6029

(*) Includes petroleum products sales locally for the KPC account in addition to sales for the account of the KNPC.
(**) Total operational expenses after excluding expenses of filling stations.
(***) Includes KAFCO manpower of 55 employees.

Commissioning of the 5th LPG Train

Optimal use of Kuwait Hydrocarbon Resources

December 2022 saw another prominent landmark as KNPC celebrated the commissioning of 5th LPG Train at MAA Refinery, its second biggest strategic projects in terms of importance and productivity. The 5th LPG Train has increased the gas production capacity to 3.125 billion scfpd and 332 mmbpd of condensate.

On the occasion of the ceremony held under his auspices at the KNPC Head Office, CEO KPC Sheikh Nawaf Saud Al Sabah thanked the sponsors of the 5th LPG Train Project and congratulated the Company's management and staff for this marvelous achievement. Sheikh Nawaf underlined the great importance of the newly inaugurated Project being part of KPC's and its subsidiaries 2040 Strategy main objectives that seek to optimize Kuwait's hydrocarbon resources, mainly the exploration and processing of associated and non-associated natural gas.

“The growing importance of gas globally as a good source of clean energy dictates the oil sector to assume responsibility for keeping abreast of these developments by modernizing all kinds of gas infrastructure facilities. The 5th LPG Train helps Kuwait energy sector in meeting the current and future requirements of the gas industry and stretching out Kuwait future opportunities of profit and sustainable growth,” he said.

During the 5th LPG Train construction

Quality Addition

In her speech, KNPC CEO Wadha Ahmed Al-Khateeb congratulated the employees for this vital Project praising their efforts at MAA Refinery, the Projects Sector, and contractors for working in one team spirit. “The completion and operation of the 5th LPG Train constitutes a new quality addition that supports the development of Kuwait,” she said. “The Gas Plant at MAA Refinery provides the Ministry of Electricity & Water with gas needed for power stations, which is also used in Kuwait local industries. The Plant also exports Propane and Butane gases to generate more returns,” Al-Khateeb added.

Deputy CEO for Mina Al Ahmadi Refinery, Shujaa Salem Al-Ajmi, outlined the technical features of the 5th LPG Train Project:

* The total cost of the Project was KWD 428 million (USD 1.4 billion).
* The 5th LPG Train daily production capacity is 805 mmscf of gas, and 106 mbpd of condensates.
* The Local Content involvement reached 29.7% of the Project budget, exceeding by this the 20% minimum requirement, to reflect the Company's support to the local private sector involvement in its major projects.
* Nearly 7,000 workers took part in the Project.
* The Project recorded an impressive safety register with 58 million hours without lost time accidents.

Group photo at the commissioning event

Chapter One

Refining

and Gas Processing

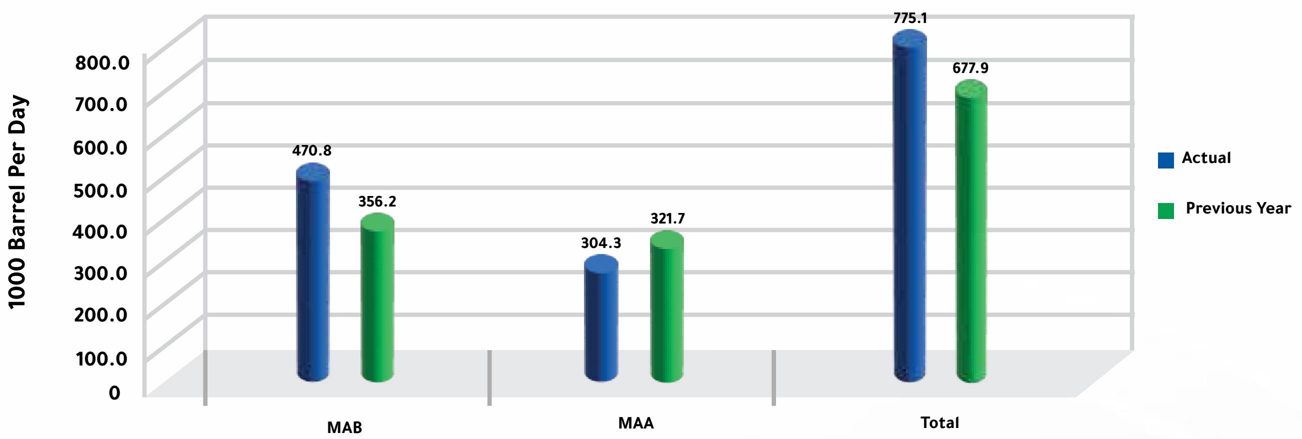
With the full commissioning of all the CFP units, MAB and MAA Refineries continued working near full production capacity with the highest levels of efficiency and reliability. The refining rate exceeded 775 mbpd of crude oil.

Inauguration of the 5th LPG Trian brought the five trains total gas processing capacity to 3.125 billion scfpd and 332 mbpd of condensates.

Crude Oil Refining

The full commissioning of all the CFP Units averaged the total crude oil refining to 775.1 MBPD in MAB and MAA during 2022/2023 Fiscal Year, exceeding the planned rate set following the "CREEP" test Project to increase the operational capacity in MAB. This has led to increasing the U-111 refining capacity, which, in turn, was positively reflected on the productivity of the rest of the units. The chart below shows the daily average of crude oil refined during 2022/2023 compared to 2021/2022:

Average Crude Oil Refined



Mina Al-Ahmadi Refinery

- In 2022/2023 Fiscal Year, the refined crude oil in MAA Refinery totaled 304.3 mbpd compared to 321.7 mbpd in 2021/2022 fiscal year.
- MAA Refinery total exported products this year amounted to 8261.4 thousand metric tons in addition 1268.5 thousand metric tons of Sulfur.

MAA Achievements

- To increase the operational capacity, a plan was set to test the performance efficiency for some production units, the most important of which are Delayed Coker Unit (DCU-136), Coker Naphtha Hydrotreater Unit (CNHT-135), Gas Oil (Diesel) Desulfurization (GOD) Unit (GOD-144), and Atmospheric Residue Desulfurization Unit (ARDS-141). A HAZOP study will follow the test before working on executing the recommendations in order to acquire the insurance approval to change the operational power permanently.

- Raising the production capacity of the Gas Oil Desulfurization Unit (GOD-144) to 110% of the design capacity.
- Sustainable Supply of fuel oil to the Ministry of Electricity and Water and Renewable Energy power plants, coordinatively with MAB, during the peak demand in May.
- Since mid-July 2022, the Delayed Coker Unit (DCU-136) operation reached 108% of the design capacity boosting the additional value and returns by US$ 3.8 million.
- During Gas Oil Desulfurization Unit (GOD-144) scheduled shutdown, MAA Refinery redirected diesel produced at the Delayed Coker Unit (DCU-136) to be refined at MAB Refinery yielding US$ 3.4 million in profit.

Mina Abdullah Refinery

- The average crude oil feedstock amounted to 740.8 mbpd, compared to 356.2 mbpd during the previous fiscal year.
- Through the Sea Island, 16,864.4 metric tons of petroleum products were exported, 1,093.4 metric tons of petroleum coke from the commercial port of Shuaiba, and 343.5 thousand metric tons to the Petroleum Coke Industries Company shipped by trucks. Also, Kuwait Paraxylene Production Company was supplied with approximately 2,639.1 metric tons of Naphtha.

Mina Al-Ahmadi Refinery

MAB Achievements

In order to test the MAB Refinery operation units' expansion ability, as one of the Company's strategic initiatives in-line with KPC Strategic Directives concerning the Kuwait downstream sector, testing performance efficiency has been carried out for to the following processing units in order to increase the operation capacity over the design capacity:

- Crude Distillation Unit (U-111) from 264,000 to 300,000 bpd
- Atmospheric Residue Desulfurization Unit (U-112 I/II) from 50,000 to 55,000 bpd
- Atmospheric Residue Desulfurization Unit (U-212) from 50,000 to 55,000 bpd
- Hydrocracker Unit (HCR U-214) from 50,000 to 55,000 bpd
- Hydrocracker Unit (HCR U-114) from 70,000 to 77,000 bpd
- Naphtha Hydrotreating Unit (NHT U-117) from 23,500 to 25,800 bpd
- Diesel Hydrotreating Unit (DHT U-116) from 73,000 to 80,000 bpd
- Kerosene Hydrotreating Unit (KHT U-115) from 39,000 to 43,000 bpd
- Vacuum Rerun Unit (VRU-213) from 50,000 to 55,000 bpd

• Minimizing the maintenance shutdown time of the Atmospheric Residue Desulfurization (U-112) during the turnaround maintenance through employing a new technology for the first time. Using hydrocracking technology to break and remove the hardened depleted catalysts inside the unit reactor resulted in saving 10 working days.

Gas oil Desulfurization Unit (U-144)

- Successful testing of the potential of the two Hydrocracker Unit (U-114/ U-214) to produce Dual-Purpose Kerosene (DPK) according to KPC specifications.
- Preparing and commissioning of jet fuel (JP5) export train at Shuaiba Refinery’s pier.
- During the next period, efficiency performance test will be conducted to increase the operation capacity of Continuous Catalytic Reformer (CCR-127) unit and Diesel Hydrotreating Unit (DHTU-216). HAZOP operation risks study will be prepared and the study-emerged recommendations will be executed.

Productivity of the Two Refineries

The net volume of petroleum products during 2022/2023 Fiscal Year amounted to 39.4 million metric tons, compared to 34.4 million metric tons in the previous fiscal year, as detailed in the following table:

Mina Abdullah Refinery

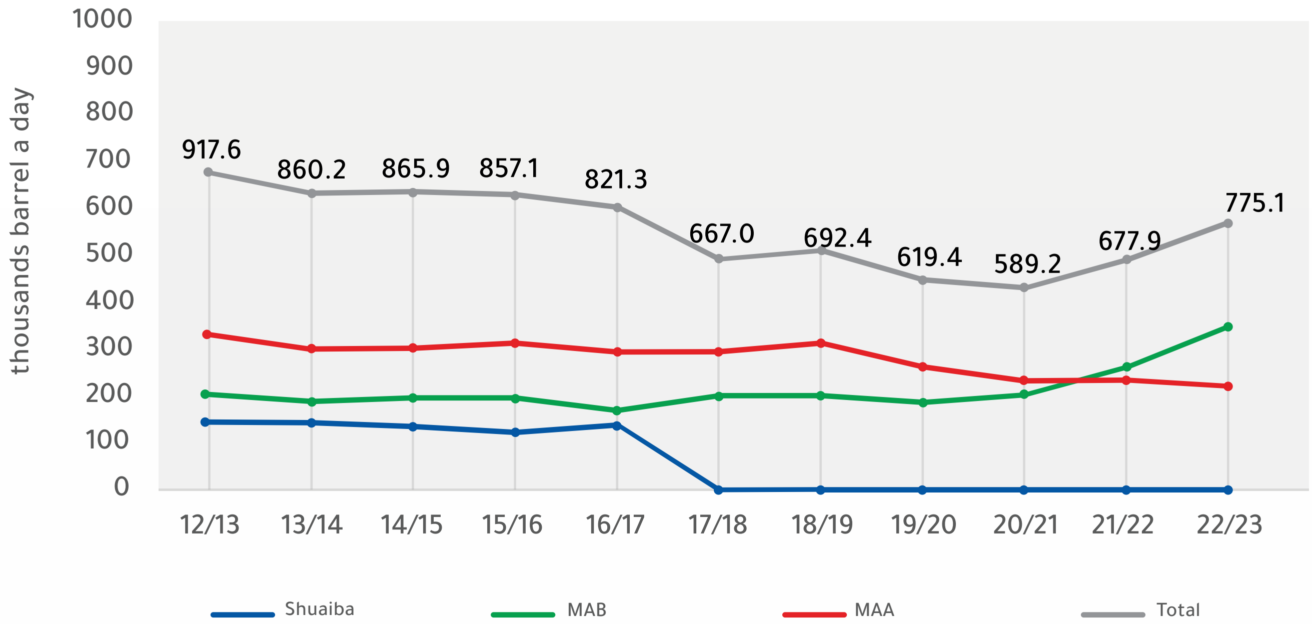
Crude Oil Daily Production Development
2012/2013 - 2022/2023

Product	Annual Production 2022/2023		Annual Production 2021/2022	
	MT X 1000	%	MT X 1000	%
Naphtha/ Gasoline/ Reformat	9608.8	24.4	8272.8	24.0
Kerosene/ATK-Jet Fuel	9386.0	23.8	7128.2	20.7
Gas oil/ Diesel	10,952.8	27.8	9037.8	26.3
Fuel oil / Residues	4679.8	11.9	5806.1	16.9
Other products (*)	3721.5	9.5	3279.0	9.5
Total net products	38,348.9	97.4	33,523.9	97.4
Consumption/loss **	1032.8	2.6	905.0	2.6
Total	**39,381.7**	**100**	**34,428.9**	**100**

(*) Includes Refineries LPG, Propylene, Sulfur, Petroleum Coke and Bitumen
(**) Consumption/Loss contain CO2

Shuaiba Export Pier

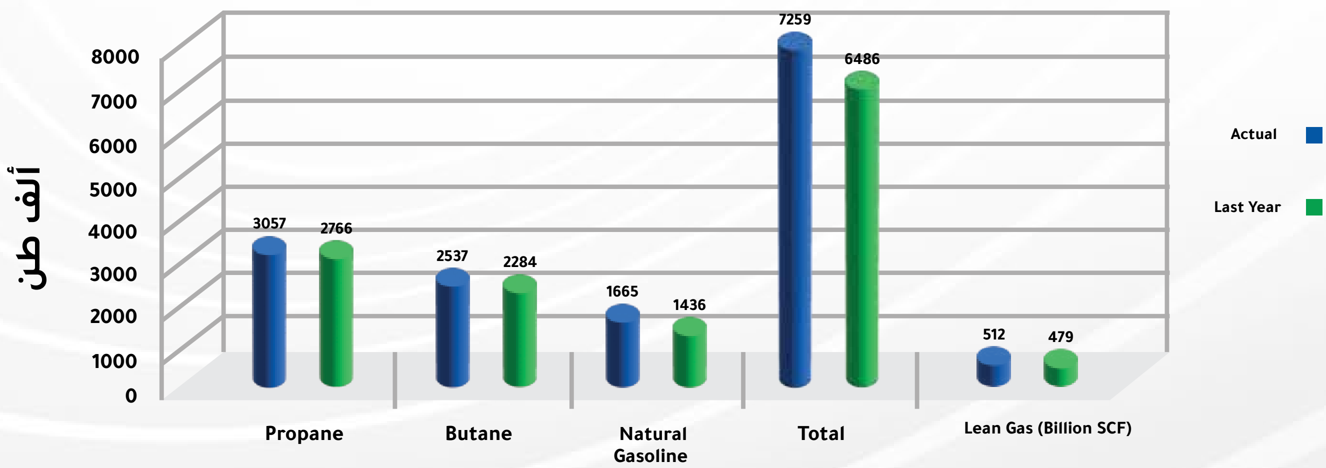
Crude oil daily production during 2012/2013 - 2022/2023



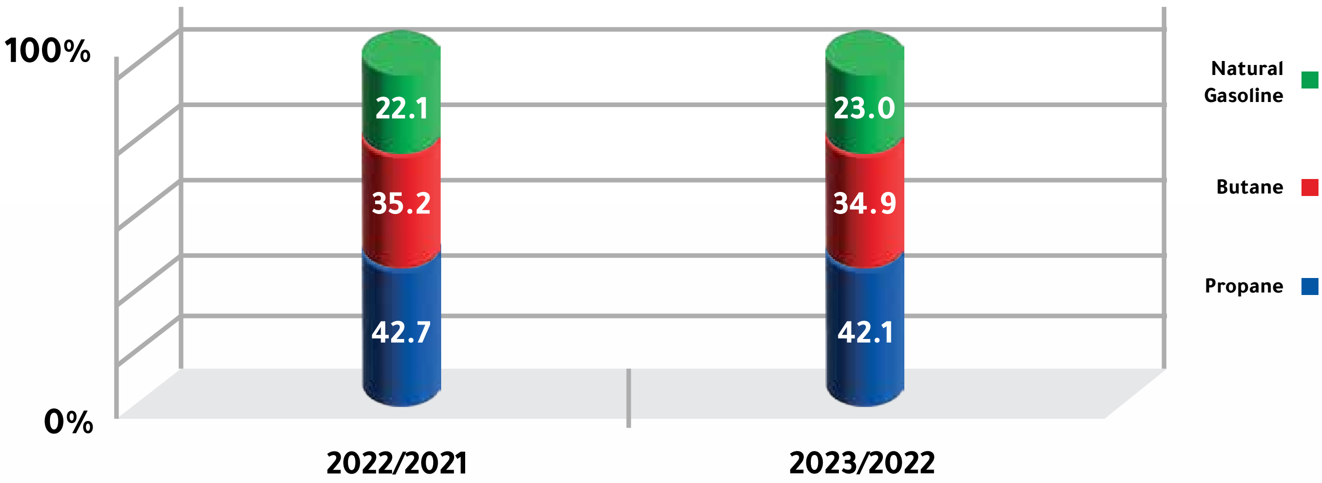
Gas Processing Plant

During 2022/2023 Fiscal Year, the total daily feedstock for the four gas trains was around 1737.6 million scf, compared to about 1593.3 million scf in the previous fiscal year. This rate reflects the actual quantities of gas available in fields and Refineries. The chart below shows the quantities produced in the Fiscal Year of 2022/2023 compared to the actually produced quantities in 2021/2022:

Gas Plant Average Production



Breakdown of the LPG Plant Production



The exported Propane and Butane during this year were 5283 thousand metric tons, compared to 4691.6 thousand metric tons in the previous fiscal year, i.e. 12.6% increase.

Aircraft refueling by a KAFCO tanker

Kuwait Aviation Fueling Company (KAFCO)

- KAFCO secured KD 25,057,645 of net profit during 2022/2023 Fiscal Year, compared to KD 13,590,529 in 2021/2022, an increase of KD 11,467,116 due to the surge in sales income and quantities.
- Total expenses amounted to KD 10,997,200 by the end of 2022/2023 with KD 1,704,894 less than the approved budget of KD 12,702,094, i.e. 13,4% decrease.
- Aviation fuel (Jet A-1 and JP-8) sales marked 72 % increase totaling 937,298,548 million liters in 2022/2023, versus 544,830,504 million liters in 2022/2022.
- During 2022/2023 Fiscal Year, aircrafts refueled with (Jet A-1) numbered 50,595 at Kuwait Airport, and 738 with (JP-8).
- KAFCO inked five contracts to refuel four new clients at Kuwait Airport, namely:
    - NESMA Airlines - Egypt (exclusive for Saudi Arabia region)
    - AL-MASRIA Airlines - Egypt
    - HIMALAYA Airlines - Nepal
    - AIR ARABIA Abu Dhabi - Abu Dhabi
    - LADINA SEA Services - Kuwait
- KAFCO won the bid with Arab Air Transportation Organization to supply aircrafts with fuel at international airports outside Kuwait. KAFCO will provide Kuwait Airways aircrafts with fuel at Turkey (Istanbul & Sabiha), Iraq (Najaf), Sri Lanka (Colombo), Greece (Mykonos), and Maldives (Male) airports.
- KAFCO succeeded in renewing Amiri Diwan contract to refuel the Diwan aircrafts at Kuwait's and other airports abroad starting on January 1st 2023 until 31st of December, 2025.
- The Fueling Management System was completed successfully in December 2022. The Project relates to the automation of the fuel supply - delivery process. Through this unique system, developed by the Company and approved by the suppliers, all mechanical inputs, including the refueling vehicles, aircraft data from the General Directorate of Civil Aviation, Sales and Marketing Department, Finance, and Operations Departments are processed, then transferred to the desired location in the actual time. This in turn has led to saving a lot of time and effort, avoidance of human error, ease of operation, and enabling the fuel provider to focus on the refueling process only.

Chapter Two

Local Marketing

KNPC continues to supply the local market with all kinds of low Sulfur fuels; Gasoline, Gas oil (Diesel), Kerosene, Bitumen in addition to Fuel Oil to the power generation plants. The Company now has 66 filling stations, out of which 61 permanent and 5 mobile ones.


KNPC

Filling stations

The Company's operates 61 permanent filling stations in addition to 5 mobile ones, bringing the total to 66 fuel filling stations across Kuwait. KNPC has developed a plan to build 100 new filling stations, 18 of which have already been inaugurated in new residential cities, like Sabah Al-Ahmad and Ahmad al-Jaber featured with modern design and provide different services. All those new stations use solar energy for operation.

By the end of 2022/2023 Fiscal year, the automatic car wash stations remained 6 as the previous fiscal year. However, the number of washed cars amounted to 128,508 compared to 100,388 cars by the end of 2021/2022 Fiscal Year.

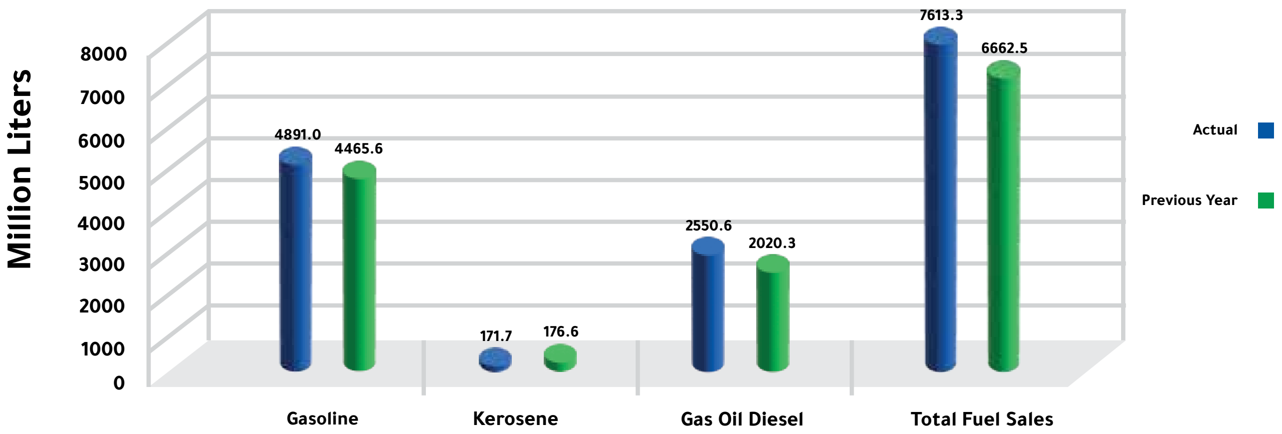
Local Market Sales

Compared with the previous Fiscal Year 2021-2022, local market sales scored an overall increase this year as shown in next schedule:

Local Market Sales (Million Liters)

Product	Fiscal Year 2022/2023	Fiscal Year 2021/2022	Increase (Decrease) %
Gasoline Premium (91 Octane)	3042.4	2798.7	8.7
Gasoline Super (95 Octane)	1808.5	1614.7	12.0
Gasoline Ultra (98 Octane)	40.0	52.2	(23.2)
Gasoline Euro-4	0.1	0.1	0.0
Total Gasoline Sales	**4891.0**	**4465.6**	**9.5**
Kerosene	171.7	176.6	(2.8)
Gas Oil (Local Market)	2550.6	2020.3	26.2
Gas Oil Euro – 4	0.0	0.0	0.0
Total Fuel sales to local market	**7613.3**	**6662.5**	**14.3**
Gas oil to MEW	1068.2	857.5	24.6
Heavy Fuel oil to MEW	5936.1	5567.6	6.6
Total sales for MEW	**7004.3**	**6425.1**	**9.0**
Total Fuel sales	**14,617.6**	**13,087.6**	**4.1**
Bitumen (MT)	107,530.0	232,293.0	(53.7)

Local Market Sales



A new filling station

Local Market sales development between 2014/15 - 2022/23 (Million Liters)

Product	2018/19	2019/20	2020/21	2021/22	2022/23
Gasoline Premium (91 Octane)	2835.4	2884.5	2273.4	2798.7	3042.4
Gasoline Super (95 Octane)	1615.0	1550.8	1217.6	1614.7	1808.5
Gasoline Ultra (98 Octane)	49.3	48.7	43.5	52.2	40.0
Gasoline Euro-4	0.05	0.0	0.0	0.1	0.1
Total Gasoline sales	**4499.8**	**4484.0**	**3534.6**	**4465.6**	**4891.0**
Kerosene	169.1	163.4	108.8	176.6	171.7
Gas Oil (Local Market)	2183.0	2269.3	1915.7	2020.3	2550.6
Gas Oil Euro – 4	0.04	0.0	0.0	0.0	0.0
Total fuel sales to local market	**6851.9**	**6916.7**	**5559.1**	**6662.5**	**7613.3**
Gas oil to MEW	618.1	866.4	1074.0	857.5	1068.2
Heavy fuel oil to MEW	6089.4	5981.9	3556.7	5567.6	5936.1
Total sales to MEW	**6707.4**	**6848.3**	**4630.7**	**6425.1**	**7004.3**
Total Fuel sales	**13,559.3**	**13,765.0**	**10,189.8**	**13,087.6**	**14,617.6**
Bitumen (MT)	229,654.0	301,025.0	323,652.0	232,293.0	107,530.0


KNPC
KNPC
KNPC

Chapter Three

Capital Projects

The company continues to make the most of its resources to improve the value of Kuwait's hydrocarbon resources through adopting the principle of profit in its operations in an integrated and sustainable manner to contribute effectively to the development of the Kuwaiti economy. The 2040 long term Strategic Plan came to reflect KPC's vision and directives to meet the commitments towards the global and local markets' energy needs with high quality and eco-friendly products.

The next phase is going to witness a series of future projects, the most important of which are the construction of petroleum products depot in Al-Mutla'a region, completion of the construction of new 100 filling stations project, the construction of the a new northern oil pier at MAA Refinery, the new southern facility for the Shuaiba oil pier, and the rehabilitation of existing Acid Gas Recovery Unit (AGRP) at MAA Refinery.

Capital Projects

Major Capital Projects being implemented during 2022/2023

Petroleum Products Depot - Al-Mutla'a

The project aims to provide maximum strategic storage capacity by building a new depot in Al-Mutla'a area, north of Kuwait, in accordance with the study's recommendations concerning the strategic demand for products in the local market, and in line with the strategic requirements of KPC. This Project is the ideal option for the distribution of the petroleum products to meet the growing demand up to 2045 due to the urbanization expansion in the north of Kuwait.

Under KPC request to reconsider the project scope of work for building petroleum products Depot in Al-Mutla'a area and updating its technical studies, KNPC reviewed the strategic local demand for the petroleum products and identified the attributed logistic requirements until 2045, while also taking into consideration the latest consumers future predictions, distribution of the geographic demand and the strategic reserve in line with KPC regulations and criteria. IN addition, the operational age of local market facilities, Refineries loading facilities, and products delivery networks were assessed. Renovations, amendments, and the new required facilities were all identified. KNPC Management and concerned parties at KPC approved the outcomes of the study and agreed on swift resumption of the Project.

Al-Ahmadi petroleum products depot

Following KPC & KNPC Boards of Directors approval of the Project's estimated budget through KPC's capital budget for fiscal year 2023/2024, tender documents for Project execution are being processed.

The scope of the Project includes:

- Building of a New Depot in Al-Mutla'a North Kuwait, including 11 new tanks (7 tanks for Gasoline and 4 for Diesel), 10 pumps, and 24 loading arms.
- Building a 130-kilometre, 12-inch pipeline for Gasoline (UL-91) and another 130-kilometre, 10-inch pipeline for Gasoline (UL-95), as well as a 45-kilometre, 14-inch pipeline for Diesel to be linked to the Ministry of Electricity, Water and Renewable Energy existing line at Kazima Region in the north.
- Installation of 8 stations for control valves along the pipelines.
- Supply and installation of 12 new pumps at the refineries (6 each) along with the required facilities, pipelines and meters, in addition to connecting tanks to the refineries.

AGRP Unit Revamping Project - MAA

The Acid Gas Recovery is a Project aims to revamp the current plant at MAA Refinery to process all the potential quantities of acid gases produced by KOC into profitable gases.

The feasibility study and review of all alternatives were completed to execute the Project in the light of the updated and expected gas to be produced by KOC, as sent by the KPC. Coordination took place with the KPC as well to select the suitable alternative for revamping the Unit.

Preparations are currently underway to begin the Front End Enginering Design (FEED) as bid for this study was announced in February 2023.

Acid gas recovery unit

Replacement of MAA Old Sub-stations

The Project aims to replace 9 of the old substations in MAA Refinery with new expanded capacity and high-tech substations inside blast proof buildings, increase safety levels and operational efficiency of the substations, as well as enhancing equipment availability by installing protection systems and new advanced power controls to boost power system efficiency. This in turn will improve operations and load distribution during emergency power outages. According to the Quantitative Risk Assessment (QRA) report, blast proof buildings are top priority to ensure better work environment and safety which goes in line with the Refinery safety specifications.

The Project estimated budget was approved by KNPC's and KPC's Boards of Directors. 89.23% of the Project have been completed, and the substations are expected to be finished in October 2024.

The Project's scope of work has also been adjusted to include work required to replace the remaining old electrical substations (five) at MAA Refinery, so that engineering works, supply, installation, inspection and operation of new substations within new blast proof buildings are carried out within the approved Project budget. KPC and KNPC's Boards of Directors approval was obtained in August 2021, and bid for the replacement of these substations has been submitted and are currently being evaluated.

Shuaiba Oil Pier Restoration and Enhancement Project

This Project goes under the Company long-term plan to improve, maintain, and restore the oil pier in Shuaiba, which is used to export petroleum products from MAA and MAB Refineries.

The scope of work includes maintenance and permanent bolstering of the pier's approach trestle

Substations upgrading project

to extend its operational life for 20-25 years along with periodical appropriate maintenance works. The metal structure will be strengthened by new pillars and supports, as well as by repairing corroded pillars and modernizing the cathodic protection system.

The project’s estimated budget was approved by KNPC and KPC Boards of Directors under the 2022/2023 Fiscal year capital budget.

The project contract was signed as works started in September 2022, with around 30% of the 25% planned work completed, and is expected to be completed in May 2024.

New South Facility for Shuaiba Oil Pier

The scope of the Project's work includes the demolition of the current northern facility to be replaced with a 50 years’ operating life New Southern Facility, in accordance with the latest standards and modern technology, as well as building of facilities for the import of Vacuum Gas Oil and the improvement of export facilities for bunker fuel oil.

The scope of the technical studies of the Project was cooperatively prepared with KPC and KOC concerned parties. The feasibility study was completed in March 2023 and received the approval of the Project Review Committee

as well as KNPC Executive Portfolio Management Committee so FEED study will be carried out.

New North Pier - MAA

To replace the current oil pier of MAA Refinery built in 1959 as a main oil and petroleum

Shuaiba Oil Pier

products exporting plant. The current pier underwent numerous evaluation studies, restoration and reinstatement works during 1984, 2002, and 2007, and the pier term of service was extended until 2017. A new project was then approved to enhance its safety and carry out the repairs required to extend the operating life until 2030, based on studies prepared by a special consultant who recommended extending the pier's operational life.

The scope of the feasibility study was prepared with KPC and KOC concerned parties. The beginning of the feasibility study is underway with the current pier regularly undergoes a special consultancy to ensure the safety of its facilities.

100 Filling Stations

As part of the first group of KNPC strategic plan to build 100 new Stations in various areas to keep up with the urban expansion pace in Kuwait and meet the growing petroleum demands, eighteen new filling stations were built and went into service, bringing the permanent filling stations number to 61 besides 5 temporary ones.

Building three new stations as part of phase-1 of the second group, which includes 15 new ones, has started already.

Combined with up-to-date technologies, the modern design of the new stations forms a qualitative leap. The environment-friendly stations offer clients smooth and easy multiple services as the new stations offers the e-payment service via "e-petrol" app.

The building of 100 new filling stations was divided into 5 groups:

- Group 1: 18 Filling Stations (Completed).
- Group 2: 15 Filling Stations
- Group 3: 25 Filling Stations
- Group 4: 16 Filling Stations
- Group 5: 26 Filling Stations

KNPC Exhibition at Head Office

It aims to promote the Company's image by demonstrating its history, products, different activities, and vital role in Kuwait's economy as well as securing a sustainable future for the coming generations to manifest “We are at the Core of Kuwait” KNPC`s slogan.

It contains a modern audiovisual and film showroom and will be a remarkable stopover for the Company guests, VIP visitors, and for students of various disciplines and ages. The Exhibition is in the final stage and expected to be inaugurated within a few months.

KNPC Exhibition

Chapter Four

Health, Safety, Security and Environment

KNPC is committed to providing the best work environment for its employees and to the highest level of safety operations, besides exerting maximum efforts to limit the negative environment impacts of its operations inside the Company and across Kuwait.

To this end, the Company executes many projects and allocates an important proportion of its financial and human resources for this purpose, as it also applies, and closely monitors, the implementation of the highest health, safety and environmental systems in all its operations and facilities.


A6-KOC

The Company continued its inspections and audits of the HSE management i-SHEMS Elements, including the four components related to the emergency response plan, mechanical safety, training and performance, and change management, besides conducting audit on the fourth audit of the Integrated Management System (IMS) compatible with ISO 9001, 45001 and 14001 certificates.

The Company held the 14th Annual HSE Performance Award. This annual ceremony sheds light on the outstanding initiatives and achievements of the employees and encourages them to provide innovative solutions for the development and promotion of HSE. Employees' families also took part in the competition in order to benefit from their ideas. It is noted that the Award is divided into four categories: employees' families for their valuable and effective contributions, the personnel, the Company's departments, while the 4th is for the Company sectors and sites.

The HSE Department organized 2035 training courses pertaining to health, safety and environment that were attended by 36508 employees.

Health

- KNPC inaugurated the first aerial ambulance helipad at the Management Support & Emergency Operations Center (MSEOC) south of Al-Ahmadi city where the first KOC rescue helicopter landed. The helipad was built by the Security & Fire Department in cooperation with the Projects Department II. The international standards as well as all remarks and instructions of Kuwait Civil Aviation Department and General Fire Directorate were taken into consideration. The 24/7-operative rescue and emergency helipad boosts the Company and the Oil Sector capabilities in security, health and safety aspects.
- Jointly with the Preventive Medicine at Al-Ahmadi KOC Hospital, and in a reflection of the

Helipad

Company's concern for the health of employees, the Medical Section - HSE Department, organized a vaccination campaign for the seasonal flu for the Company's and contractors' employees. The Medical Section also organized a COVID-19 vaccination campaign at the Head Office aiming against the Novel Coronavirus. This KNPC 3rd campaign, organized in collaboration with Al Ahmadi Hospital, followed two previous ones carried out in cooperation with the Ministry of Health where more than 10,000 employees were vaccinated.

- Kuwait National Petroleum Company was ranked "Third Blood Donor" in Kuwait for the year of 2022. The Company was honored at an event patronaged by the Minster of Health in celebration of World Blood Donor Day, June 14th. The campaign, casted wide participation among the Company employees, is one of various campaigns organized by the Medical Section at the Head Office, the Refineries, and the Local Marketing at Sabhan.
- Chief Medical Officer, Addiction Treatment Centre, psychiatrist Dr. Hussein Al-Shatti, delivered a presentation entitled "Drugs, Road to demise," at the Head Office Auditorium. He talked about drug addiction devastating effects, user's behavioral and cognitive symptoms, as well as the therapeutic stages and advanced rehabilitation towards reintegration in the society. The presentation was organized by KNPC Medical Section – HSE Department.
- Occupational Health Day, an event the Company organized under "Hand in Hand to be Healthy" slogan in the industrial zone of Fahaheel and Al-Ahmadi cities. 1100 workers received free medical examination and consultation about healthy habits and how to avoid diseases. Such medical advice and services are not easily obtained due to work or residential circumstances.

Occupational Health Day at Al-Ahmadi Industrial Area

Security and Safety

- Following a field survey undertaken by a group of renowned international insurance companies, led by Marsh Company, MAA and MAB Refineries succeeded in achieving their risk management highest record rate.
- The advance rank puts the two Refineries in the top quartile in the international energy and refining industry categories, higher than 1,400 energy and refining plants around the world in terms of risk management engineering quality & loss prevention. MAA 96.30 and MAB 95.55 scored points in such vital aspect translate efficiency of the set plans to limit various kinds of risks, the workers and the assets are prone to, as well as the staff commitment to the world highest HSE practices and standards.
- Implementation of the Safety Data Sheet (SDS) system for 35 GHG-related industrial products in accordance with the United Nations standards, adhered to by the Environment Public Authority (KEPA) and in compliance with KPC standards. KNPC is the first Company in Kuwait's oil sector to implement this system, which will further help promoting its products in global markets.
- MAB Refinery continued to make steady progress in reducing the lost time incident (LTI) rate. According to the sustainability report (CSR) for PDO, Shell, BP and the European CONCAWE organization's annual report, which oversees the evaluation of the performance of 38 European oil companies, the MAB refinery achieved the highest safety level compared to global companies.
- The Company participated in the Safety Week, held under the auspices and presence of the CEO Petrochemical Industry Company. The event aimed at promoting the culture of

Blood Donation Campaign

safety among the oil sector employees and contractors where a group of KPC's subsidiaries Managers and Team Leaders, as well as Managers of the contractors' companies took part. A presentation entitled "Newly Recruited Safety Engineers Formation and Development Program" spoke about one of the most outstanding achievements and investments in the KNPC HSE Department.

- To disseminate the risk management culture, the Risk Management Department organized various activities, such as:
    - Community event over cybersecurity risk assessment held in collaboration with the Gulf Bank and the Kuwait Integrated Petroleum Industries Company attended by 164 of oil sector employees.
    - An integrated program for "Oula" and "Soor" Fuel Marketing Companies to share risk management best practices concerning local fuel distribution.
    - Petrochemical Industry Company workshop on Risk Management approach of the KNPC.
    - Awareness training for the Fuel Operations Sector on the "ERM Framework" Document.
- The HSE Department organized several safety campaigns about,
    - Heat stress and fire prevention
    - Hand, electrical tools and personal protective equipment
    - Safety of drilling operations and safety of scaffolding
    - Work in high places and work permit system
- Security and Fire Department organized fire-fighting training programs at the MSEOC for

Fire officers at training

4291 Company and contractor personnel.

- Starting the training of 15 fire officers through the "Certified Fire Officer" training program started on 12 February 2023 at MSEOC. The program is in line with the requirements of the National Fire Protection Association (NFPA). The course lasted for 28 weeks with 22 of which in-house training at the Fire Training Centre (MSEOC). Another comprehensive training program was previously carried out abroad.

- Training of 400 Security and Fire Department employees on first aid (level 1 and 2 combined) in 21 sessions, with 4 days each, in addition to organizing three awareness campaigns for the employees and contractors on fire safety, camping safety, traffic safety, as well as on security awareness.

- Security and Fire Department carried out a drill on combating various kinds of fires using virtual reality technology, targeting as many as possible of specialized and non-specialized employees. The training was collaboratively conducted with the Middle East major provider of this new technology that enables training on controlling fire with the minimum cost possible, cutting on extinguishers materials and maintenance.

- With regard to the Company's emergency training, the following have been accomplished:
    - Training of 165 radio users on effective communication during emergencies through 20 courses conducted in coordination with the Information Technology Department.
    - The Company took part in the oil sector drills on May 25, 2022, within a cyber-attack scenario.
    - The Company's Security Team participated in a security exercise conducted by the KOC on September 27, 2022, at the Small Boat harbor in MAB Refinery.

Shamel-8 Drill

- KNPC participated in the unified "Shamel-8" drill organized by the Kuwait Fire Department at Camp Arifjan under the patronage of His Highness the Prime Minister, Sheikh Ahmad Nawaf Al-Ahmad Al-Sabah, and the attendance of the First Deputy Prime Minister, Minister of Interior, Acting Minister of Defense, Sheikh Talal Khaled Al-Ahmad Al-Sabah. 33 security military, civil and oil related institutions participated in this annual event which aimed at enhancing collaboration and raising readiness of different governmental bodies to deal with a previously encountered emergency scenario to avoid human and material loss.
- As part of the security monitoring of the Company's facilities, the Company's and the Ministry of Interior Security Team carried out more than 2,900 security patrols.

Environment

- Constant development program of Integrated Management System Auditors is a KNPC practice. This year, the HSE Department carried out a training course in February 2023 for the Environment Management System lead auditors in line with ISO 14001:2015 standard requirement. The training was delivered by a highly experienced trainer from the SGS Company as this program is approved by Chartered Quality Institute(CQI)and International Register Certificated Auditors (IRCA).
- Three air-quality monitoring stations surrounding MAA Refinery were built in order to extract accurate data concerning the air quality and wind to make the necessary decisions to improve the environment situation.
- Installation of low nitrogen oxide incinerators in boiler No. 4 at MAA Refinery (B-29-014) to reduce nitrogen oxide emissions and adhere to the EPA limits and standards.

MAB Administration Building

- "Climate Change COP27 and its Impact on KNPC," a lecture was organized under the auspices of CEO and the presence of EPA Air Quality Monitoring Department Manager and a number of the Oil companies' employees. The aim was to be acquainted with the major decisions of the recent United Nations Climate Conference which took place in Egypt, Sharm el-Sheikh City, and to explain the negative impacts of CO2 on the environment, the Kyoto Protocol, and Paris Agreement. The lecture drew a clear picture of the vital role of Kuwait's delegation to the international event in Egypt, KNPC's contributions, plans and future aspirations to protect the environment and reduce emissions towards carbon neutrality.

- KNPC Green Profile has been prepared by the General Service Department to make the Company the first to introduce such initiative. The profile tallies the green areas, number of trees and shrubs inside and outside the Company's different locations to set a database accordingly. Registered 32,521 in the outdoor gardens, and 2,213 within the corridors and offices, the KNPC great efforts in preserving the environment has been clearly manifested. The General Service Department provides planting services across KNPC seeking to reduce carbon emissions, and improve air quality.

- At Al-Watanya Club, the Environment Section organized a training course for 30 newly recruited safety engineers to be familiar with the Department responsibilities and duties. The course included 6 various lectures tackled the Department's work in the Company different sites.

- In October 2022, the Company participated in the "Climate and environmental changes and their impact on human and social security - implications and confrontation" 39th International Conference organized by the Faculty of Life Sciences - Kuwait University. This event was organized in cooperation with the International Organization for Women's Empowerment

At Emergency Response Plan training

& Capacity Building, and the Regional Network for Social Responsibility under the Gulf Cooperation Council. Engineers of the Environment Section showcased KNPC's eco-related accomplishments and its progress towards sustainability. The Company also participated in the accompanying exhibition.

- Draining of the oily waste pit at MAA Refinery, retreatment of all liquid oily waste and removing of sludge.

Kuwait Aviation Fuel Company

- Contribution in the external auditing to obtain ISO Quality System Certification, 22301:2019 - Business Continuity Management System, which was done in collaboration with KNPC.

- Participation in the Safety Conference organized by British Airways at Kuwait International Airport. KAFCO demonstrated safety precautions during aircraft refueling.

- Coordinating with HSE Department to conduct a vaccination campaign, which was conducted in cooperation with the Preventive Medicine Division - KOC Ahmadi Hospital whereby 132 employees received vaccine against seasonal diseases.

Climate Change presentation

Chapter Five

Achievements & Performance

Improvement Initiatives

Given the special nature of its business, the technical challenges and the ongoing technological advances in the refining industry, KNPC seeks to keep abreast of such advances through supporting initiatives and encouraging innovation to find technical and management solutions for its various works. This has been reflected in adopting the digital transformation progress towards enhancing efficiency and competitiveness by slashing down time and cost.


CREATIVITY
TAKES
COURAGE
Inspire
KNPC
Gap
Analy
arehouse

Here is a few initiatives executed by the Company's different departments contributing to promoting performance, enhancing competitiveness, and increasing returns:

- December 2022 and January 2023 saw KNPC success in exporting first two shipments of European Winter Grade Diesel produced in MAA & MAB Refineries. Two shipments of 38,000, and 66,000 tons were dispatched to the European markets. The two and other shipments conform to the international, environmental and harsh-weather conditions and specifications. The shipments were exported in cooperation with the International Marketing Sector at Kuwait Petroleum Corporation.

- In August 2022, the Company exported the first two shipments of low Sulfur Gasoline and aromatics compatible with the latest global environmental standards and specifications. The 32,000 and 35,000 tons shipments were also exported in cooperation with the International Marketing Sector at Kuwait Petroleum Corporation, after meeting the local needs in full.

- Exporting the first shipment of low Sulfur (less than 10 ppm) Kerosene in October 2022 via Shuaiba Oil Pier, besides two additional shipments with the same specifications during the third quarter of 2022/2023 Fiscal Year.

- One of the Clean Fuels Project's products that KNCP has been providing the local market with is the low Sulfur (less than 10 ppm) Diesel that meets the Euro-5 specifications, a step that has positive implications on Kuwait environment and sustainable development. KNPC supplying the filling stations and its clients with fuel in a regular fashion comes to mirror the Company desire to realize KPC's 2040 strategic objectives.

- The Company's cadres succeeded in reducing the downtime of the ARD Unit (U-112) at MAB Refinery during turnaround maintenance. Water drilling technology was used to break down and remove the solidified depleted catalysts inside the Unit's reactor. This first-time new technology used spared 10 maintenance days.

Atmospheric Residue Desulfurization Unit (U-112)

- Concluding the third “Ideas Together” workshop, which was organized by the Innovation Committee. The workshop included creative displays by 12 KNPC employees represented the finalists among around 100 ideas. This manifests the KNPC attention to support and encourage innovation as being one of the Company’s essential values and well-nurtured by Top Management.

- Launching and implementing the unified GCC Cybersecurity Awareness Campaign in Gulf gas & oil companies; namely, KPC and subsidiaries, Aramco, ADNOC, BABCO and Petroleum Development of Oman. KNPC Information Security employees designed and implemented the Campaign idea which was officially launched in the Kingdom of Bahrain on September 15th, 2022.

- Cost Optimization & Profit Improvement Committee continued launching initiatives during this fiscal year through which US$ 459 million were saved including US$ 349.23 million marked Profit Improvement during 2022/2023 Fiscal Year. The Committee has been reformed and reactivated to involve all KNPC sites and departments while remaining under Top Management supervision. Workshops as well as an across-KNPC awareness session patronaged by the CEO were inaugurated to encourage involvement in this effort. The campaign was crowned with more than 70 ideas and suggestions fruits of which are expected to be reaped in the few coming years.

- The Commercial Department undertook many cost saving initiatives and actions securing KD 56.3 million in total return, such as providing materials and services needed for operations, tenders’ negotiation to materials supply, business and service contracting, modification of certain agreements terms, effective using of inventory materials, and rationalizing of quantities of materials, in addition to streamlining of requests for inspection of materials by a third party.

At “Ideas Together” workshop

- Through BRAVO system, the Company launched online bidding, a move that saves time for the bid announcement, review, and award, reduces workload, and promotes a paperless mentality at work, while maintaining records for later easy reference. BRAVO also allows for notifying the bidders upon announcement of bids and ensuring maximum participation to get a wider spectrum of bids which will bring back more returns to the Company.

- Local Marketing Department started adding mini markets within KNPC filling stations. Spaces will be allocated inside the stations for investors to build mini markets after obtaining the needed licenses; a process that slashes time and costs and maximizes returns. Filling station No 119 in Al-Zahra district, is the first to implement the initiative.

- Seeking to boost the employees' experience and digital transformation process, the Information Technology Department launched the Program Developers Community Initiative. Numerous KNPC employees and IT Department representatives of K-Companies attended the event. The launch followed successful study, test and a group of new modern applications.

- Sharing experience with the KIPIC concerning key performance indicators of manufacturing safety management.

- In its periodical issue of July 2022, Hydrocarbon Processing Journal, the renowned petroleum, petrochemicals, and gas industry magazine, published a technical article: "MAA Refinery's produces European winter-grade Diesel," tackling the advanced experiments carried out by the Refinery to produce low sulfur Diesel, suitable for the harsh weather conditions in north Europe. The article presented the team's comprehensive analysis for this product properties that adhere to Europe stringiest specifications to come up with the best results.

- The Technical Team, co-membered with employees from of Research & Technology Department (MAB), as well as Quality Assurance and Maintenance Departments (MAA),

Opening of mini-market at FS 119 – Al-Zahra successfully implemented an innovative solution to inspect insulated tubes without removing insulation. This solution uses Pulse Eddy Current technology on one of the insulated tubes. This method was compared with the traditional inspection method which includes removing insulators from the tubes. The new technique was found acceptable and helps in assessing the physical status of insulated tubes while keeping them in place, the thing that saves time, cost and workforce. The Team issued a detailed technical report on the experience and will share it with other K- companies to control erosion, a common issue in refineries and petrochemicals.

- The Company obtained the certification of Business Continuity Management System (ISO 22301: 2019) for the Fuel Marketing Operations Sector.
- In line with the Company 2040 strategy pertaining to digital transformation and the search for creative solutions to improve operations and overcome challenges, 3D printing application (FUSION 360)-certified engineers have developed twelve 3D models to be printed and manufactured using 3D printing machines for plastics, and will contribute to building the engineers' skills and help them find innovative solutions to the refinery challenges.
- In cooperation with the IT Department, MAA Gas Operations Department launched the Smart Operations Portal as part of the shift towards digital transformation that will be reflected in greater productivity and profitability through cutting down time, effort, and spending. This multi-program portal also includes the E-Operations Register.
- UiPath RPA Procedure was launched to help the Procurement Division in the preparation of tender awarding documents to ensure efficiency and time saving in collecting data through Maximo & Bravo programs.
- Automation of the HR self-service vacancies/tasks, such as scheduling and approving vacations, uploading salary certificates, etc. through mobile phones and computers with the

First two shipments of European Winter Grade Diesel exported

launching of Easy HR App developed by the IT cooperatively with the HR Department.

- A quality alternative to the manual record started with launching the eLogbook app used in the operations services of the Company's Refineries in order to ensure speed and accuracy with the new automated log providing real-time information to all concerned.

Awards Received

- Another regional recognition of Kuwait National Petroleum Company’s excellence glowed this time during the Oil and Gas Middle East Magazine 13th Annual Awards when the Clean Fuels Project defeated over record 140 of peers’ nominations submitted by nearly 50 renowned oil and gas companies. CFP was announced The Downstream Project of The Year during the glamourous ceremony held in Dubai.

- KNPC CEO Wadha Ahmad Al-Khateeb was selected Runner up in Energy Woman of the Year presented by Oil & Gas Awards 2023, as well as in Forbes Middle East Magazine Annual List of the"100 Most Powerful Businesswomen in the Middle East 2023." Al-Khateeb was ranked 6th on the list and 2nd among Kuwaiti ladies List for the most creative and influential women leaders in the region in various fields of business. The criteria include company size, individual achievements over the past year, social responsibility and other initiatives led by women.

- KNPC Head Office building received the 2022 International Safety Award - Excellence from the British Safety Council (BSC). MAA and MAB Refineries, as well as Local Marketing and Projects Departments were also awarded 2022 International Safety Award - Excellence from the BSC.

- For the 1st time, MAB Refinery received the Royal Society for the Prevention of Accidents (ROSPA) – Highest Award with Order of Distinction, for maintaining the Safety Excellence for 18 consecutive years. The Head Office & Local Marketing Department buildings, as well as Projects Department also received RoSPA 2022 Gold Award for the 7th year in a row.

KAFCO Awards

KAFCO was awarded the 2022 ROSPA President Award for the 11th consecutive year since 2009, in addition to the International Safety Award of the British Safety Council for its health and safety performance during 2022.

- Following the outstanding performance in road and occupational risk management, persistent since 2018, KAFCO was awarded the 2022 ROSPA Gold Fleet Safety Award for the 5th consecutive year

Activities & Participations

The Company's efforts as a safe and secured local and global partner have continued through numerous programs, meetings, conferences, and lectures:

- KNPC Innovation Committee organized the "First Hackathon" as part of the Gulf Downstream Association 2nd meeting activities, hosted by Bahrain on 31st of August and 1st of September with ARAMCO from KSA, ADNOC of UAE, BABCO Bahrain, and KNPC as well

KNPC delegation at GDA Conference

as KIPIC representing Kuwait in the event attended by over 50 employees belonged to the Gulf, regional, as well as global oil companies, distributed to 9 teams, and introduced to the event’s program.

- With a delegation headed by CEO, and GDA Vice Chairman, Wadha Ahmad Al-Khateeb, KNPC participated in the GDA International Downstream Conference and Exhibition in Al-Manama, Bahrain February 2023, held under the patronage of HRH Prince Salman bin Hamad Al Khalifa, with the participation of more than 5 thousand senior, technical, academic, and oil & petrochemicals specialists. The Company member delegation of spoke and ran sessions and seminars. The accompanying exhibition, sponsored by KNPC, included booths of different regional and global oil companies. KNPC booth displayed the Company recent projects and achievements ahead of which was the CFP.

- Prioritizing cybersecurity as the data protection is as important as the size, content, and confidentiality of information offered, KNPC participated in the 3rd GCC Cybersecurity Conference and Exhibition at the Radisson Blue Hotel and Resort, in an event organized collaboratively with the Central Information Technology Agency under the patronage of the Communication and Information Technology Regulatory Authority, and with strategic partnership of the American Business Council as well as the participation of a number of other bodies and institutions.

- KNPC took part in the 28th Annual Technical Conference of the GCC Gas Processors Association - hosted in Kuwait in September 2022. 116 KNPC employees participated in the workshops of the Conference titled "Natural Gas Value Chain – Opportunities and Challenges" which aimed at addressing oil and gas related challenges in the GCC region.

- The Corporate Communication Department took part in the 3rd Oil Sector Communication Forum organized by Q8 at KOC’s Ahmad Al-Jaber Oil & Gas Exhibition, Al-Ahmadi. “Let’s

KNPC stand at GPA Conference

Communicate” was the slogan of the event which included sharing experience among oil-sector colleagues, showcasing “Best Practices,” and mutual discussions with media experts. KNPC presented “Event Management Manual” as a Best Practice for the KPC and affiliate companies.

- "The Delayed Coker Unit Development Project at Mina Abdullah Refinery" represented KNPC paperwork at the REFCOMM 2022 World Conference held in The Hague, Netherlands in October 2022. The Unit history since 1988 was reviewed together with modernization phases applied to enhance reliability and increase the efficiency of maintenance, safety, and environment, in addition to the development project’s associated challenges.

- The Company participated in the Dell International Creative Summit 2023 at the Four Seasons Kuwait and showcased its 10 years successful experience of digital transformation and how KNPC moved from information systems traditional infrastructure to operate using the latest technology to enhance KNPC ability to develop, grow, and achieve strategic goals in scope.

- As part of the Company's keenness to develop its relations with its customers, two visits were organized for delegates from TGO RESOURCE DMCC in Dubai, and OCP S.A. from Morocco, for Sulfur handling facilities at MAA Refinery. Both visits aimed at enhancing customer satisfaction with the Company's services as these companies buy KNPC produced Sulfur.

- Taking part in the Kuwaiti Engineer's Day organized at the Avenues by the Kuwaiti Society of Engineers and with the participation of Kuwait University, the Public Authority for Housing Welfare, the Ministry of Public Works, and the Ministry of Electricity & Water & Renewable Energy. The Company welcomed the Exhibition visitors and replied to inquiries about the Company's projects.

At Kuwait Engineer Day

Chapter Six

Manpower

and Career Development

KNPC is committed to providing work opportunities for the national university graduates, especially those with technical disciplines that are compatible with the Company technical and administrative needs, contributing thereby to the achievement of the Company's objectives of attaining a prestigious global ranking through outstanding operational and financial performance.

Within this context, all staff and newly appointed employees undergo general and special training courses to guarantee acquiring the needed efficiency to run the Company facilities.


KNPC

Manpower

By the end of this year, operational and nonoperational manpower totaled 6,260 Employees (including KAFCO), a drop of 10 employees compared to the end of the previous year. 162 Kuwaiti employees of different disciplines were appointed during this year.

Kuwaiti staff working in KNPC (including KAFCO) reached 5,726 by the end of 2022/2023 Fisal Year to form 91,47% of the total manpower, i.e. 31 employees increase compared to 2021/2022 fiscal year.

The following tables breakdown the Company's workforce, by nationality and departments, as well as the changes that took place during 2022/2023, besides the development in number of manpower between 2014/2015 till 2022/2023.

Distribution of the Company employees and percentage of Kuwaiti manpower Department-wise

Department	31/03/2023			31/03/2022		
	No. of employees	Kuwaiti manpower		No of employees	Kuwaiti manpower	
		No.	%		No.	%
Head office*	846	820	96.93	895	867	96.87
Local Marketing	195	194	99.49	200	199	99.50
HSE	201	131	65.17	202	132	65.35
Security & Fire	850	846	99.53	860	856	99.53
MAB	1,696	1,518	89.50	1,689	1,497	88.63
MAA	2,417	2,162	89.45	2,372	2,092	88.20
Sub Total	**6,205**	**5,671**	**91.39**	**6,218**	**5,643**	**90.75**
POWs**						
KNPC Total	**6,205**	**5,671**	**91.39**	**6,218**	**5,643**	**90.75**

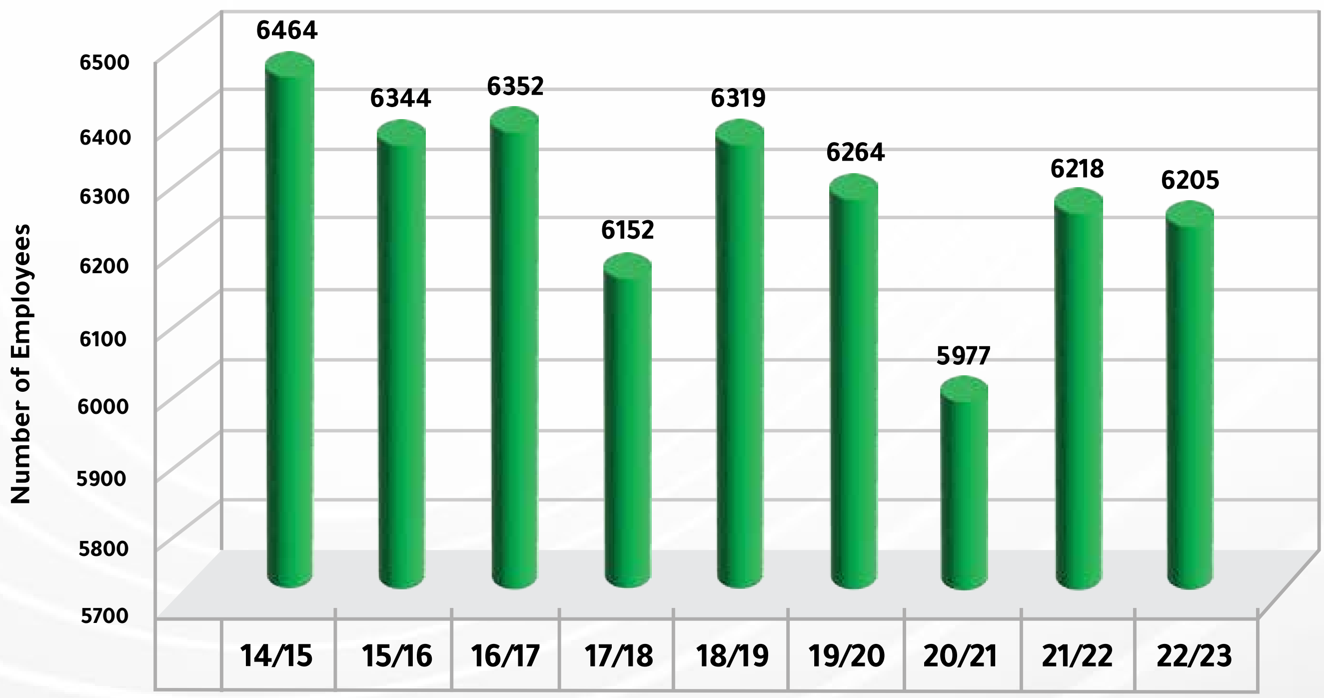
* Includes Top Management, Legal Department, Corporate Planning, Corporate Communication, Human Resources, Finance, General Services, Projects 1, Projects 2, Commercial, Training & Career Development, Management Support, Risk Management, Manufacturing Optimization Group, CFP, Research & Technology, and Information Technology.

* * The prisoners of war were allocated to Mina Al-Ahmadi Refinery

Employees' distribution according to nationality

Nationality	Number of Employees			Of Total Manpower	
	31/3/2023	31/3/2022	Change	31/3/2022 %	31/3/2023 %
Kuwaitis	5,671	5,643	28	91.39	90.75
Arab nationals	82	83	(1)	1.32	1.33
Subtotal	**5,753**	**5,726**	**27**	**92.72**	**92.09**
Non-Arab nationals	452	492	(40)	7.28	7.91
Total	**6,205**	**6,218**	**(13)**	**100**	**100**

Development of the Company Manpower between 2014/2015 - 2022/2023



KAFCO Manpower

Department	31/03/2023			31/03/2022		
	No. of employees	Kuwaiti workforce		No. of employees	Kuwaiti workforce	
		No.	%		No.	%
Gen. Manager Office	5	5	100	5	5	100
Fin. Admin., & Services	14	14	100	14	14	100
Opn., Eng. & Maint.	36	36	100	33	33	100
Total	**55**	**55**	**100**	**52**	**52**	**100**

Training & Career Development

During the 2022/2023 Fiscal Year, and in cooperation with local institutions, KPC Petroleum Training Center, and international companies, KNPC provided 2646 employees with 186 of training courses, seminars, symposiums and in-house presentations on various topics related to the job requirements. Other courses, lectures and training programs were organized aimed to develop qualified and motivated cadres, include:

- Training courses for MAA and MAB Refineries' employees as follows:
  - 73 training courses attended by 575 Operations staff from the two Refineries.
  - 25 training sessions attended by 563 staff of the two Refineries' Technical Departments.
  - 18 training courses entitled "Communication Skills in the Refinery" attended by 284 Operations staff from the two Refineries.
  - Training of 129 Control Room Operators from the two Refineries on the units' simulation system (OTS)
  - Training of 139 staff in the two Refineries as part of the new field operators' training program.
- During October and November 2022, 60 engineers/first observers completed the induction program at Ahmed Al-Jaber Oil & Gas Exhibition. This induction program is part of the Company's overall employee integration designed to help newly promoted senior engineers/supervisors develop their competencies and adapt to their tasks and work environment.

- Conclusion of the second course of Oil Sector Talent Management Program for Team Leaders with 22 participants.

- Launch of the third course of the Oil Sector Talent Management Program and implementation of the training plan. 64 Senior Engineer/Senior supervisors participated.

- Holding a series of lectures for the Center of Excellence attended by 148 KNPC and K-companies' employees. Finance, operations, rotary equipment, health and safety related lectures were delivered by the Center's representatives.

- 122 Team Leaders were signing up in the Leadership Development Skills training program organized in collaboration with KPC and the Petroleum Training Centre between September and December 2022, in addition to the enrollment of 70 team leaders in the training program for Personal Interviewers Committee skill development.

- Design, planning and implementation of Mastering Executive Development Roles for Managers in cooperation with the Petroleum Training Centre. Field visits and lectures by experts and field specialists were carried out across five groups for KNPC, KAFCO, and KPI Managers.

- The Manufacturing Optimization Group conducted training for engineers from the Refineries' Operation Departments, Technical Services Departments, Manufacturing Optimization Group, and from KPC. The course aimed to boost the skill of engineers in several aspects, including knowledge of the sources and quality of products, quality control during manufacturing processes, and control of the production of end-users petroleum products in the local and international marketing tanks in addition to the economics of product manufacturing, product blending, differences in the characteristics of KPC's final products before and after the CFP commissioning.

Talent Management Program

- The Training Unit at the Contractors Kuwaitization Team completed the training of 535 Kuwaiti contractors' employees on 106 technical and administrative programs at the Petroleum Training Centre and the Department's training centers. The Training Unit continued the distribution, training, and evaluation of the 23 PAAET trainees approved for Kuwaitization Contracts in the specially designated field program inside the Company sites.

- The Projects Training Team - Training & Career Development Department, arranged an induction session for the first year students in the Refinery Operation Technology discipline at the Faculty of Technology Studies. The two and half years' induction program aimed to familiarize the students with the Company's program which corresponds to the duration of this specialization in the faculty. KNPC carries out these training programs at the T&CD Department training centers where students undergo intensive training as well as refinery units' simulation programs. The Company considers the program as an investment in the Kuwaiti youth to meet its Operations needs and secure suitable job opportunities for the graduates.

- Jobs done related to Refinery Operation Technology:
  - Incentive Reward Agreement for 109 freshman students of Refinery Operation Technology discipline was signed.
  - 214 of Refinery Operation Technology graduates were allocated at work position in KNPC and other K-companies

- Three engineers from the Department of Inspection & Corrosion Engineering Section at MAB Refinery have passed the Professional Accreditation Test to obtain the international Accreditation Certificate from the American Petroleum Institute.

3rd Oil Sector Communication Forum

- Regarding the Training and Career Development at MAB Refinery, Several training courses and workshops were held, the most important of which were:
    - Organizing 7 workshops for Clean Fuels operations employees to develop action plans to improve performance and avoid future accidents.
    - The use of Uniformance Process Studio software to optimize the Refinery's performance.
    - Qualification required for welding process, identification of degasification vessels, inspection of ovens and heat exchangers.
    - Workshops to activate PRIME Program about Reliability- Centered Maintenance(RCM), and Risk-based Inspection (RBI) of units CDU-111, HCR-114, and Safety Instruments Functions (SIF)for units CDU-111 HCR-114 and HPU-118
- With regard to the Structured on-Job Training (SOJT) programs:
    - Completion of 7 full training curricula to be incorporated into the S-OJT program.
    - Completion of the training of 52 trainees in this Fiscal Year's S-OJT program.
    - Update and development of the S-OJT automated System to harmonize with the new software developments provided by the Information Technology Department.
- Risk Management Department organized a comprehensive training program for Oil Sector Risk Management employees concluded with 16 employees obtaining the International Certification accredited by the Risk Management Institute - London, UK.
- Success of the integration link between Kuwait University and the Company in terms of English language and specialization tests related to the recruitment campaign for the newly graduated engineers.

At the Leadership Development Training Program

- Sharing of best practices at the Academy for Safety and the development of under-training engineers with Kuwait Oil Company team. Best practices regarding the Waste Data and Management System (e-Data System) were also shared with representatives of KOC's Environment Team as KOC intends to adopt a similar system.

- KNPC best practices were shared with Petrochemical Industries Company during the HSE Week where "New Safety Engineers Development Program" was outlined.

Kuwait Aircraft Refueling Company (KAFCO)

- KAFCO inked an agreement on 12/9/2022 to provide technical services with Q8 Aviation, one of the Kuwait Petroleum International Company. This is part of diversification of expertise, improvement of performance and enhancement of cooperation with K-companies. The agreement enables KAFCO to receive a range of technical services with respect to aircraft refueling operations at Kuwait International Airport, engineering consultations, and technical documentation, besides assessment of the training needs of KAFCO's personnel in the Aircraft Refueling Operations Section and providing training programs to allow sharing handling of aircraft fuel experience.

- The HR & Development Section planned, prepared and executed all training activities, and covered all training programs, courses and associated activities for the Fiscal Year 2022/2023 regarding the employees competency development as follows:
    - The Training & Career Development Section prepared the 2022/2023 training plan and concluded in coordination with all departments, including the personal development plan, according to the integrated education curricula which involves 4 electronic IT and Petroleum Training Center training programs.
    - Each Team Leader held 3 training sessions with selected employees of grades 12 to 17.
    - 23 controllers and senior controllers completed the assigned Cross-Functional Task related to different parts of the Company.
    - Section 8 prepared induction programs for new employees, 3 programs for KIPIC employees, and one field program for university students.
    - Managers and Team Leaders participated in KNPC's Leadership Development Program in addition to KPC's Interviewers’ Skill Development Program.

Chapter Seven

Social Responsibility

KNPC pursues a sustainable policy towards enhancing its role in economic and society development. The Company is committed to applying this policy throughout its operations and activities, believing that this is the best way to build a strong society and create a solid foundation for Kuwait's future generations.


KNPC
بطولة البادل الثانية
لشركة البترول الوطنية الكويتية
Connect With Us تواصل معنا

- Under the slogan “Partners in Sustainable Urban Development,” KNPC took part in the First National Urban Forum, organized by the United Nations Human Settlements Program, in cooperation with the General Secretariat of the Supreme Council for Planning & Development. Governmental and community bodies also participated in the event.

- KNPC gave a presentation about its sustainability policy through the CFP that implements the international stringiest stipulations by producing eco-friendly petroleum products. The presentation also spoke about the Project’s Wastes Treatment Unit, the mechanism of solid waste management, wastewater treatment units, water recycling and reusage for irrigation. Other tackled subjects included the Company green buildings.

- The Forum sought to showcase Kuwait policy progress in implementing the sustainable development goals and to shed lights on works the state carried out regarding the new global urban plan.

- Mirroring KNPC commitment to social responsibility and keenness to educate the youth about the Company’s works, projects, and responsibilities, the Corporate Communication Department, in cooperation with the HSE Department, held a three-day interactive section during the summer camp which was organized by the Scientific Center. The section sought raising kids’ awareness about oil as the pillar of Kuwait economy.

- Participation in the World Mental Health Day organized in Shuaiba

- Participation in the National Industries and Youth Exhibition organized by Alradifa Girls' Primary School in Zahra Region to celebrate the National Days. In the set-up booth, the

At Ramadhan Tent

Corporate Communication Department displayed a collection of KNPC publications, and distributed souvenirs.

- The Corporate Communication Department organized KNPC 2nd Padel Tournament where a total of 78 female and male players gathered to form 39 teams from various departments and competed throughout the 3-day event.
- Ramadan Tent is a KNPC annual ritual set up this year near the Head Office in Al-Ahmadi. Over 1,000 fasting people receive daily. The initiative reflects the KNPC's efforts and role in various social areas.
- The Company participated in "Al-Wafa' Fourth Day for the Disabled" organized by Al-Ahmadi Governorate under "Creations and Valor" slogan.
- Several exhibitions were organized to reflect the Company's responsibility towards own employees, including Back to School Exhibition just before the beginning of the semester, as well as Winter, Summar, and Electronics Exhibitions in the Head Office, in addition to "Children with Disabilities" exhibition held at the Scientific Centre.
- "Know Your Rights" Campaign continued to ensure that contractors employees receive their full financial and contractual rights. The Campaign is organized by the Welfare Team of Contractor's Employees and included visiting workers' accommodation and ensuring they have a convenient work and residential environment.

Kids section at Spring Camp

Chapter Eight

Financial Report

This year, KNPC secured record profits of KD 1.016 billion and total revenues of KD 14.622 billion.

Total sales amounted to KD 13.739 billion.

KNPC Financial Results for the Fiscal Year 2022/2023

The financial statements incorporated in the Report represent the Fiscal Year results on 31.03.2023 in comparison with the previous Fiscal Year ending on 31.03.2022. The total assets appeared in the Balance Sheet amounted to KD 11,027,072,465 compared to KD 10,296,959,040 in the previous Fiscal Year, showing an increase of KD 730,113,425

Revenues

The Company total revenues totaled KD 14,622,039,507 i.e. an increase of KD 4,381,247,614 over the previous year, detailed as follows:

Description	2022/2023	2021/2022
Oil refining revenues	10,828,136,893	6,847,789,086
Gas processing revenues	2,910,779,145	2,721,859,752
KAFCO revenues	257,067,494	100,755,963
Aromatics Co. revenues	686,282,532	593,128,437
Carwash	478,944	350,513
Other revenues*	(60,705,501)	(23,091,858)
Total revenues	**14,622,039,507**	**10,240,791,893**

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

The Company continued the marketing of petroleum products in the local market on behalf of KPC, which amounted to KD 721,948,647 in the current fiscal year compared to KD 627,719,612 in the previous one.

Profit and Loss

The Company operations during the fiscal year 2022/2023 revealed a net profit of KD 1,016,510,594 compared to last year's profit of KD 341,380,188.

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

Description	Kuwaiti Dinar
Profit (loss) resulting from oil refining & gas processing	1,046,942,843
Profit (loss) resulting from KAFCO activities	25,057,645
Profit (loss) resulting from AROMATICS Co. activities *	10,700,984
Profit (loss) resulting from local marketing activities	182,503
Other revenues	(61,363,260)
Remunerations	(4,947,436)
Remunerations for Board Members	(62,685)
Total profit (loss)	**1,016,510,594**

* Aromatics Company sales profit for fiscal year 2021/2022 represents 60%

Contents

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

The State of Kuwait

Independent auditor's report and consolidated fiscal statements for the year ended 31 March 2023

KPMG Al-Qenae & Partners
Al Hamra Tower, 25th Floor
Abdulaziz Al Saqr Street
P.O Box 24, Safat 13001
State of Kuwait
+965 2228 7000

Independent auditor's report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait National Petroleum Company K.S.C. (the "Company") and its subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at 31 March 2023, 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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board ("IFRS Standards").

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 Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

KPMG

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

Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Companies Law No. 1 of 2016, as amended, and its Executive Regulations and the Company's Memorandum of Incorporation and Articles of Association, as amended. 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 of Incorporation and Articles of Association, as amended, during the year ended 31 March 2023 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
of KPMG Al-Qenae & Partners
Member firm of KPMG International

Kuwait: 4 May 2023

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

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 March 2023

	Note	2023 KD'000	2022 KD'000
Revenue	5	14,736,972	10,314,778
Cost of sales	6	(13,473,626)	(9,770,723)
Gross profit		1,263,346	544,055
General and administrative expenses	7	(16,242)	(15,765)
Staff costs		(157,300)	(141,553)
Other income	8	20,828	14,390
Provision charge	9	(4,947)	(18,480)
Share of results of investment in a joint venture		(2,200)	13,697
Finance costs		(78,013)	(47,024)
Finance income		8,075	2,111
Foreign exchange loss		(9,395)	(6,265)
Profit before board of directors' remuneration and taxes		1,024,152	345,166
Board of directors' remuneration		(120)	(128)
Taxes related to a subsidiary	10	(387)	(144)
Profit for the year		1,023,645	344,894
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences		(2,978)	(3,862)
Other comprehensive loss for the year		(2,978)	(3,862)
Total comprehensive income for the year		1,020,667	341,032
Profit attributable to:			
Shareholders of the Company		1,016,511	341,380
Non-controlling interests	25	7,134	3,514
Profit for the year		1,023,645	344,894
Total comprehensive income attributable to:			
Shareholders of the Company		1,018,371	342,687
Non-controlling interests	25	2,296	(1,655)
Total comprehensive income for the year		1,020,667	341,032

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

البترول الوطنية
KNPC

Consolidated statement of financial position
as at 31 March 2023

	Note	2023 KD'000	2022 KD'000
Assets			
Property, plant and equipment	*11*	6,048,846	6,277,572
Intangible assets	*13*	31,689	35,230
Right-of-use assets	*14*	18,148	6,653
Deferred expenses	*12*	26,546	22,481
Investment in a joint venture	*15*	35,834	50,828
Receivable from the Parent Company	*18*	203,899	182,600
Non-current assets		6,364,962	6,575,364
Inventories	*16*	698,946	897,279
Trade receivables	*17*	124,300	107,203
Due from related parties	*18*	3,409,167	2,307,936
Funds held by the Parent Company	*18*	195,017	212,133
Other receivables and prepayments	*19*	86,758	85,467
Term deposits	*20*	20,839	15,996
Cash and cash equivalents	*21*	111,122	75,580
Assets held for sale	*22*	15,962	20,000
Current assets		4,662,111	3,721,594
Total assets		11,027,073	10,296,958
Equity and liabilities			
Share capital	*23*	1,587,000	1,587,000
Statutory reserve	*24*	305,550	203,899
Foreign currency translation reserve		13,610	11,750
Acquisition reserve		27,006	27,006
Sub total		1,933,166	1,829,655
Non-controlling interests	*25*	157,665	155,369
Total equity		2,090,831	1,985,024
Loans and borrowings	*26*	1,272,243	1,613,429
Employees' end of service benefits	*27*	419,373	401,956
Financing received from the Parent Company	*18*	5,599,040	5,326,872
Deferred payments	*18*	8,918	26,286
Lease liabilities	*14*	17,827	6,154
Non-current liabilities		7,317,401	7,374,697
Loans and borrowings	*26*	350,124	344,737
Deferred payments	*18*	17,600	35,534
Lease liabilities	*14*	1,569	2,017
Trade payables		10,522	4,138
Other payables and accruals	*28*	324,166	358,911
Dividends payable	*29*	914,860	191,693
Due to related parties	*18*	-	207
Current liabilities		1,618,841	937,237
Total liabilities		8,936,242	8,311,934
Total equity and liabilities		11,027,073	10,296,958

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

Hamza Abdullah Bakhash
Chairman

Wadha Ahmad Al-Khateeb
Chief Executive Officer

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

البترول الوطنية
KNPC

Consolidated statement of changes in equity
for the year ended 31 March 2023

	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 2021	1,587,000	182,600	10,443	(128,388)	27,006	1,678,661	157,024	1,835,685
Profit for the year	-	-	-	341,380	-	341,380	3,514	344,894
Other comprehensive income / (loss)	-	-	1,307	-	-	1,307	(5,169)	(3,862)
Total comprehensive income / (loss) for the year	-	-	1,307	341,380	-	342,687	(1,655)	341,032
Transfer to reserves	-	21,299	-	(21,299)	-	-	-	-
Dividends payable (note 29)	-	-	-	(191,693)	-	(191,693)	-	(191,693)
Balance at 31 March 2022	1,587,000	203,899	11,750	-	27,006	1,829,655	155,369	1,985,024
Balance at 1 April 2022	1,587,000	203,899	11,750	-	27,006	1,829,655	155,369	1,985,024
Profit for the year	-	-	-	1,016,511	-	1,016,511	7,134	1,023,645
Other comprehensive income / (loss)	-	-	1,860	-	-	1,860	(4,838)	(2,978)
Total comprehensive income / (loss) for the year	-	-	1,860	1,016,511	-	1,018,371	2,296	1,020,667
Transfer to reserves	-	101,651	-	(101,651)	-	-	-	-
Dividends payable (note 29)	-	-	-	(914,860)	-	(914,860)	-	(914,860)
Balance at 31 March 2023	1,587,000	305,550	13,610	-	27,006	1,933,166	157,665	2,090,831

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

Consolidated statement of cash flows
for the year ended 31 March 2023

	Note	2023 KD'000	2022 KD'000
Cash flows from operating activities			
Profit for the year before board of directors' remuneration and taxes		1,024,152	345,166
Adjustments for:			
Depreciation of property, plant and equipment	*11*	305,257	289,253
Depreciation of right-of-use assets	*14*	8,876	5,124
Provision charge	*9*	4,947	18,480
Amortisation of intangible assets	*13*	3,830	3,773
Amortisation of deferred expenses	*12*	17,585	13,580
Share of results of investment in a joint venture	*15*	2,200	(13,697)
Gain on sale of property, plant and equipment		(3,479)	390
Provision for employees' end of service benefits	*27*	46,699	46,197
Finance income		(8,075)	(2,111)
Finance costs		78,013	47,024
		1,480,005	753,179
Changes in:			
- inventories		198,333	(344,027)
- trade receivables		(17,027)	(36,853)
- due from related parties		(1,101,231)	(185,852)
- other receivables and prepayments		(1,291)	15,066
- trade payables		6,384	(1,134)
- other payables and accruals		(41,777)	9,712
- due to related parties		(207)	(18,318)
- Receivable from the Parent Company		(21,299)	-
Cash flows from operations		501,890	191,773
End of service benefits paid	*27*	(29,282)	(34,214)
Net cash flows from operating activities		472,608	157,559
Cash flows from investing activities			
Purchase of property, plant and equipment	*11*	(74,072)	(196,586)
Proceeds on sale of property, plant and equipment		3,670	-
Addition to intangible assets		(371)	(4,611)
Purchase of catalysts	*12*	(21,650)	(14,796)
Net (investment in)/ proceeds from term deposits		(4,843)	21,383
Dividend received from Investment in a Joint Venture		12,794	9,756
Interest income received		8,075	2,111
Net cash flows used in investing activities		(76,397)	(182,743)
Cash flows from financing activities			
Funding received from the Parent Company		272,168	306,874
Repayment of loans and borrowings		(335,799)	(346,429)
Payment of lease liabilities	*14*	(9,682)	(5,797)
Deferred payments		(35,302)	(8,721)
Interest paid		(77,477)	(47,024)
Dividend paid to the parent entity		(191,693)	-
Net cash flows used in financing activities		(377,785)	(101,097)
Net increase/ (decrease) in cash and cash equivalents		18,426	(126,281)
Cash and cash equivalents at beginning of the year		287,713	413,994
Cash and cash equivalents at end of the year	*21*	306,139	287,713

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

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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 93% (2021: 92%) 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 20 April 2023 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	
			2023	2022
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%

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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

The below amendment to standards and interpretations became effective from 1 April 2022, but it does not have material effect on the Group's consolidated financial statements:

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the consolidated financial statements of the Group.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the year.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in the consolidated statement of profit or loss and other comprehensive income.

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the year.

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 that is different from that of consolidated financial statements. For the purpose of the consolidated financial statements of the Group, 31 December 2022 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.

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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.

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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) <u>Property, plant and equipment</u>

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.

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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, plant 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.

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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.

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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, cash 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 and fund held by the Parent Company with original maturity of 3 months or less.

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.

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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.

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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 with different functional currencies (foreign operations) 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 except to the extent that the translation difference is allocated to NCI.

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.

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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 from those 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.

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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.

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

4. Standards and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1);
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement; and
- Definition of Accounting Estimates (Amendments to IAS 8) Joint Ventures (Amendments to IAS 28).

5. Revenue

	2023 KD'000	2022 KD'000
Refined products	10,828,137	6,847,789
Liquefied petroleum gas	2,910,779	2,721,860
Aromatic products	686,283	593,129
Aviation fuel	257,067	100,755
Revenue from local marketing operations	54,706	51,245
	14,736,972	10,314,778

The Group disaggregates its revenue from contracts with customers by products, services and timing of revenue recognition.

	2023 KD'000	2022 KD'000
Point in time		
Refined products	10,828,137	6,847,789
Liquefied petroleum gas	2,910,779	2,721,860
Aviation fuel	257,067	100,755
Paraxylene	273,756	235,457
Heavy aromatics	8,274	4,802
	14,278,013	9,910,663
Over the time		
Benzene	81,803	80,640
Light naphtha	294,260	248,308
Other products	26,941	17,313
Reimbursement of local marketing operating expenses	54,706	51,245
Shipping and handling services	1,249	6,609
	458,959	404,115
	14,736,972	10,314,778

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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

	2023 KD'000	2022 KD'000
Cost of crude oil and gas	11,958,519	8,379,430
Cost of feedstock (including KARO depreciation)	624,284	597,506
Staff costs	289,013	282,143
Local marketing operating expenses (including depreciation)	54,523	51,107
Other costs	275,838	204,975
Amortisation (note 12)	17,585	13,580
Depreciation (note 11)	253,864	241,982
	13,473,626	9,770,723

7. General and administrative expenses

	2023 KD'000	2022 KD'000
Other costs	12,371	13,092
Depreciation (note 11)	3,871	2,673
	16,242	15,765

8. Other income

	2023 KD'000	2022 KD'000
Recovery of contract penalties	6,852	6,889
Handling charges	657	1,165
Gain on sale of catalysts	3,479	327
(Loss) / Gain on disposal of scrap materials	(170)	28
Insurance recoveries	2,937	-
Others	7,073	5,981
	20,828	14,390

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

9. Provision charge

	2023 KD'000	2022 KD'000
Reversal of / (provision) for legal claims	(896)	676
Reversal of / (provision) for expected credit losses	(70)	24
Impairment on Shuaiba refinery	(3,981)	(19,180)
	(4,947)	(18,480)

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 2022	2,004,729	5,864,577	874,913	17,419	40,391	853,347	9,655,376
Additions	-	40	-	-	2,468	71,564	74,072
Transfer from assets under construction	21,314	117,176	15,533	12	-	(154,035)	-
Disposals	(19,240)	(18,473)	(1,266)	-	-	-	(38,979)
Foreign currency translation relating to subsidiaries	1,048	3,768	263	-	-	20	5,099
Balance at 31 March 2023	2,007,851	5,967,088	889,443	17,431	42,859	770,896	9,695,568
Accumulated depreciation and impairment losses							
Balance at 1 April 2022	858,325	2,216,242	274,689	9,925	18,623	-	3,377,804
Charge for the year	62,201	209,546	30,138	2,009	1,363	-	305,257
Disposals	(19,223)	(18,322)	(1,243)	-	-	-	(38,788)
Foreign currency translation relating to subsidiaries	1240	1,005	204	-	-	-	2,449
Balance at 31 March 2023	902,543	2,408,471	303,788	11,934	19,986	-	3,646,722
Carrying amounts							
At 31 March 2023	1,105,308	3,558,617	585,655	5,497	22,873	770,896	6,048,846

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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 2021	1,816,758	5,440,081	866,459	10,252	37,354	1,286,009	9,456,913
Additions	-	487	-	-	3,435	192,664	196,586
Transfer from assets under construction	187,974	424,280	8,345	7,233	-	(627,832)	-
Disposals	(3)	(1,046)	(68)	(66)	(398)	(4)	(1,585)
Foreign currency translation relating to subsidiaries	-	775	177	-	-	2,510	3,462
Balance at 31 March 2022	2,004,729	5,864,577	874,913	17,419	40,391	853,347	9,655,376
Accumulated depreciation and impairment losses							
Balance at 1 April 2021	797,662	2,018,395	245,730	8,811	17,631	-	3,088,229
Charge for the year	60,666	197,223	28,911	1,180	1,273	-	289,253
Disposals	(3)	(773)	(68)	(66)	(281)	-	(1,191)
Foreign currency translation relating to subsidiaries	-	1,397	116	-	-	-	1,513
Balance at 31 March 2022	858,325	2,216,242	274,689	9,925	18,623	-	3,377,804
Carrying amounts							
At 31 March 2022	1,146,404	3,648,335	600,224	7,494	21,768	853,347	6,277,572

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

Freehold land, buildings and facilities includes an amount of KD 306,967 (2022: KD 306,967) which represents freehold land. Further assets under construction of KD 83,539 thousand (2022: KD 140,247 thousand) relates to the Clean Fuels Project ("CFP"). Remaining assets under construction are related to various improvement projects that are in the process of constructed or developed. Such assets are not subject to depreciation until the improvements are tested, available and ready for use as per the intent of the management. During the year, the Group capitalised borrowing costs amounting to KD Nil (2022: KD 200 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:

	2023 KD'000	2022 KD'000
Cost of sales (note 6)	253,864	241,982
General and administrative expenses (note 7)	3,871	2,673
Depreciation relating to KARO	25,828	26,691
Local marketing costs	5,338	5,015
Charged to the Group's profit or loss	288,901	276,361
Charged to Kuwait Oil Company and other related parties	16,356	12,892
	305,257	289,253

12. Deferred expenses

	2023 KD'000	2022 KD'000
Balance at beginning of the year	22,481	21,265
Additions	21,650	14,796
Amortisation charge (note 6)	(17,585)	(13,580)
Balance at end of the year	26,546	22,481

13. Intangible assets

	2023 KD'000	2022 KD'000
Cost		
Balance at the beginning of the year	77,805	73,194
Additions during the year	371	4,611
Balance at the year-end	78,176	77,805
Accumulated amortisation and impairment losses		
Balance at the beginning of the year	42,575	38,776
Charge for the year	3,830	3,773
Foreign currency translation differences	82	26
Balance at end of the year	46,487	42,575
Carrying amount	31,689	35,230

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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.

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% (2022: 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 2021	10,121	11,143
Additions	3,195	3,195
Derecognition	(1,554)	(622)
Other adjustments	(5)	-
Depreciation	(5,124)	-
Finance costs	-	231
Lease liabilities paid	-	(5,797)
Foreign currency translation relating to subsidiaries	20	21
Balance at 31 March 2022	6,653	8,171
Additions	21,001	21,001
Write-Off	(657)	(657)
Depreciation	(8,876)	-
Finance costs	-	536
Lease liabilities paid	-	(9,682)
Foreign currency translation relating to subsidiaries	27	27
Balance at 31 March 2023	18,148	19,396

Amounts recognised in consolidated statement of profit or loss and other comprehensive income are as follows:

	2023 KD'000	**2022 KD'000**
Interest on lease liabilities	536	231
Depreciation charge for the year	8,876	5,124

Amounts recognised in consolidated statement of cash flows are as follows:

Repayment of lease liabilities	(9,682)	(5,797)

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

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

	2023 KD'000	2022 KD'000
Current	1,569	2,017
Non-current	17,827	6,154
As at 31 March 2023	19,396	8,171

15. Investment in a joint venture

	2023 KD'000	2022 KD'000
The Kuwait Styrene Company K.S.C. (Closed) ("TKSC")	35,834	50,828
	35,834	50,828

Investment in a joint venture

The Group has 57.50% (2022: 57.50%) equity interest in TKSC, which is indirectly held through a 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:

	2023 KD'000	2022 KD'000
Statement of financial position		
Non-current assets	70,935	78,802
Current assets	37,099	54,360
Non-current liabilities	(595)	(594)
Current liabilities	(46,821)	(44,655)
Net assets	60,618	87,913
Group's share of net assets	35,834	50,828
Statement of profit or loss and other comprehensive income		
Revenue	135,573	185,969
Cost of sales	(136,596)	(158,825)
Net finance costs	(760)	(784)
Other expenses	(2,043)	(2,540)
(Loss)/ profit and total comprehensive income for the year	(3,826)	23,820
Group's share of (loss)/ profit and total comprehensive income for the year	(2,200)	13,697
Dividend received by the Group	12,794	9,756

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

The Group's share of TKSC's commitments and contingencies amounted to KD 0.08 million (2022: KD 0.52 million).

The management has carried out an assessment of impairment indicators on the Group's investment in a joint venture considering the significant adverse changes in economy, market factors, legal environment, industry or the political factors affecting the investees business including the consideration for the changes in investees' financial condition. The management has not identified any indicators of impairment relating to Group's investment in a joint venture as at the reporting date.

16. Inventories

	2023 KD'000	2022 KD'000
Crude oil	33,202	43,983
Finished goods	495,102	711,137
Maintenance and spare parts	167,088	146,662
Catalysts and chemicals	19,867	11,810
	715,259	913,592
Provision for obsolete and slow-moving inventories	(16,313)	(16,313)
	698,946	897,279

Movement of provision for obsolete and slow-moving inventories

Balance at beginning of the year	16,313	16,313
Provision made during the year	-	-
Balance at end of the year	16,313	16,313

17. Trade receivables

	2023 KD'000	2022 KD'000
Trade receivables	125,167	108,000
Provision for expected credit losses	(867)	(797)
	124,300	107,203

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:

	2023 KD'000	2022 KD'000
Balance at beginning of the year	797	774
Charge of provision for expected credit losses	70	23
Balance at end of the year	867	797

Information about the Company's exposure to credit risk and impairment losses for trade receivables is included in note 30.

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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 3.00% to 3.09% respectively (2022: 0.48% to 0.49% per annum).

Receivable from the Parent Company, in accordance with Articles of Association, represents an amount equal to prior year statutory reserve 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 721,949 thousand (2022: KD 627,720 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.

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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 0.734% (2022: 0.734%) 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. During the year the deferred payments agreement with KPC has been modified, the remaining deferred payments shall be payable over 24 consecutive monthly instalments effective from October 2021 in addition to a deferral fee equivalent to six months LIBOR over and above the aggregate deferral payment.

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).

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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

	2023 KD'000	2022 KD'000
Balances with related parties		
Due from related parties – entities under common control		
Kuwait Petroleum Corporation (Parent Company)	3,397,383	2,301,149
Kuwait Oil Company K.S.C.	8,544	3,953
Kuwait Oil Tanker Company K.S.C.	2,585	2,562
Kuwait Gulf Oil Company K.S.C.	243	206
Kuwait Integrated Petroleum Industries Company K.S.C	257	-
Kuwait Foreign Petroleum Exploration Company K.S.C.	38	12
Kuwait Petroleum International	67	25
Oil Sector Servicing Company K.S.C.	1	1
Petrochemical industries Company K.S.C.	49	28
	3,409,167	2,307,936
Funds held by the Parent Company		
Kuwait National Petroleum Company K.S.C.	159,529	189,367
Kuwait Aviation Fuelling Company, Sole Proprietorship	35,488	22,766
	195,017	212,133
Receivable from the Parent Company (non-current)	203,899	182,600
Due to related parties - entities under common control		
Kuwait Oil Company K.S.C.	-	49
Kuwait Integrated Petroleum Industries Company K.S.C	-	158
	-	207
Deferred payments - Parent Company		
Non-current	8,918	26,286
Current	17,600	35,534
	26,518	61,820
Financing received from the Parent Company	5,599,040	5,326,872

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

	2023 KD'000	2022 KD'000
Balance at beginning of the year	5,326,872	5,019,998
Advances received	528,438	551,173
Advances credited to the Parent Company's current account	(256,270)	(244,299)
Balance at end of the year	5,599,040	5,326,872

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

	2023 KD'000	2022 KD'000
Transactions with related parties – entities under common control		
Sales		
Parent Company	13,793,622	9,620,894
Benzene to TKSC	81,803	80,640
Light naphtha and LPG to the Parent Company	294,261	248,308
Light ends, pygas and other products to EQUATE	977	813
Light ends to TKOC	702	937
Purchases		
Crude oil from the Parent Company	7,972,669	8,289,188
Light naphtha from the Parent Company	244,540	528,213
Others		
Aromatics plant management fees to EQUATE	765	754
Operating and utilities cost reimbursed to EQUATE for running the Aromatics plant	27,762	27,313
Marketing fees to PIC	545	463
Marine expenses	22,906	22,015
Interest income adjusted against borrowing costs	5,594	1,190
Medical expenses	86,227	80,259
Deferred payments	26,519	61,820
Key management compensation		
Salaries and short-term benefits	863	876
Employees' end of service benefits	137	173
	1,000	1,049

19. Other receivables and prepayments

	2023 KD'000	2022 KD'000
Prepayments and deposits	22,253	15,009
Advances against projects	19,160	32,804
Other receivables	45,345	37,654
	86,758	85,467

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

20. Term deposits

	2023 KD'000	2022 KD'000
Term deposits with original maturity of more than three months and less than one year	20,839	15,996
	20,839	15,996

Term deposits are placed with financial institutions and carries effective interest rate of 3.89% (2022: 2.85%) per annum.

21. Cash and cash equivalents

	2023 KD'000	2022 KD'000
Cash in hand	637	509
Cash at bank	110,485	75,071
Cash and cash equivalents as disclosed in the consolidated statement of financial position	111,122	75,580
Funds held by the Parent Company maturing within three months from original maturity	195,017	212,133
Cash and cash equivalents as disclosed in the consolidated statement of cash flows	306,139	287,713

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 4.21 % (2022: 1.42%) 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. 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.

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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

	2023 KD'000	2022 KD'000
Balance at beginning of the year	20,000	39,780
Reclassification to inventories	(57)	(600)
Impairment of assets held for sale	(3,981)	(19,180)
	15,962	20,000

During the year, the Company has reached an agreement with a buyer relating to the sale of SHU. Based on the sale proceeds agreed between the parties, an impairment loss of KD 3,981 thousand (2022: KD 19,180 thousand) has been recorded in the consolidated statement of profit or loss and other comprehensive income (note 9).

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 (2022: 1,587 million shares of KD 1 each) and is fully contributed in cash.

24. Reserves

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.

Foreign Currency Translation Reserve
The foreign currency translation reserve comprises all foreign currency differences arising from the translation of financial statements of subsidiaries with different functional currencies (foreign operations).

Acquisition Reserve
Acquisition reserve has been created with respect of the gain on acquisition of Kuwait Aviation Fuel Company (S.P.C.) with effect from 1 April 2017 which was determined as a common control transaction.

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

25. Non-controlling interests

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

	2023 KD’000	2022 KD’000
NCI percentage	40%	40%
Statement of financial position		
Non-current assets	371,616	411,515
Current assets	126,921	110,592
Non-current liabilities	(23,159)	(44,676)
Current liabilities	(81,216)	(89,009)
Net assets	394,162	388,422
Net assets attributable to NCI	157,665	155,369

	2023 KD’000	2022 KD’000
Statement of profit or loss and other comprehensive income		
Revenue	686,283	594,537
Profit	17,835	8,805
OCI	(2,979)	(1,263)
Total comprehensive income	14,856	7,542
Profit allocated to NCI	7,134	3,514
OCI allocated to NCI	(4,838)	(5,169)
Cash flows from operating activities	47,238	27,814
Cash flows from investment activities	7,229	31,211
Cash flows used in financing activities	(52,262)	(38,015)
Net change in cash and cash equivalents	2,205	21,010

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

26. Loans and borrowings

	2023 KD '000	2022 KD '000
Current portion		
Long term loans	158,799	158,799
Export credit agencies loans	187,495	185,938
Term loan related to KARO	3,830	-
Total of current portion	350,124	344,737
Non-current portion		
Long term loans	397,506	556,302
Export credit agencies loans	863,247	1,041,932
Term loan related to KARO	11,490	15,195
Total of non-current portion	1,272,243	1,613,429
Total loans and borrowings	**1,622,367**	**1,958,166**

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% (2022: 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.

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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).

During the prior year, KPPC has fully repaid its existing loan facility obtained from local financial institutions and obtained new facility. The term loan is repayable over a period of 3 years in bi-annual instalments starting from 30 September 2023 and maturing on 31 March 2025, the coupon rate on this facility is three months LIBOR + 1.6% till the maturity date.

27. Employees' end of service benefits

	2023 KD'000	2022 KD'000
Balance at beginning of the year	401,956	389,973
Charge for the year	46,699	46,197
Payments made during the year	(29,282)	(34,214)
Balance at end of the year	419,373	401,956

28. Other payables and accruals

	2023 KD'000	2022 KD'000
Accrued expenses	111,538	110,055
Accrued utilities	73,356	54,113
Contract retentions	69,802	106,344
Other payables	42,307	35,184
Leave provision	27,163	53,215
	324,166	358,911

Accrued expenses include an amount of KD 63 thousand relating to the Company's board of directors' remuneration for the year ended 31 March 2023 (2022: KD 69 thousand), which is subject to approval of shareholders in the Annual General Assembly.

29. Dividends payable

The Company's Articles of Association stipulate that the net profit for the year after transfer to statutory reserve is payable as dividend. Upon the approval of these consolidated financial statements, dividend payable will be transferred to the Parent Company. During the year, the Group has transferred KD 914,860 thousand (2022: KD 191,693 thousand after setting off the accumulated losses of KD 128,388 thousand) and transfer to the statutory reserve of KD 101,651 thousand (2022: KD 21,299 thousand).

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

30. Financial risk management

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

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

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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.

	2023 KD'000	**2022 KD'000**
Receivable from the Parent Company	203,899	182,600
Trade receivables	124,300	107,203
Other receivables	45,345	37,654
Due from related parties	3,409,167	2,307,936
Funds held by the Parent Company	195,017	212,133
Term deposits	20,839	15,996
Cash at bank	110,485	75,071
	4,109,052	2,938,593

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 76,812 thousand (2022: KD 66,827 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 39% (2022: 39%) of the outstanding trade receivables balance:

	2023 KD'000	**2022 KD'000**
First Fuel Marketing Company K.S.C.	14,907	15,746
Ministry of Defence, Kuwait	14,856	11,975
Al-Soor Fuel Marketing Company K.S.C.	14,624	12,570
Ministry of Public Health , Kuwait	2,031	1,923
Ministry of Electricity & Water, Kuwait	1,937	20

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, 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

Notes to the consolidated financial statements
for the year ended 31 March 2023

A summary of the Group's exposure for trade receivables are as follows:

	KD'000			
	2023		2022	
	Non-credit impaired	*Credit impaired*	*Non-credit impaired*	*Credit impaired*
Not due	76,812	-	66,827	-
Past due				
- Secured with collaterals	-	-	-	-
- Not secured	-	48,355	-	41,173
Gross carrying amount	76,812	48,355	66,827	41,173
Loss allowance		(867)	-	(797)
	76,812	47,488	66,827	40,376

Amounts due from related parties

Transactions with related parties are carried out on a negotiated contract basis. Impairment on the amounts due from related parties have been measured on the basis of lifetime expected credit losses. The Group considers that these have low credit risk based on historical experiences, available press information and experienced credit judgment. As on 31 March 2023, these are neither past due nor impaired. The lifetime ECL computed on amounts due from related parties are not significant.

Cash and cash equivalents and term deposits

The expected credit losses on cash and cash equivalents and term deposits have been measured on a 12-month expected credit loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents and term deposits have low credit risk based on the external credit ratings of the counterparties. The 12-month ECL computed on the bank balances and term deposits are not significant.

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.

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

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**
2023						
Loans and borrowings	1,622,367	181,775	178,209	1,310,595	-	1,670,579
Financing received from the Parent Company	5,599,040	-	-	5,599,040	-	5,599,040
Trade payables	10,522	10,522	-	-	-	10,522
Other payables and accruals	324,166	-	-	324,166		324,166
Dividends payable	914,860	914,860	-	-	-	914,860
Lease liabilities	19,396	351	1,260	18,354	-	19,965
	8,490,351	1,107,508	179,469	7,252,155	-	8,539,132

		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**
2022						
Loans and borrowings	1,958,166	156,653	215,398	1,249,248	391,633	2,012,932
Financing received from the Parent Company	5,326,872	-	-	5,326,872	-	5,326,872
Trade payables	4,138	4,138	-	-	-	4,138
Other payables and accruals	358,912		358,912	-	-	358,912
Due to related party	207	207	-	-	-	207
Dividends payable	191,693	191,693	-	-	-	191,693
Lease liabilities	8,170	126	248	7,981	-	8,355
	7,848,158	352,817	574,558	6,584,101	391,633	7,903,109

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

Market risk

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

The Group's exposure to market risk arises from:

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

Commodity price risk

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

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

Currency risk

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

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

	2023 USD'000	**2022 USD'000**
Assets	721,439	734,729
Liabilities	(3,575,401)	(4,090,375)
Net short exposure	(2,853,962)	(3,355,646)

The following exchange rates has been applied.

	Average rate		**Year-end spot rate**	
	2023	**2022**	**2023**	**2022**
US Dollars	0.30585	0.30178	0.30640	0.30390

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

Sensitivity analysis

A 5 percent strengthening of the KD against US Dollars at the reporting date would have increased / (decreased) the profit for the year and equity by KD (43,723) thousand (2022: KD 176,613 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:

	2023	**2022**
	KD'000	**KD'000**
Loans and borrowings	(1,622,367)	(1,958,166)
Deferred payments	(26,518)	(61,820)
Funds held by the Parent Company	195,017	212,133
Term deposits	20,839	15,996
	(1,433,029)	(1,791,857)

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit for the year by KD 14,330 thousand (2022: KD 17,919 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.

31. 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.

32. Capital 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 analysis of the Group's components of capital is as follows:

	2023 KD'000	2022 KD'000
Financing received from the Parent Company	5,599,040	5,326,872
Loans and borrowings	1,622,367	1,958,166
Deferred payments	26,518	61,820
Term deposits	(20,839)	(15,996)
Cash and cash equivalents	(111,122)	(75,580)
Net debt	7,115,964	7,255,282
Total equity	2,090,831	1,985,024
Total capital	9,206,795	9,240,306
Gearing ratio	**77%**	**79%**

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.

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

Notes to the consolidated financial statements
for the year ended 31 March 2023

33. Capital commitments

As at the reporting date, the Company had commitments with respect to future capital expenditure amounting to KD 44,241 thousand (2022: KD 60,107 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 221 thousand per day (2022 KD 221 thousand per day);
- Purchase of naphtha from the Parent Company amounting to approximately KD 805 thousand per day (2022: KD 1,450 thousand per day); and
- Sale of return streams of naphtha to Parent Company amounting to approximately KD 1,617 thousand per day (2022: KD 682 thousand per day).

In addition to the above, the subsidiary also has other capital commitments amounting to KD 6,358 thousand (2022: 2,228 thousand).

34. 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.

البترول الوطنية
KNPC

تواصل معنا
@knpcofficial
www.knpc.com