البترول الوطنية
KNPC

GREEN FUTURE

Annual Report
2021/2022

2021/2022

Annual Report

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

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

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BOARD OF DIRECTORS

Mr. Hamza Abdullah Bakhash
Chairman

Mr. Yousif Al-Yateem
Vice Chairman

Mr. Waleed Khaled Al-Bader
CEO

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

TOP MANAGEMENT

Mr. Waleed Khaled Al-Bader
CEO

Mr. Khaled Ali Al-Khayyat
DCEO Planning & Finance

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

Ms. Wadha Ahmed Al-Khateeb
DCEO Mina Abdullah Refinery

Mr. Abdulaziz Ahmed Al-Duaij
DCEO Support Services

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

Shujaa Salem Al-Ajmi
DCEO Mina Al-Ahmadi Refinery

CEO Statement

In the fiscal year 2021/2022, the Company distinctively made a quantum leap compared to previous years in performance and completion of projects. By the end of the year, His Highness Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, the Amir of Kuwait honored us by sponsoring and attending the full Commissioning Ceremony of the Clean Fuels Project (CFP). His Highness the Crown Prince, Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah also attended the Ceremony. This reflects the significance of this vital Project for the economy and future of Kuwait.

His Highness' words, which he said upon turning the wheel to kick-off the Project Units, are a source of pride for us, making us proud of what our national cadres can accomplish, and motivate us to exert more efforts for more achievements.

With the high quality and low sulfur content of the new CFP Units' products, we have now greater opportunities to penetrate major markets, such as Europe and North America, which are thirsty for this type of environment-friendly product.

This distinguished celebration was accompanied by the inauguration of the Fifth Liquefied Petroleum Gas Train project, which constitutes another essential building block in the development of the Kuwaiti oil sector, meets the local demand for gas, and enhances integration with the petrochemical industries in Kuwait.

It is also gratifying that our Employees have demonstrated high efficiency in managing the commissioning operations after spending long time in preparation so that the two Projects could start working smoothly and with the required specifications.

With the full launch of these Mega Projects in size and nature, KNPC has embarked on a new phase full of major challenges that we have never experienced in expansion and uncertainty. The sharp fluctuations witnessed by the oil industry towards the end of this fiscal year have created unprecedented disruptions and changes in their intensity, extensiveness and nature, profoundly affecting the entire oil and gas industry in global markets. This requires us to closely review and consider these variables carefully given their direct repercussions for many years to come.

In this financial year, we marked several outstanding indicators, including a daily refining rate of 678 thousand barrels of crude oil, total sales of KD 9,570 million, and total revenues of KD 10,240 million. We also achieved profits of KD 341 million during 2021/2022.

These important achievements were accompanied by the end of the lockdown imposed to curb the spread of COVID-19, the return of normal life to the pre-pandemic normal, both in Kuwait and around the world, and thus the return of demand for petroleum products to near-normal levels.

In continuation of building 100 new Filling Stations program in Kuwait to keep with the urban expansion, we inaugurated this year two new Filling Stations representing the final batch of the first group. A tender to be launched soon for the construction of 15 new Filling Stations representing the second group of the program.

The Environment continues to be a high concern for us, and we are now executing several projects that significantly reduce the environmental impact of our operations, including the rehabilitation of the existing acid gas treatment unit and the modernization of the existing sulfur handling facilities at Mina Al-Ahmadi Refinery.

Achieving our strategic objectives require that our Employees in all locations to be highly competent and have access to the latest refining technologies and management. Accordingly, the Company provides systematic and specialized training to manage and operate the new facilities, in addition to all training requirements for all Employees, whether existing or newly hired. This year we conducted e-learning and virtual training.

During this year, 441 new Kuwaiti Employees were recruited, bringing the Kuwaitization rate to 90.8%. 93 Employees underwent the Structured on Job Training (SOJT) program. In total, 933 graduates completed this training since its inception.

In conclusion, I can only commend what we have achieved in this fiscal year despite the enormous challenges we faced, which culminated in the successful launch of CFP. We would not have overcome all difficulties and challenges without the sincere efforts, commitment and dedication of all Employees in the Company in their various positions.

We have great confidence in the continuation of these efforts so that the Company achieves its Vision to be a world-class refiner, continues to play a pivotal role in the development of our national economy and ensures its sustainability for future generations of Kuwait.

May Allah grant us success,

Waleed Khaled Al-Bader

CEO

Prominent Landmarks
During Financial Year 2021 / 2022

- Clean Fuels Project Full Commissioning under the auspices and attendance of H.H Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
- Inauguration of the 5th Liquified Petrleum Gas Train Project
- KNPC's 61 permanent Filling Stations after opening two new ones
- Total Sales amounted to KD 9,570 Million
- Total Revenues amounted to KD 10,240 Million
- Total Profits amounted to KD 341 Million

Key Indicators

	2021/2022	2020/2021	2019/2020
Financial Indicators (Million KD)			
KNPC total products sales	9,570	4,848	6,882
KAFCO total sales	100.8	27.2	157.8
Kuwait Aromatic Company total sales	593.1	343.3	498.4
* Total local marketing sales	627.7	465.6	581.1
Net profit	341.380	146.544	(61.817)
**Total operational expenditure	910.4	949.1	718.8
Capital expenditure	196.099	145.405	436.631
Changes in total fixed assets	(91.11)	(193.64)	64.941
Average Crude Oil Feedstock (x1000 bpd)			
Mina Abdullah Refinery	356.2	274.9	256.2
Mina Al-Ahmadi Refinery	321.7	314.3	363.2
Total	**677.9**	**589.2**	**619.4**
Sales			
Total products exported to world markets (x1000 MT)	27,250.2	23,637.8	22,964.6
Fuel to local marketing (million liters)	6,662.6	5,559.1	6,916.7
Fuel to MEW (million liters)	6,425.2	4,630.7	6,848.3
Bitumen (X 1000 MT)	232.3	323.7	301.0
Manpower			
*** Manpower at the end of the fiscal year	6,270	6,029	6,322

(*) Sales of petroleum products to the local market included sales on behalf of KPC and KNPC sales.

(**) Total operational expenditure after excluding those related to filling stations activities.

(***) includes KAFCO manpower (52 Employees, compared to 66 according to budget).

The Full Commissioning of the Clean Fuels Project

Under His Highness, The Amir of Kuwait, Auspices and Attendance

His Highness The Amir of Kuwait, turns the Silver Wheel to launch the CFP full commissioning

Green Future

The full Commissioning Ceremony of the CFP Units marked a new phase in the Company journey of continuous development. This quantum leap in using the cutting-edge technology promotes the operational efficiency and realizes the maximum added value of Kuwait hydrocarbon resources. Through increasing our refining capacity in producing high quality fuels, we meet the latest global environmental standards, and push Kuwait to be a world top player in oil refining.

On 22 March 2022, KNPC was honored by the auspices and attendance of His Highness Sheikh Jaber


His Highness The Amir of Kuwait during the National Anthem

Al-Ahmad Al-Jaber Al-Sabah, the Amir of Kuwait, may Allah bless Him, to the CFP full Commissioning Ceremony. "My congratulations for the people of Kuwait for God's graced wealth. May it last forever for the Kuwaiti people," His highness said while unveiling the panel curtain.

"Producing clean and low-emission fuels according to global safety and quality standards makes us all proud," His Highness Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah, the Crown Prince, said in His speech delivered on the occasion. "By this, we kept our promises before the people of Kuwait and the world."


Al-Fares giving his speech

"Today, we translate our ambitions in achieving a development strategy, and creating new work opportunities for the Kuwaiti youth, and empower them to manage Kuwait's vital sector."

His Highness thanked all Kuwaitis who exerted sincere efforts to complete this Project and devoted themselves for building modern Kuwait to realize the "Green Future."

In his speech, the Acting Prime Minister, Minister of Oil and Acting Minister for Cabinet Affairs, Dr. Mohammed Al-Fares, thanked the wise leadership for care, support and follow up

His Highness The Crown Prince giving his speech

of the oil sector projects, “so the oil sector, the cornerstone of our national economy, continues its leading role in Kuwait progress.”

“This pioneer project achieves KPC and its affiliated companies’ strategic goals in maximizing Kuwait oil wealth, increasing the profitability of our products, and entering new international market,” Dr. Al-Fares added. “The fierce competition and challenges in the international oil industry dictate Kuwaiti oil sector to keep pace with the latest developments by employing cutting-edge technology.”

Al-Bader giving his speech

In turn, the Company CEO, Waleed Al-Bader highlighted the pride and happiness of KNPC and oil sector Employees for the attendance and auspices of His Highness Sheikh, Nawaf Al-Ahmad Al-Jaber Al-Sabah, the Amir of Kuwait, may Allah bless Him, of the CFP full Commissioning Ceremony which carried the title “Achievements Continue.”

“This reflects the leadership trust in Kuwait people and their ability in building prosperous Kuwait,” he said. Al-Bader underlined the dedication of KD 1.1 billion share to the private sector out of the Project total cost of KD 4.68 billion.

The CFP memorial plate

"KNPC Employees proved competency by overcoming numerous obstacles throughout the Project construction process and in carrying out the world's biggest modernization process while the two Refineries remained operational. They also commissioned the Project's units under extremely complicated circumstances including the COVID-19 pandemic. Coming up with products that match the new international requirements of minimizing the harmful emissions has placed our Refineries in the front row among the world's elite Refineries," Al-Bader added.

The Ceremony witnessed the attendance of his Royal Highness, Prince Abdulaziz Bin Salman Bin Abdulaziz Al-Saud, the Minister of Energy in the Kingdom of Saudi Arabia to reflect the depth of the brotherly historical relations between Kuwait and the Kingdom. His Highness, the Prime Minister, Sheikh Sabah Khaled Al-Hamad Al-Sabah also attended the Ceremony, as well as Deputy General Assembly Speaker, Member of the Parliament, Mr. Ahmed Khalifa Al-Shuhoumi, besides a number of Excellency and Sheikhs.

The Ceremony was concluded by a tour made by His Highness the Crown Prince, on the CFP different facilities where H. H. listened to an explanation about the functions of the different Units presented by DCEO MAB Refinery, Wadha Ahmad Al-Khateeb.


Minister of Oil, KPC CEO and KNPC Top Management

Kuwait National Petroleum Company
Upgraded 2040 Strategy

In March 2022, the Company launched its 2040 Updated Strategic Plan. An integrated in-house media campaign covering KNPC various sectors was organized to enhance the Company staff knowledge on the Updated Strategy being the most important element for achieving this Strategy.

The Strategy update came in line with the KPC Strategic 2040 Directives to reflect the new local and international changes impacting the development of Kuwait oil industry.

A major feature of the Updated Strategy is reaching 1.6 mmbpd of refining capacity by 2025 and with the highest conversion rate, rather than the 2.0 mmbpd in 2025. As well, enhancing the private sector involvement is added as a new goal of KPC Strategy.

The Updated Strategy Plan was approved by the High Committee for Downstream Sector on 22 March 2021, followed by the KNPC Board of Directors' in November 2021.

Five main goals were set in the Company's Strategic Objectives: optimize the domestic refining industry, enable the upstream sector gas production increase, reach the highest international standards of operational excellence, meet the local and global growing demand for high-quality fuel products, and enhance the private sector participation.

Each of these Strategic Objectives includes a range of Strategic Initiatives, Programs and Projects that seek to achieve KPC's 2040 Updated Strategic Directives.

OUR VALUES

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

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

EXCELLENCE
Encouraging high performance, continuous improvement and customer focus

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

PARTNERSHIP
Building and sustaining relationships that support growth and enhance operational excellence

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

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

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

Chapter One

Refining and Gas Processing

Through employing the latest technology in refining industry, the CFP has given MAB and MAA Refineries greater efficiency and reliability, increased conversion capabilities and higher complexity of refining operations.


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Crude Oil Refining

MAA and MAB Refineries continued operating professionally and efficiently, in parallel with Commissioning the Clean Fuels Project Units. The two Refineries work was characterized with implementing the highest HSE standards for personnel and assets alike.

During 2021/2022 fiscal year, MAA & MAB crude oil refining rate reached 677.9 mbp, which is lower than the planned 757 mbpd, due to commissioning of Distillation Unit (CDU-111) in MAB Refinery at 150 mbdp rate following the delay in the CFP commissioning, and the unplanned suspension of Hydrogen Unit (U-118) in December 2021, resulting in a decreased daily rate of operation of some processing units.

Mina Abdullah Refinery (MAB)

The total refined crude oil in the Mina Abdullah Refinery (MAB) amounted to 130 million barrels during 2021/2022, with an average feed of 356.2 mbpd, compared to 274.9 mbpd, totaling to 100.3 million barrels in the previous fiscal year.

Through the Sea Island, 12,349.6 thousand metric tons of petroleum products were exported, 862.2 thousand metric tons of petroleum coke from the commercial port of Shuaiba, and about 429 thousand metric tons to the Petroleum Coke Industries Company shipped by trucks. Also, Kuwait Paraxylene Production Company was also supplied with approximately 2,764.7 thousand metric tons of Naphtha.

MAB Achievements

- Clean Fuels Project (CFP) was fully commissioned after the following units were successfully inaugurated with zero incidents:
  - Hydrogen Production Unit (U-118 TR-III)
  - Atmospheric Residue Desulfurization Unit (U-212)

- Vacuum Rerun Unit (U-213
- Continuous Catalytic Reformer (U-127)
- Hydrocracker Unit (U-114)
- Sulfur Recovery Unit (U-123-III)
- Atmospheric Residue Desulfurization (U-112-I)
- Atmospheric Residue Desulfurization (U-212-II)

• CFP following Units reached 100% operational capacity:
  - Vacuum Rerun Unit (U-213)
  - Continuous Catalytic Reformer (U-127)
  - Hydrocracker Unit (U-114)
  - Kerosene Hydrotreating Unit (U-115)
  - Diesel Hydrotreating Unit (U-116)
  - Crude Distillation Unit (U-111)
  - Naphtha Hydrotreating Unit (U-117)

• Completing performance test for the following CFP Units:
  - Hydrocracker Unit (U-214)
  - Crude Distillation Unit (U-111)
  - Hydrocracker Unit (U-114)
  - Diesel Hydrotreating Unit (U-116)
  - Vacuum Rerun Unit (U-213)
  - Amin Regeneration Unit (U-125 TR-1/II)

Mina Abdullah Refinery

- Sour Water Stripping Unit (U-126)
- Nitrogen/Air System (U-134)
- Water System (U-137)

- Successful commissioning test of the Hydrocracker Unit (HCR-214) in producing international standard specifications jet fuel (JP-5).
- Commissioning of the sulfur transportation line from the Sulfur Recovery Unit (U-123) to MAA Refinery.
- Completion of the long-term permanent restoration plan for Shuaiba oil pier, including the construction of a new facility for the northern arm
- Urgently connecting export diesel tanks with local market tanks in Shuaiba Refinery, to ensure uninterrupted supply of diesel when the local market's diesel tanks were off-service while undergoing the turnaround maintenance.
- Export of the first shipment of aviation fuel in March 2021, diesel in April, naphtha in June, kerosene in September of same year through Shuaiba's pier, after it underwent three years of maintenance and restoration.

Mina Al-Ahmadi Refinery (MAA)

In 2021/2022 fiscal year, the refined crude oil in Mina Al-Ahmadi Refinery (MAA) totaled 117.4 million barrels at 321.7 mbpd feedstock rate, compared to 114.7 million barrels at a rate of 314.3 mbpd in 2020/2021 fiscal year.

Mina Al-Ahmadi Refinery

MAA Refinery total exported products this year amounted to about 8,250 thousand metric tons, in addition to about 959 thousand metric tons of exported sulfur.

MAA Achievements

- March 2022 witnessed the comissioning of the Fifth Liqufied Petroleum Gas Train with 805 mmscfpd production capacity of gas plus 106 bpd of condensate, raising the Refinery fives trains capacity to 3,125 mmcfpd of gas, and 332 mbpd of condensate.

- Petroleum Coke Unit (DCU-136) operational capacity was raised to 39.5 thousand bpd (equivalent to 107% of the unit's design capacity) to reach the highest production standards with reduced fuel oil production.

- Early completion of maintenance work of Atmospheric Residue Desulfurization Unit (ARD-44) within 22 days instead of 35.

- Simultaneous loading of two sulfur tankers at MAA and Shuaiba piers.

- Completion of building and commissioning of a new line connecting the Sulfur Recovery Unit (SRU-220/221) in the new acid gas removal project (NAGRP) and the Sulfur Recovery Unit in the old acid gas removal project (OAGRP) which contributed to the interchange of acid gas and avoiding units suspension.

- Raising the production capacity of the Gas Oil Desulfurization Unit (GOD-144) by operating and producing low sulfur feedstock from the old Gas Oil Desulfurization Unit (GOD-44) following the incident in the Heavy Atmospheric Residue Desulfurization Unit, which led to the shutdown of the GOD-58 Unit.

- Maintain the operation of Hydrogen Gas Recovery Unit (HR-98) during the leak incident in the cooling water pipeline, without using the main-compressors by diverting most of the hydrogen-rich gases directly to the production line. This saved 50,000 m3/h without being flared and had a financial and environmental returns.

- Management of MAA Refinery products, such as the high-sulfur atmospheric residue (HSAR) produced by the Desulfurization Unit, by refining them in MAA Refinery units and storing the surplus in cooperation with MAB Refinery.

- Completion of maintenance work in the Atmospheric Residue Desulfurization Unit (ARD-42).
- Operating a line linking the Gas Oil Desulfurization Unit (GOD-144) and Kerosene Desulfurization Unit (U-43) to transport and treat Wild Kerosene to avoid more waste associated with the diesel fuel production according to European specifications.
- Converting Line 51 (6 ") used to carry premium unleaded gasoline (91) for the local market to gasoline super (98).
- 44,110 tons of petroleum coke as the highest monthly quantity were sent to MAB Refinery.
- Conducting performance test for sanitary water treatment plant.
- Continuous operation of the New Acid Gas Recovery Plant NAGRP-II for 364 days, resulting in the uninterrupted reception and processing of acid gases from KOC without unscheduled shutdowns.
- Construction of a new line within the CFP connecting the Crude Oil Distillation Unit to tank No. 834, which will ensure continued processing of heavy gas oil.
- Successful performance test for the WAFI Chemical material of Korf Ketal Company while complying to the 4056 Universal Diesel Spec.- Winter grade.


Mina Al-Ahmadi Refinery

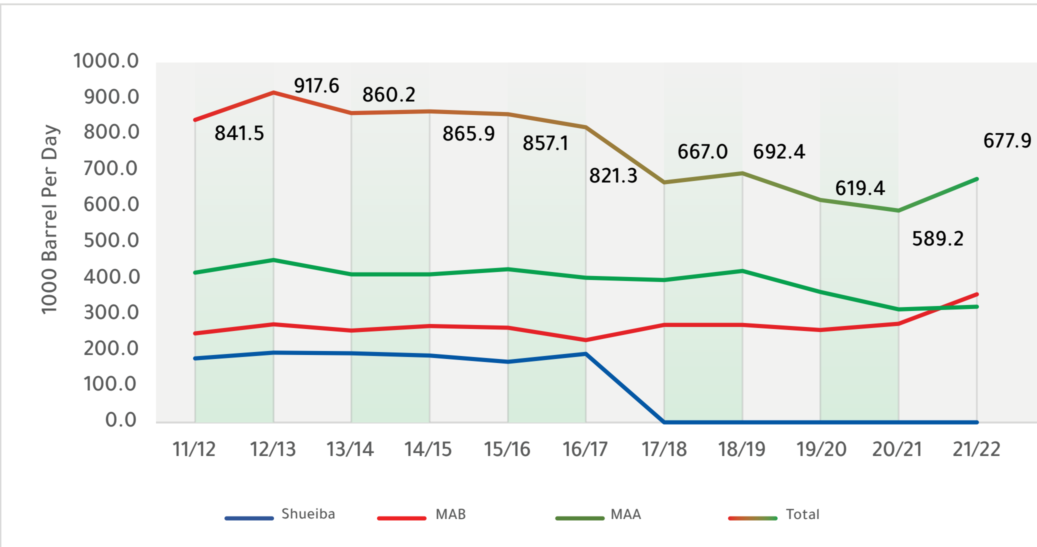
Productivity of the Two Refineries

The net quantities of petroleum products during 2021/2022 fiscal year amounted to 34.4 million metric tons compared to 29.8 million metric tons in the previous fiscal year, as detailed in the following table:

Product	Annual Production 2021/2022		Annual Production 2020/2021	
	MT X 1000	%	MT X 1000	%
Naphtha/ Gasoline/ Reformat	8,272.8	24.0	7,116.2	23.8
Kerosene/ATK-Jet Fuel	7,128.2	20.7	5,424.3	18.2
Gas oil/ Diesel	9,037.8	26.3	9,456.8	31.7
Fuel oil / Residues	5,806.1	16.9	3,889.4	13.0
Other products (*)	4,102.3	11.9	3,628.5	12.1
Total net products	**34,347.2**	**99.8**	**29,515.2**	**98.8**
Consumption/loss	81.7	0.2	359.7	1.2
Total	**34,428.9**	**100**	**29,874.9**	**100**

(*) Includes Refineries LPG, Sulfur, Petroleum Coke, Bitumen and Propylene

Crude Oil Daily Production Development 2011/2012 - 2021/2022

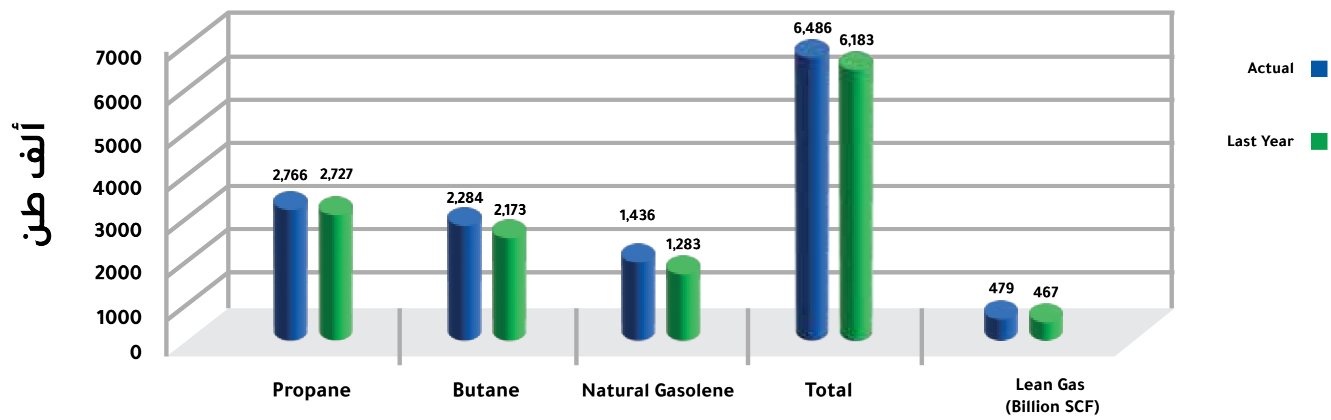


Gas Processing

The total feedstock for the four gas trains was around. 582 billion scf in 2021/2022 fiscal year, compared to about 576 billion cubic feet in the previous fiscal year.

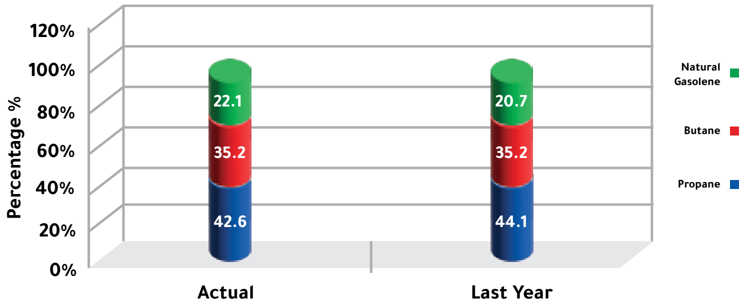
The average feedstock of this year hit 1,593.3 million cfpd, compared to about 1,577.6 million cfpd in 2020/2021 fiscal year. This rate reflects the actual quantities of gas available in fields and Refineries. The chart below shows the quantities produced in the fiscal year of 2021/2022 compared to the plan and actually produced quantities in 2020/2021:

Gas Plant Average Production



The exported Propane and Butane during this year were about 4,691.6 thousand metric tons, compared to about 4,473.6 thousand metric tons in the fiscal year of 2020/2021, i.e. 4.9% increase.

Gas Plant Total Production Percentages



KAFCO Activities

- Kuwait Aircraft Refueling Company (KAFCO) secured KD 13,591,000 of net profit during 2021/2022 fiscal year, compared to KD 430,236 in 2020/2021, an increase of KD 13,161,000 due to the surge in sales income and quantities.

- Aviation fuel (Jet A-1 and JP-8) sales marked 120 % increase totaling 545 million liters of Jet A-1 and JP- in 2021/2022, versus 248 million liters in 2020/2021.

- Total expenses amounted to KD 10,147,000 by the end of 2021/2022 versus KD 11,222,000 in the previous year, which equals 9.6% decrease.

- During 2022/2021 fiscal year, 27,713 aircrafts were refueled against 11,831 in 2020/2021, which marks 135% increase.

Refueling of aircrafts

- KAFCO inked four contracts to refuel four new clients at Kuwait Airport, namely:
  - National Air Cargo Group
  - Silk way Airlines
  - Silk way West Airlines
  - Fly Baghdad

- KAFCO bid with Arab Air Transportation Organization to supply aircrafts with fuel at international airports outside Kuwait. KAFCO was selected to provide Kuwait Airways aircrafts with fuel at Sri Lanka (Colombo) and Turkey (Istanbul) airports.

- Jet fuel refueling fleet was enhanced with eight modern refueling tankers, in addition to a valve system service unit to keep pace with the increase in number of flights and the expansion of Kuwait International Airport.

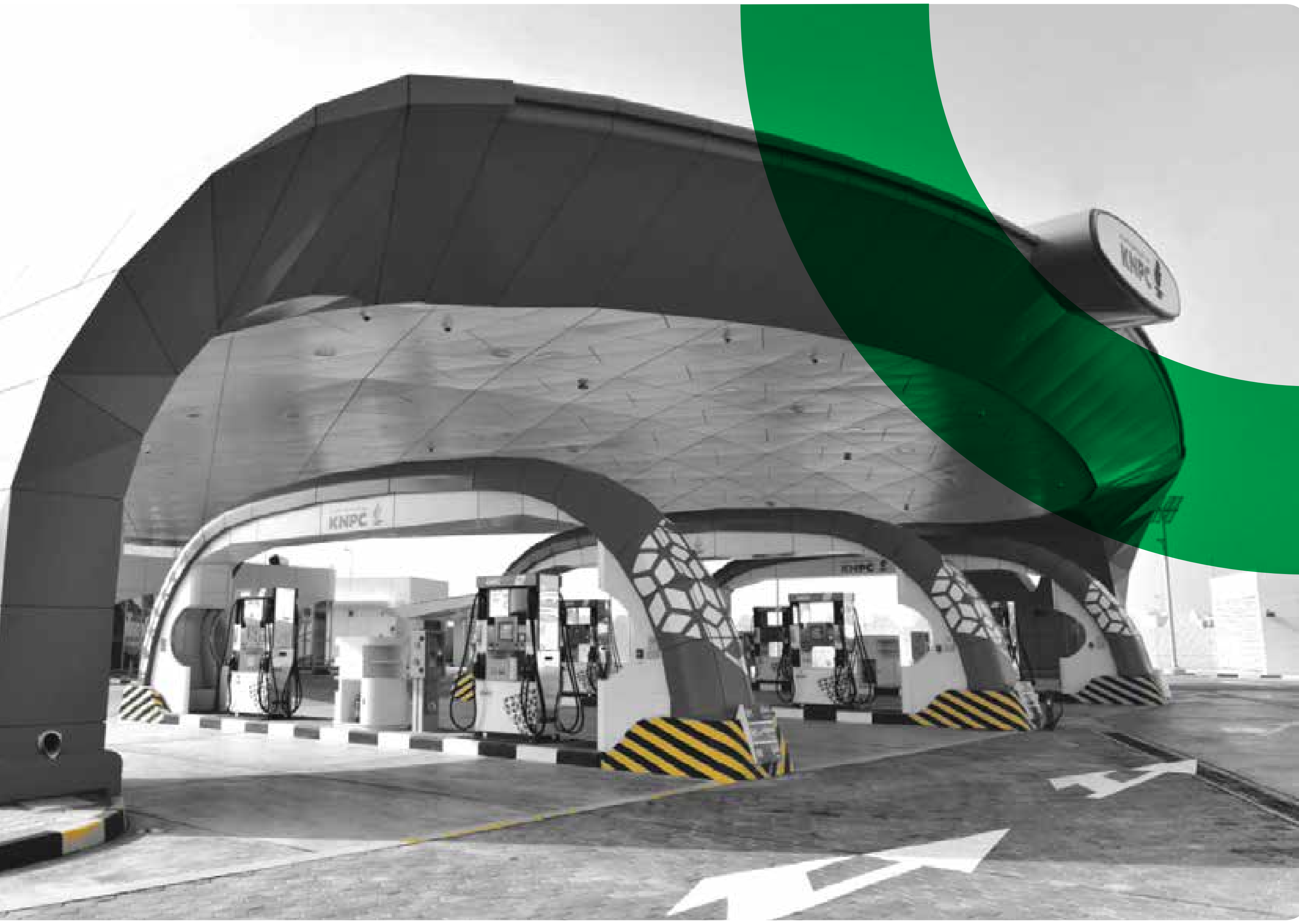
Chapter Two

Local Marketing

KNPC meets the local market full needs of all kinds of petroleum products. The Company also supplies the MEW with gas and fuel oil for Power Stations, in addition to road Bitumen

The 2021/2022 fiscal year was featured with inaugurating 2 new Filling Stations in Sabah Al-Ahmad & Al-Wafra cities. A temporary Station was also deployed in the coastal city of Sabah al-Ahmad, bringing the Company Filling Stations to 61 permanent, and 5 temporary ones.

3 new automatic car washing Stations also went operational, two in Saad Al-Abdullah area and one in the Sabah al-Ahmad area.


KNPC
KNPC

Local Market Sales

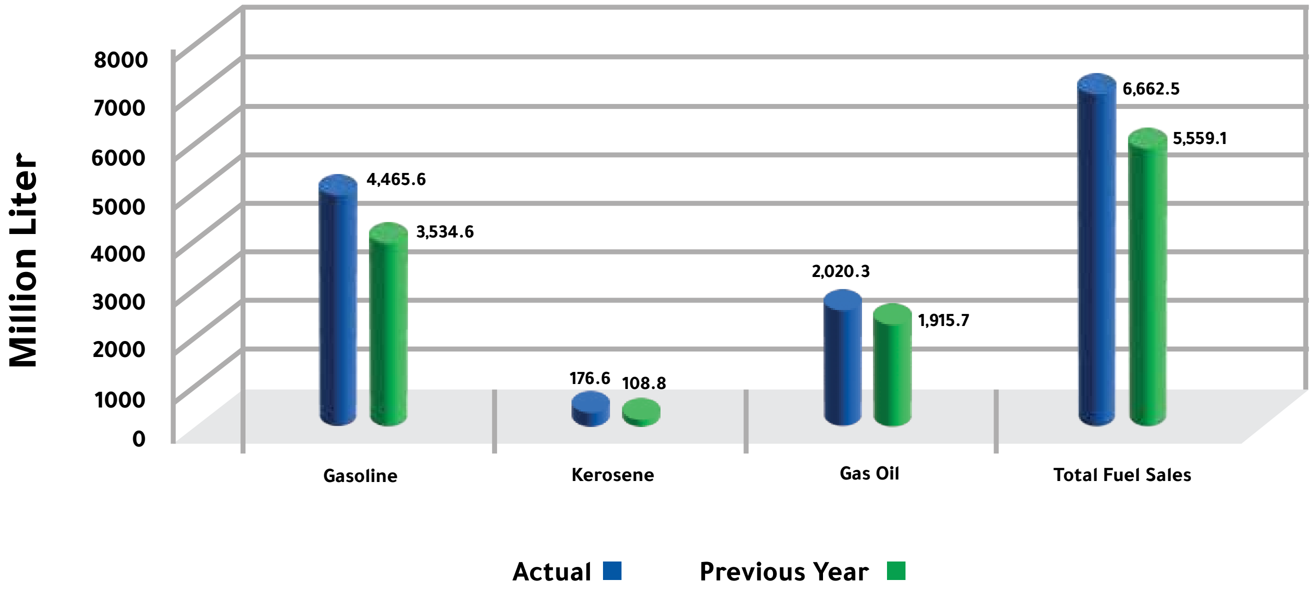
Compared with the previous fiscal year, local market sales scored an overall increase this year following easing restrictions and government measures countering COVID-19 pandemic.

Local Market Sales

(Million Liter)

Product	Fiscal Year 2021/2022	Fiscal Year 2020/2021	Increase (Decrease) %
Gasoline Premium (91 Octane)	2,798.7	2,273.4	23.1
Gasoline Super (95 Octane)	1,614.7	1,217.6	32.6
Gasoline Ultra (98 Octane)	52.2	43.5	19.9
Gasoline Euro-4	-	-	-
Total Gasoline Sales	**4,465.6**	**3,534.6**	**26.3**
Kerosene	176.6	108.8	62.3
Gas Oil (Local Market)	2,020.3	1,915.7	5.5
Gas Oil Euro - 4	-	-	-
Total Fuel sales to local market	**6,662.5**	**5,559.1**	**19.9**
Gas oil to MEW	857.5	1,074.0	(20.2)
Heavy Fuel oil to MEW	5,567.6	3,556.7	56.5
Total sales for MEW	**6,425.1**	**4,630.7**	**38.8**
Total Fuel sales	**13,087.6**	**10,189.8**	**28.4**
Bitumen (MT)	232,293.0	323,652.0	(28.2)

Local Marekt Fuel Sales



A modern design filling station

The 2021/2022 fiscal year local market sales compared with 2021/2022 fiscal year, are broken down as follows:

Local Market sales development between 2013/14 - 2021/22

(Million Liter)

Product	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Gasoline Premium (91 Octane)	743.1	722.0	731.4	1,663.3	2,627.7	2,835.4	2,884.5	2,273.4	2,798.7
Gasoline Super (95 Octane)	3,021.7	3,233.2	3,356.6	2,418.3	1,683.8	1,615.0	1,550.8	1,217.6	1,614.7
Gasoline Ultra (98 Octane)	85.1	94.3	97.1	68.6	50.8	49.3	48.7	43.5	52.2
Gasoline Euro-4	0.1	0.1	0.1	0.03	0.05	0.05	0.0	0.0	0.0
Total Gasoline sales	**3,850.0**	**4,049.5**	**4.185.2**	**4,150.0**	**4,362.3**	**4,499.8**	**4,484.0**	**3,534.6**	**4,465.6**
KEROSENE	85.5	87.8	85.1	141.0	158.0	169.1	163.4	108.8	176.6
Gas Oil (Local Market)	1,610.7	1,662.6	1,761.9	1,823.0	2,038.1	2,183.0	2,269.3	1,915.7	2,020.3
Gas Oil Euro - 4	0.0	0.0	0.0	0.0	0.02	0.04	0.0	0.0	0.0
Total fuel sales to local market	**5,546.3**	**5,800.0**	**6,032.0**	**6,114.0**	**6,558.4**	**6,851.9**	**6,916.7**	**5,559.1**	**6,662.5**
Gas oil to MEW	1,670.7	1,836.7	1,189.3	1,061.3	711.1	618.1	866.4	1,074.0	857.5
Heavy fuel oil to MEW	7,099.8	5,710.1	7,157.0	7,097.8	6,694.6	6,089.4	5,981.9	3,556.7	5,567.6
Total sales to MEW	**8,770.6**	**7,546.8**	**8,346.3**	**8,159.1**	**7,405.7**	**6,707.4**	**6,848.3**	**4,630.7**	**6,425.1**
Total Fuel sales	**14,316.8**	**13,346.8**	**14,378.5**	**14,273.1**	**13,964.0**	**13,559.3**	**13,765.0**	**10,189.8**	**13,087.6**
Bitumen (MT)	92,796	102,149	95,359	112,877	147,593	229,654	301,025	323,652.0	232,293.0


A new filling station

Filling Stations

18 new Filling Stations were completed and went into service representing the first batch 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 needs of the population. Sabah Al-Ahmad Gas Station No. 145 inaugurated in December 2021 was the last of the first batch raising the total number of the Company's Gas Stations to 66, with 5 temporary Stations, and 61 permanent ones, six of which were furnished with mini market.

Combined with modern technologies, the modern design of the new Stations forms a qualitative leap to provide smooth and easy multiple services, besides being environmentally friendly. Building the Stations is accompanied by starting the e-payment service via "e-petrol" app.

Chapter Three

Capital Projects

The Company has completed the Mega strategic projects, of Clean Fuels Project and the 5^{th} Liquefied Petroleum Gas Train, and is carrying on executing other smaller in size projects but with highly important environmental aspects, like upgrading the Acid Gas Recovery facilities.

Projects Executed During 2021 / 2022

Clean Fuels Project

Under the auspices and attendance of His Highness, The Amir of Kuwait, Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, the Clean Fuels Project (CFP) was fully commissioned on March, 22nd, 2022. His Highness, The Crown Prince, Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah and numerous oil sector's and political leaders attended the event.

This largest project in the history of Kuwait oil sector, boosts the performance of the Company's Refineries and contributes to environmental protection through producing various high-quality low sulfur fuels, with optimal energy efficiency. By employing state-of-the-art technology, CFP enhances the Refineries' operational reliability, and yields the highest return on investment. The modernized and new Units enhance the conversion capabilities of the Company's two Refineries. These units desulfurizes the residues and heavy oil to convert these low value products into high quality ones to maximize the added value to the national wealth.


Diesel Hydrotreating Unit (U-116)

The petroleum derivatives produced by CFP Units conform with the strictest global environmental standards, such as Euro-4, Euro-5, through producing 10 ppm ultra-low sulfur diesel. By this, Kuwait has now the competitive edge to export these new high-quality products to the world's top markets. The local sector was heavily involved with KD 1.1 billion share in the project.

76 new units were built in the two Refineries, including 39 major production units and 37 for support services and facilities. Another 30 units were modernized, 7 were shut down. All in all, 4,045 new equipment were installed.

The total production capacity of Mina Abdullah and Mina Al-Ahmadi Refineries increased up to 800 mbpd, with 454,000 for MAB and 346,000 for MAA. The Project is an essential part of Kuwait's Downstream Strategy through which Kuwait total refining capacity is set to be 1.415 mbpd upon completing Al-Zour Refinery project, with its potential 615 mbpd production capacity.

Liquefied Petroleum Gas Train-5

This Mega and Petroleum project was inaugurated in March 2022 constituting a substantial addition to Kuwait's hydrocarbon wealth. The Train produces 805 mmscfpd of gas and 106 mbpd of condensate, bringing the Company's gas total production capacity to 3.125 billion scfpd and 332,000 bpd of condensates.

The Fifth Liquefied Petroleum Gas Train meets the refining and petrochemical industry strategic objectives by processing gas from Kuwait's oil fields and KNPC Refineries, to provide high-quality

5th LPG Train

gases, such as ethane, propane, butane and gasoline, to meet the local needs for petrochemical industry, clean energy to power stations, and for various industrial and domestic uses.

The Project is a major addition to Kuwait's hydrocarbon wealth through its profitable petroleum derivatives that are in line with global market requirements, stipulations and environmental standards.

Oil Pier Restoration and Improvement Enhancement Project (Shuaiba)

Due to the current pavement's depreciation of some parts, and the consequent operational hazards, a long-term plan was developed to improve, maintain and restore the oil Pier in Shuaiba, which is used to export petroleum products from MAA and MAB Refineries. The Pier consists of the main bridge, north and south facilities.

A specialized consultant assessed the Pier condition and issued a preliminary report identifying the areas for urgent repairs. The evaluation process would be completed later.

With the pressing need for urgent repairs, the project to fortify and improve the oil pier- Shuaiba was approved in August 2019 for the repair of steel foundations and the current structure of the oil pier. The project's works were completed in September 2021 at a total cost of KD 4.9 million.

Another phase of the project to restore the oil pier will soon begin, including the permanent fortification and restoration of the main bridge to extend its operational life for 20-25 years.

Loading arms at Shuaiba port

Building New 18 Fuel Stations Project

18 new Filling Stations were inaugurated, which forms the first batch of the KNPC strategic plan of building 100 Stations in various parts of Kuwait to fulfill the increasing demand for petroleum products and keep up with the expanding urbanization. Filling Station No. 145 at Sabah Al-Ahmad city was put into operation in December 2021 representing the last Filling Station in the first batch of the new Stations.

A modern design filling station

Projects Under Execution

AGRP Unit Revamping Project- MAA

The Acid Gas Recovery Project aims to revamp the current plant at MAA Refinery to process all the potential quantities of acid gases produced by KOC, in line with KPC's Strategy of bringing gas flaring to below 1% to reduce pollution and preserve the environment.

The feasibility study and review of all alternatives were completed in the light of the updated and expected gas to be produced by KOC. A new acid gas treatment unit at MAA Refinery was commissioned in June 2020.

Acid gas treatment unit

Replacement of MAB Old Sub-Stations

The project aims to replace 9 of the old substations in MAB 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 outage. According to the Quantitative Risk Assessment (QRA) report, blast proof buildings are top priority to ensure better work environment and workers safety which goes in line with the Refinery safety specifications.

The KD 88.7 million project budget was approved by KNPC's and KPC's Boards of Directors. The tender documents were processed accordingly, the tender was floated in May 2019, and the contract was signed with the bid winner. The project is expected to be completed in October 2024.

New North Pier-MAA

The project aims to replace the current oil pier of MAA Refinery which was built in 1959 as a main oil and petroleum products exporting plant. The current Pier underwent numerous evaluation studies, restoration and reinstatement works. The pier term of service was extended until 2017,


North Oil Pier - Mina Al-Ahmadi Refinery

before 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.

Accordingly, execution of this new project for building a new northern oil Pier was initiated, and the scope of its feasibility study was prepared with KPC and KOC concerned parties. Beginning of the feasibility study was approved by KNPC Top Management, and tender documents are currently being prepared for bidding.

Petroleum Products Depot at Al-Mutla'a

Under KPC request regarding the project scope of work for building petroleum products Depot in Al-Mutla'a area and updating its technical studies, KNPC, through an international Consultant, reviewed the strategic local demand for the petroleum products and identify the attributed logistic requirements until 2045. This was done after taking into consideration the latest consumers future predictions, distribution of the geographic demand and the strategic reserve in line with KPC regulations and criteria. The operational age of local market facilities, Refineries loading facilities, and products delivery networks were all assessed. Renovations, amendments, and the new required facilities were all identified.

KNPC Management and concerned parties at KPC approved the outcomes of the study. Swift resumption of the project of building petroleum products depot in Al-Mutla'a was approved. The initial FEED study was completed in October 2021, and approval by the Project Review Committee as well as KNPC Executive Portfolio Management Committee were obtained. The results of this study will be presented to KPC for approval to initiate the project's execution procedures.

Study for Constructing CDU Unit & Bitumen Unit

This project falls within KPC 2040 Strategy Directives for Downstream sector in order to ensure providing local market future needs of this product.

The feasibility study was carried out in two phases; the first included verification and review of the Company study to assess the age of Bitumen and Eocene Units, as well as to review and update the predicted local market future demands of Bitumen according to the study prepared by the Consultant (Fluor), in addition to identifying and developing the necessary alternatives to fulfill the local market requirements on the short, medium and long run.

Phase-2 included a feasibility study for the proposed alternative and recommendations, based on the results and recommendations of the first phase study (building new Bitumen and Eocene units) according to the study of AMEC. The results of phase-2 of the feasibility study were reviewed by the concerned KNPC's Departments. The approval at the feasibility study findings by the Company Projects Committee and the EPA was obtained.

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

Based on KPC request to reduce capital expenses during the last year, and after considering the

Bitumen production unit

expected drop in Bitumen demand, according to the consultant study, the project was postponed for two years. Following a detailed study conducted during the units' stoppage in February 2022, all units' equipment were inspected to assess extending the current units service for the coming years and the need for this project at the lowest cost possible was reviewed.

Coker unit at Mina Abdullah Refinery

Upgrading Delayed Coker Unit (U-20) - MAB

Eliminating constrains facing maintaining the current operation level of 40,000 bpd for each production line, is the target of this project which is expected to be fully completed by April 2022.

KNPC Exhibition at Head Office

The project aims to promote the Company's image by demonstrating its history and vital role in Kuwait's economy, and building a sustainable future for the coming generations. Work is underway to build a modern audiovisual and film showroom to display the refining industry and the Company products since foundation in 1960 as well as the future directions.

The Exhibition will be a remarkable stop over for the Company guests and for students of various disciplines and ages.

Execution percentage has reached 69% so far, and the project is expected to be completed in 2022.

Chapter Four

Health, Safety, Security and Environment

KNPC exerts the utmost efforts and devotes important segments of its human and financial resources to ensure that the Company's Employees enjoy the highest level of security and safety, accompanied by providing the best healthy working conditions, and maximum environment protection, both within the Company and across Kuwait.

Health, Safety, Security and Environment

All Departments of the Company adhere to Health, Safety, Security and Environment programs and systems. These systems are strictly monitored to ensure that all Employees are aware of the importance of maintaining clear records, be it avoiding work injuries, or preventing oil spills and gas emissions in order to reduce the environmental impacts of the Company's operations.

- The infrastructure and facilities of the new Monitoring & Control Room (C4I) in the Main Support & Emergency Operations Center building (MSEOC) were completed. The Room will facilitate the Company and Ministry of Interior joint operations to run emergency security and control tasks.

- HSE Department organized two Integrated Management System Middle Management (IMSMM) training courses, four IMS awareness courses, and one IMS coordinators` training course attended by 351 participants.

- HSE organized 159 HSE virtual training courses attended by 2,180 participants.

- Organizing 10 risk culture awareness training courses for 751 Employees of all Departments, in addition to completing the special training program for certification in the Enterprise Risk Management for oil sector Employees. Awareness articles were also published in the Company's magazines.

- A cultural seminar was organized for Enterprise Risk Management Community for KNPC and K-Companies Employees. The seminar aimed at dissemination the risk culture and raising awareness of its concepts among oil sector Employees. Risk Management Global Researcher, Dr. David Hilson presented a technical working paper in the seminar.

- A consultancy service contract was signed to create the Company's and the intermediary products Safety Data Sheet (SDS), in accordance with the requirements of the United Nations Globally Harmonized System of Classification and Labelling of Chemicals (UNGHS). This is the first time the Company creates its product safety data sheet, which is a milestone in meeting the requirements of both KEPA and KPC, the thing which facilitates marketing of the Company products.

- Three components related to HSE Management system were audited.

- Implementing a structured and approved approach to the auditor development program that helps to enhance the efficiency of internal auditors. The approach was accompanied by a series of training programs for the main IRCA-accredited auditor.

- KNPC's contribution to the road map and the GHG management strategy in the oil sector was prepared and submitted to the KPC in cooperation with all Departments. The road map information is based on Kuwait's "National Carbon Reduction Strategy," which leans on five fundamental pillars under the principle of the circular carbon economy.

Health

As part of Corona Virus (Covid-19) prevention activities, the HSE carried out several actions, including:

- COVID-19 vaccination campaign, the largest of its kind at the level of institutions and Companies in Kuwait. The campaign was conducted in cooperation with the Ministry of Health where around 10,000 Employees of the Company's and Contractors were vaccinated. The campaign translated the Company's desire to back the State efforts to curtail the spread of the epidemic and its impacts to limit its risks on the society. Vaccination such a huge number in one day was an achievement done through the combined efforts of the Company, the Ministry of Health, and its medical teams.

- Coordinating with the Manufacturing Excellence Division, the HSE issued the "Safe Return to Work" e-booklet in five languages.


Corona vaccination campaign

- The Corporate Communication Department issued "Your comprehensive guide on Coronavirus vaccines" brochure in Arabic and English.

- Through the Company's website, the Medical Division - HSE Department, organized a number of awareness campaigns and programs that included health related lectures and tips. One of which was the two-week campaign, held in collaboration with the Corporate Communication Department, entitled "Together to Return to Normal Life" about the benefits of Covid-19 vaccination to ensure the safety of Employees.

Safety, Security and Fire

- 1,391 training sessions were carried out during the current financial year attended by 23,467 HSE trainees.

- To enhance security and firefighting capabilities, a fleet of modern 23 international standards fire trucks was obtained. The trucks were specially manufactured for KNPC and included hydraulic podiums. One truck was for hazardous materials, other telescopic ladder trucks, quick response trucks, foam & water tenders, ... The new trucks were deployed in the Company's Refineries after training the Fire Department personnel.

- Under the patronage and presence of His Highness the Prime Minister, the Company participated in the "Shamel 7" drill organized by the Kuwait Fire Department, with the participation of 27 governmental and civil bodies. The Company and participating parties dealt with a number of scenarios related to accidents, natural disasters and emergencies, which included fires, oil

23 new fire trucks

“Shamel-7” drill

spills, spread of hazardous materials, explosions and rescues. The Prime Minister praised the cooperation between the government and civil bodies shown during the drill.

- "Certified Firefighters" course was carried out at the Fire Training Centre - MSEOC under the supervision of a specialized international consultant. 69 newly recruited firefighters were qualified according to the American Society for Accident Prevention standards. This first in-house training was time-saving and helped in the rapid distribution of new firefighters at various sites.

- The Security and Fire Department organized training programs for 600 Company and Contractor firefighting personnel at MSEOC.

- The HSE Medical Division organized a blood donation campaign in different sites of the Company and collected 123 blood bags.

One of blood donation campaigns

- Using the Company own resources and without resorting to external parties, a maintenance workshop for breathing equipment was inaugurated by the HSE Safety Division at MAA Refinery. The equipment were developed and provided with the latest maintenance methods, including the cylinder-filling process in accordance with the international standards in terms of quality and safety specification.


Testing breathing apparatus

- 125 staff (Engineer and above) were trained on the accident tracking and investigation system by the MAA Refinery Safety Division. In addition, HSE campaigns were held in October 2021, including a special campaign to check the safety of cars and trucks height limit barriers.

- A special assessment was carried out by safety Engineers for the gas detection systems, sampling points, and emergency declaration systems of the CFP operation units and buildings.

Environment

- In compliance with the international agreements, an awareness campaign on KNPC's implementation of the environment-related laws was carried out by the Environment Division - HSE Department.

- HSE conducted training sessions for the Environment Division about the "Oil Spill Response Plan, Environment Management System and Solid Wastes Statement Licensing."

- An awareness training course: "Highlighting the system of liquid wastes treatment facilities and challenges" was held in December 2021 at MAB Refinery. Discussions focused on matters related to industrial wastewater management.

- The Company achieved a milestone in disposing of depleted catalysts at MAB Refinery, by auctioning 29,752 barrels during this year. MAB Refinery electronic wastes were also sent to a wastes recycling company, (Enviroserve). The recycling program offers sustainable solutions that slash down the amount of wastes sent to landfills and reduces the need to use new raw materials.

Kuwait Aviation Fuel Company

- The Company's Integrated Management System certificates were renewed for Quality Management System (ISO-9001), Environment Management System (ISO-14001), and Occupational Health System (ISO-45001) with extended validity until 2024.

- In addition to the International Safety Award of the British Safety Council for its health and safety performance during 2021, KAFCO was also awarded the 2021 RoSPA Gold Fleet Safety Award for the 4th consecutive year following its outstanding performance in road occupational risk management.

- Completion of Covid-19 booster dose campaign in coordination with the Company's HSE Department, and with direct cooperation with the Preventive Medicine Team of Kuwait Oil Company, the thing resulted enhancing the immunity of 165 Employees.

Refueling of aircrafts

Chapter Five

Achievements & Performance Improvement Initiatives

In pursuit of excellence, "Innovation" is an essential component of KNPC Core Values. Top Management spares no effort to support and instill innovation and creative thinking in everyday work, aiming at creating new and advanced processes that enhance efficiency at all levels and disciplines.

As the Oil industry is going through sharp fluctuations, considerable and unexpected challenges, KNPC encourages creative initiatives aiming towards minimizing time, cost and effort, and provides all possible opportunities for those initiatives to sustain the Company's competitiveness.

Achievements 2021/2022

The outstanding efforts exerted in this fiscal year led to downsizing expenses, time minimizing and increasing profitability. In addition, different initiatives have contributed to solving administrative and technical issues in different sites of the Company.

- Exporting the first shipment of naphtha in June 2021, kerosene in September 2021 and jet fuel in March 2022 through Shuaiba's oil Pier. The pier underwent three years of maintenance and restoration.

- Completion of engine replacement in pump number (P-84-110/210) at MAA Refinery while maximizing productivity of the Hydrocracking Unit (HCR-84) without the need to wait for new engine outsource.

- Solving the leakage problem at the Instrument & Air Plant System-72 at MAA Refinery, by replacing the joint insulating valve. Now, the turnaround maintenance works can be carried out within a shortened period.

- Signing a joint cooperation technical Agreement with the Diwan of His Highness, the Prime Minister concerning digitalization programs, improving the business environment, and developing the efficiency and capabilities of staff. The Agreement provides support to the works of His Highness through employing the national expertise and competencies, especially of those in Kuwait oil sector. The three-year Agreement focuses on the technical and technological aspects for enabling digitalization environment within the Diwan, top of which are cybersecurity, IT infrastructure and digitalization applications, as well as the Company's experience in implementing ISO 9001 certification standards. Sharing experience and knowledge, workshops, and training programs to enhance the technical capacities of the Diwan staff are parts of the Agreement.

- Launching "We are at the Core of Kuwait" as the new Corporate Identity. The new symbols "logo, color, circle and curve" reflect the Company's leading role in support of the national


Launching the new Corporate brand

economy, society development, and environment protection. The "Identity Manual" was also released along with an online campaign on the Company's websites to clarify its details and how they are applied, and the necessity to adhere to its all components in correspondences, publications and designs, in all of the Company activities and facilities. A special page was created on the Company's internal and external portals. The Company's YouTube channel, news, media pages and e-library have also been updated in line with the new Identity.

- Risk Management Department Manager presented a work-paper on "The Approach to Build a Strong Corporate Risk Culture" during the Strategic Functions Forward virtual Conference held in Dubai. Participation also took place in Kuwait radio noon program to raise public awareness about the comprehensive Risk Management System and its essential role in achieving the Company's objectives.

- In cooperation with the Law Faculty of the University of Kuwait, the Legal Department organized an awareness presentation entitled "The Law of the Right to Access Information," where Dr. Mohamed Nasser Al-Tamimi, Criminal Law Division, gave the lecture at the Company Head Office Auditorium. The presentation was attended by a number of Department Managers, Team Leaders and Employees. Al-Tamimi reviewed the definition of the law, its concept and scope of implementation. He also shared information that can be viewed and those that should not be accessed or disclosed.

- Corporate Communication Department hosted the First Manager of Cybersecurity Testing at Warba Bank within the third event of the fiscal year of "KNPC Tuesday Talks." The online event was organized by the Kuwait Banks Association and was entitled "Banking Security - Let's Be Aware Campaign". It addressed the safe use of bank cards while travelling.

- Corporate Communication Department organized another seminar of "KNPC Tuesday Talks" under the patronage of the DCEO Support Services. Kuwait University professor Dr. Khaled Al-Fadhli delivered an online interesting rich lecture entitled "Self-motivation," during which he reviewed types of internal and external self-motivation, and how stimulation styles differ according to the job levels.

KNPC ISO certification

- Following the Integrated Management System audit, the Company obtained certification (ISO 14001:2015), (ISO 9001:2015) and (ISO 45001:2018) by SGS Kuwait. Also, the Internal Auditor Competency Development Program was developed. The structured and approved approach to the Auditor Development Program helps in enhancing the internal auditors efficiency. A series of training programs for the main IRCA-accredited auditor were also conducted as well as training programs for the internal auditors to improve auditing efficiency and skills.

- The Company obtained the ISO 31000-2018 certification for Risk Management.

3D metal printing

- Cost Optimization and Profit Improvement Committee (COPI) continued working during 2021/2022 fiscal year. Numerous programs and initiatives were developed, followed up and supported to rationalize expenses and increase profitability. Those initiatives were prioritized and kept under the Top Management close follow up. By the end of March 2022, the estimated financial returns of the COPY activities amounted to US$ 321.94 million, including US$ 141.69 million as profit increase program workshop was also held at the Refinery and gas plant level in the fourth quarter of this fiscal year where 216 ideas were submitted related to increasing the Company's profitability.

- The Commercial Department undertook many cost saving initiatives and actions achieving total return of KD 31.6 million. Such activities included tenders' negotiation and effective use of inventory materials in different stores by modifying/interchanging items between stores, as well as by declining request for adding new inventory items, in addition to scaling down requests for third party materials inspection.

- As part of the Company's digitalization, the Committee Recommendation System (CRS) application was launched in December 2021 in collaboration between the Management Support and Information Technology Departments. The application, using the latest IT programming platforms (low code), allows for initiation and follow up of all permanent, temporary and investigative committees. In addition to bypassing the paper works, the application is an effective electronic tool for systematic approval of various committee activities, tracking recommendations and extensions.

- For the first time in Kuwait's oil and gas industry, a successful 3-D metal printing technology was used. Two steel control valve pieces were printed and installed in Hydrogen Production Unit No. 18, as well as a titanium pressure propellant in Gasoline Production Unit at MAA and MAB Refineries, in coordination with the relevant Departments there. The two printed parts passed quality inspection test according to the American Society for Material Inspection as well as the Company's procedures.

- Reflecting the excellence of the Company's Employees, the international Hydrocarbon Processing Journal, specialized in the refining and gas industry, published an article prepared by MAA Operations Planning Team. The article reflects the Refinery Employees' efforts to produce low-sulfur bunker fuel which meets IMO specifications of 0.5% max sulfur content. It was the first time this prestigious journal published such an article which reflects the high experience gained by KNPC Engineers.

- Under the title "Refinery Challenge," the 2nd Corporate Hackathon was organized under the CEO patronage and attendance of a number of DCEOs. The meeting reflected the Company's ongoing efforts to promote the culture of innovation at the KNPC and oil sector levels, as well as Kuwait in general. The meeting brought together innovators from the KNPC and K-Companies, innovation trainers and specialists. Participants included 10

Participants in 2nd Corporate Hackathon honored

Al-Fadhli receives LEWAS-21 Leadership Award for the development of Women

teams with more than 70 members from various Departments of KNPC, K-Companies, as well as representatives of Kuwait business partners and university students of small and medium enterprises. For six months, the teams held more than 100 technical workshops related to Refinery works and design thinking to come up with innovative solutions.

- Manufacturing Engineering Team Leader for MAA Refinery, Rashed Al-Fadhli added another distinguished milestone record to the Company and its Employees, by receiving "LEWAS-2021" Leadership Award for the Development of Women working in oil and gas-related industries in the GCC. The prize, awarded by Gulf Downstream Association, is given to people and organizations who contribute to the advancement of woman leadership role in the oil and gas industries, and show excellence in leadership, innovation, research, and communication enhancement.

- Upgrading Maximo Program, which is one of the most important IT Department projects to develop the services and applications for all the Company's Departments and Divisions according to the Latest technologies. Vital benefits of the project include the introduction of new functions, better and faster performance, besides downtime reduction.

- The Manufacturing Optimization Group organized a workshop on the profitability improvement program 2022, to generate new ideas and opportunities to increase the Company profit, especially after commissioning the CFP Units. Over 50 Employees and Engineers from different Departments attended the workshop.

- Intellectual property is a key benchmark for measuring creativity in the Company. In this context and in line with the KNPC 2040 Strategy for Research and Technology, the R&T Department executed the Stakeholder Engagement Plan through the related change management application, and launched the related patent registration program awareness campaign to enable Employees to register their inventions. Comprising members of the various Departments, the "Intellectual Property Team" was formed in line with WIPO's regulations, to lay the bases and mechanisms of intellectual property protection policy. As part of best practices the Company shared experience and information of this program with KPC and K-Companies.

- In addition to ISO 27031 certificate concerning IT Department readiness for business continuity during emergencies, the Company received ISO 27001:2013 certificate in information security, which includes all Departments. The Information Technology Department identified the most important services which support the Company's critical works in order to determine the strategy of retrieving these services during emergencies from the Company's various sites.

- Successful execution of the Software Asset Management project, which involves managing and improving purchasing of software applications', circulating/publishing, and using them within IT management, as well as improving the Company's mechanisms for spending on programs.

Mina Abdullah Refinery receives GSAS Award

Awards Received

- KNPC received the 3-star Global Sustainability Assessment System (GSAS) certificate in design and construction, awarded by the Gulf Organization for Research & Development (GORD) for the completion of the Technical Building at MAB Refinery. The Company made sure to combine the project with a design that considers best sustainability practices in its quest to enhance energy and facilities efficiency through optimal use of resources, and boosting equipment and system efficiency. This in turn contributes to preserving the environment and promotes the Company's active role in greening and sustainability. The three-star award is KNPC 3rd building to achieve this distinctive certificate.

- For the third consecutive year, DCEO MAB Refinery, Eng. Wadha Al-Khatib appeared in Forbes Middle East magazine annual list for " 50 Most Powerful Businesswomen in the Middle East." The list includes the most creative and influential women leaders in the region in various fields of business. The list is prepared according to criteria comprise company size, individual achievements over the past year, social responsibility and other initiatives led by women.

- For the sixteenth consecutive year, MAB Refinery received the Royal Society for the Prevention of Accidents (RoSPA) - Excellence Award. MAA Refinery and Local Marketing Department also received RoSPA 2021 Gold Award, while MAB, MAA, and the Local Marketing Department received the 2021 International Safety Award - Excellence from the British Safety Council (BSC).

- KAFCO was ranked first in the "Best Executive & Leadership Development Program" Award during the 15th annual ceremony held in Dubai, November, 2021, and organized by the ITP Group. KAFCO also came second in the "Best Transformation & Change Management Strategy" category.

- KAFCO's General Manager won the 2021 Middle East Aerospace Excellence Award as a distinguished leader.

Chapter Six

Manpower and Career Development

All KNPC staff enroll in continuous training courses to develop their technical, administrative and professional skills. The newly appointed Employees also undergo induction qualification courses that accelerate their involvement in the Company duties. All Engineers of all disciplines follow Structured on Job Training, which includes practical and theoretical training to enhance their first hand technical and practical experience.


Advanced
Environmental
Standards

Manpower

By the end of this year, operational and nonoperational manpower totalled 6,270 Employees, an increase of 241 compared to the end of the previous year. During this year, 441 Employees were appointed.

Kuwaiti staff working in KNPC (including KAFCO) reached 5,695 with 90,83% of the total working manpower, with 304 Employee increase as compared to the previous fiscal year.

The following tables show an analysis of the Company's workforce, by Nationality and Department, as well as the changes which took place during 2021/2022, and the development in number of manpower during 2013/2014 - 2021/2022 years.

Distribution of the Company Employees and percentages of Kuwaiti manpower Department-wise

Department	31/03/2021			31/03/2022		
	No. of Employees	Kuwaiti Manpower		No. of Employees	Kuwaiti Manpower	
		No	%		No	%
Head Office *	892	855	95.85	895	867	96.87
Local Marketing	196	194	98.98	200	199	99.50
HSE	181	103	56.91	202	132	65.35
Security & Fire	799	795	99.50	860	856	99.53
MAB Refinery	1,610	1,396	86.71	1,689	1,497	88.63
MAA Refinery	2,299	1,996	86.82	2,372	2,092	88.20
Sub Total	5,977	5,339	89.33	6,218	5,643	90.75
POWs **						
KNPC Total	**5,977**	**5,339**	**89.33**	**6,218**	**5,643**	**90.75**

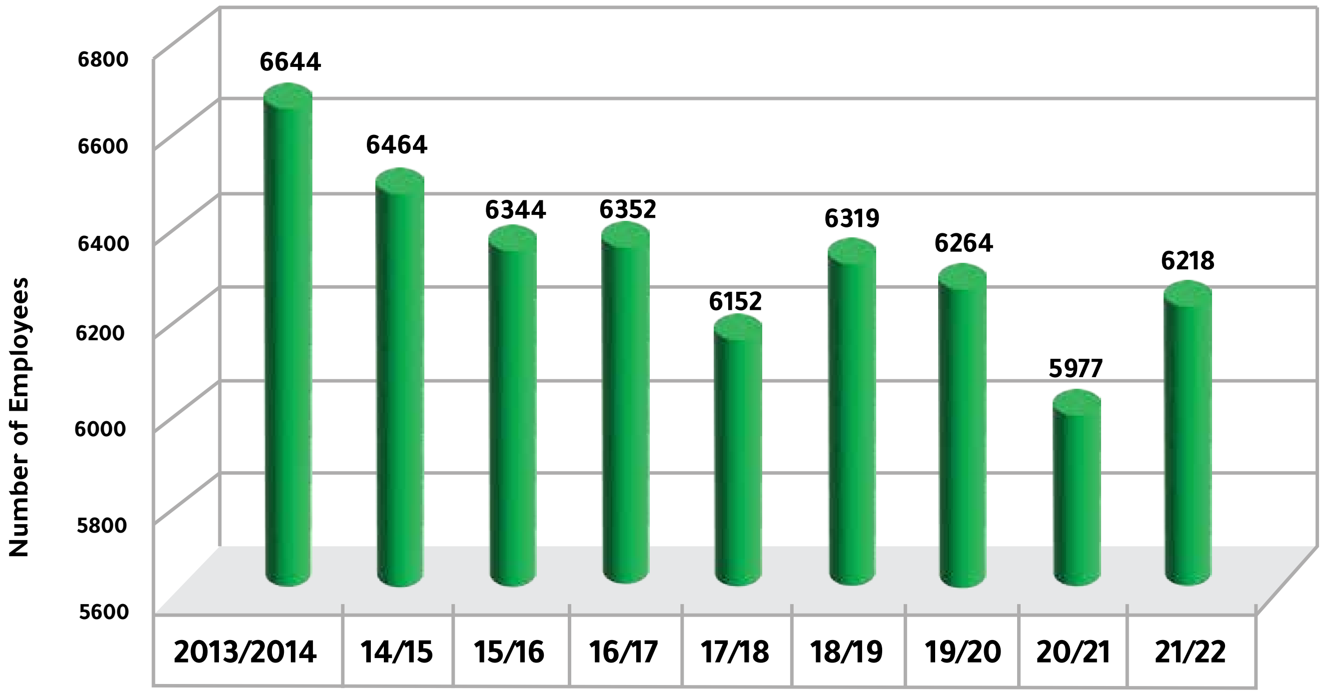
* Includes Senior Management, Legal Services, Corporate Planning, Corporate Communication, Human Resources, Finance, General Services, Projects 1, Projects 2, Commercial, Training & Career Development, Management Support, Risk Management, Optimized Manufacturing Group, CF Project, Research and Technology Service, Information Technology Service

* * The dependence of prisoners of war was transferred to Mina Al-Ahmadi Refinery

Employees' distribution according to Nationality

Nationality	Number of Employees			Total Manpower		%
	31/3/2021	31/3/2022	Change	31/3/2021 %	31/3/2022 %	(-/+)
Kuwaitis	5,339	5,643	304	89.33	90.75	5.69
Arab Nationals	90	83	(7)	1.51	1.33	(7.78)
Subtotal	5,429	5,726	297	90.83	92.09	5.47
Non-Arab Nationals	548	492	(56)	9.17	7.91	(10.22)
Total	**5,977**	**6,218**	**241**	**100**	**100**	**4.03**

Development of the Company Manpower between 2013/2014 until 2021/2022



KAFCO Manpower

Department	31/03/2021			31/03/2022		
	No. of Employees	Kuwaiti Workforce		No. of Employees	Kuwaiti Manpower	
		No.	%		No.	%
Gen. Manager Office	5	5	100	5	5	100
Fin. Admin., & Services	15	14	93.33	14	14	100
Opn., Eng. & Maint.	32	32	100	32	32	100
Total	**52**	**51**	**98.08**	**52**	**52**	**100**

Career Development

During the 2021/2022 fiscal year, KNPC carried out a number of development courses, seminars, symposiums and in-house presentations on various topics related to the job requirements. In cooperation with local institutions, KPC Petroleum Training Center, and international companies, 3,853 Employees attended 215 courses that were held using E- and Virtual Learning.

Other courses, lectures and training programs were organized aimed to develop qualified and motivated cadres, include:

- Launching of stage one - third cycle of the Talent Management program for the (preliminary selection standard), to be followed by stage two (leadership skill tests). Senior Engineers and Senior Controllers - Oil sector level, were targeted.

- 22 Team Leaders concluded the second cycle of Talent Management program, which includes a number of activities and programs. The third cycle, for the Senior Engineers and Senior Controllers at the level of oil sector, was successfully launched too.

- 19 Talent Management Community Employees from different functional levels concluded the Talent Talks initiative, which aimed to share stories of success, challenges, and tips through publishing articles or taping short interviews.

SOJT graduates

- Organization of 22 remote training courses and programs for technical Departments in the MAA and MAB Refineries, attended by 872 trainees. As well, 35 newly recruited safety and environment Engineers concluded a training program. On the other hand, Contractor Kuwaitization Division trained 439 Employees on technical and administrative programs at the Petroleum Training Centre and KNPC Training Centers.

- 93 Employees completed their Structured on Job Training (SOJT) bringing the number of graduates of the program to 933 since inception. SOJT was launched by the Company in 2006 to give the Engineers and Employees first hand training. The program has been upgraded several times to incorporate more disciplines and sophisticated methods using modern technology.

- A draw was made to distribute the graduates of Refinery Operation Technology - Faculty of Technological Studies, to fulfill MAA and MAB Refineries' needs, and KIPIC vacancies. The 97 new Employees will undergo specialized and intensive training programs to acquire the skills and technical abilities. KNPC has an annual plan to absorb the same major graduates as part of an agreement with The Public Authority for Applied Education & Training, and according to the Refineries work needs.

Faculty of Science & Technology students induction meeting

- Regarding the "Refinery Operation Technology" program, the following have been achieved:

    - Graduation of 29 students in October 2021 constituting the second semester 2020/2021 class students. In November 2021, 15 students graduated from the summer semester for the same school year.

    - In February 2022, the Refinery Operation Technology graduates draw was made for 36 students of the second and summer semesters, 2020/2021. In March 2022, 59 new students of the same major attended the induction meeting for the second semester of 2021/2022.

- An integrated system was developed through an automated system for all KPC, KNPC and KOC employment plan campaigns. The system enables all oil companies to fulfill their job vacancy requirements, saves time, effort, and reduces recruitment documents cycle, as that the recruitment plan is automatically approved by the relevant Human Resources Managers.

- With the presence of DCEO MAA, the Refinery organized a two-week induction program to introduce the newly appointed Engineers to the Refinery work nature. 36 awareness lectures were delivered by the Refinery various Departments and Divisions, such as Gas Operations, CFP Operations, Maintenance, Technical Services and Quality Assurance. The works of other Support Departments, such as the HSE and the Security & Fire were also covered.

- The Training & Career Development Department organized an induction meeting for the new students of Refinery Operation Technology, Faculty of Technological Studies. This meeting is part of the Company's aim in capitalizing on the outputs of the Public Authority for Applied Education & Training, providing job vacancies for Kuwaiti youth, attracting as many students as possible, and encouraging them to join the program. A presentation was delivered at the Company Head Office Auditorium and addressed the administrative and technical aspects of "field operator" work.

- The new Training Center building in MAA Refinery was inaugurated by the CEO. The new building, run by the Training & Career Development Department, serves the Company and other K-Companies. It comprises 9 Divisions for lectures, 3 Assimilator rooms for training the Operations Engineers, a smart workshop equipped with Augmented and Virtual Reality equipment for vocational and technical training, 2 computer labs, a meeting room, a chemical lab, and staff offices.

- A database was built for the Company Employees who are signatories of the training agreement (Refineries Operation). The database archives the duration of the study until graduation, number of terms, date of graduation/appointment, period from the date of graduation to the date of recruitment, job and civil numbers… etc.

- KAFCO's Training & Career Development Division prepared and concluded the training plan for 2021/2022 fiscal year in coordination with all Departments, including the personal development plan, based on the Blended Learning. Through e-learning, Employees completed 4 HSE programs via the Internal Learning Management System (ILMS).

- As directed by KPC and KNPC, 26 (15 Grade and below) staff completed the ERM e-learning program.

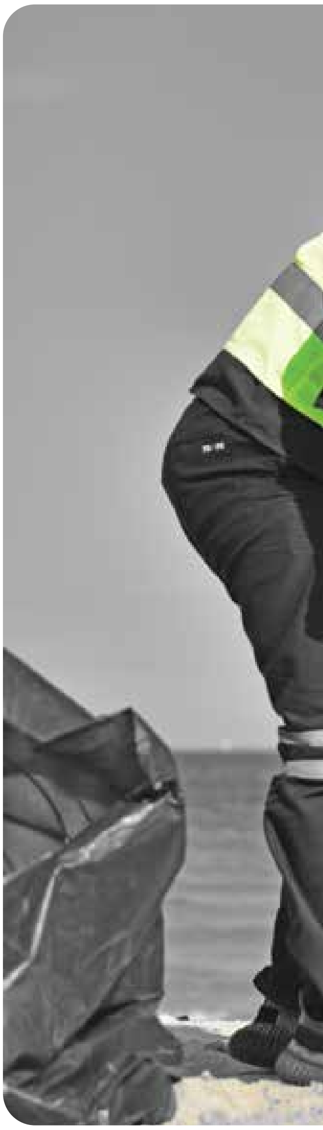
- Using the e-learning program, 29 Employees completed their training programs through the Internal Learning Management System at the Petroleum Training Center.

- The Company's Team Leaders and Managers completed the Professional Coach Essentials program.

- 4 Employees took part in the 10th Aviation Fuel Forum of the Arab Air Carriers' Organization.

Chapter Seven

Social Responsibility



Social Responsibility is an essential part of KNPC Missions, Vision and Values. This reflects the Company`s commitment to the prosperity and preservation of the society by reducing adverse effects out of its operations.

The Company believes that its role is not only restricted to enhance the added value of Kuwait's natural wealth through crude oil refining and gas processing, but it also extends to the development of economic, cultural and other aspects of Kuwaiti society, to meet the expected aspirations of such a large national Company that strongly contributes to the growth and prosperity of Kuwait.


KNPC

Social Responsibility

The COVID-19 pandemic imposed extraordinary conditions throughout Kuwait, including a strict ban on public gatherings, meetings and events, which forced the Company to limit its various activities, especially the social ones, that used to cast wide participation. For example, the fasting tent, Ramadan competitions and events, "Occupational Health Day" in Fahaheel and Ahmadi industrial zones, and special needs events were all canceled or suspended. University students' visits to Refineries and other activities were also suspended in response to the ban imposed by the health authorities in Kuwait to prevent the spread of the epidemic.

Limited activities were held following lifting the total ban in March 2022. These activities included:

- The Medical Division - HSE Department organized several awareness campaigns on breast, prostate, and rectum cancer, in addition to another awareness campaign on dealing with burns.

- In collaboration with the Kuwait Central Blood Bank, the Medical Division organized a blood donation campaign after two years of suspension due to the coronavirus pandemic. The event was held at the Company's head office, during which 123 blood bags were collected.

- In response to the request of the Environment Public Authority, the Oil Spill Control Team of the Environment Group dealt with an off shore oil spill near "Al-Kout Mall," Fahaheel area, where the Team handled and sucked the spill, then cleaned the solid wastes contaminated with oil that came ashore.

- MAB Refinery organized a volunteer campaign to clean the Refinery beach with the participation of the DCEO MAB, a number of Department Managers, in addition to more than 150 Employees of the Refinery's various Departments and the CFP. The cleaning campaign reflects KNPC`s belief in its responsibility towards the Environment and Society, the importance of establishing a culture of cleanliness, volunteer work and spreading of positive habits, as well as promoting a spirit of cooperation and engagement among Employees.

- The Company participated in the International Conference on Refining and Petrochemicals, and the Middle East Conference on Bottom of Barrel Technology and Catalyst. The two involvements focused on the Company's success in producing low Sulfur Bunker fuel Oil in line with the specifications of the International Maritime Organization (IMO), which stipulate 0.5% Sulfur in ship bunker fuel oil.

- In October 2021, KNPC took part in the Kuwait 6th Enterprise Risk Management, under the patronage of the KPC CEO. This event brought together knowledge on Global Risk Management from a variety of industries, which exchanged best practices, strategies and instruments in order to facilitate the excellence management of institutional risks. This initiative provided the opportunity to share the most important scientific experiences and knowledge in Enterprise Risks Management, in addition to better knowledge in the management of risks in various fields.

Mina Abdullah Refinery beach cleaning

Chapter Eight

Financial Report

The herein mentioned financial statements detail the Company position on 31.03.2022, compared with the previous fiscal year ending on 31.03.2021.

The total assets amounted to KD 10,296,959,040 compared to KD 10,005,608,362 in the fiscal year ended on 31.03.2021, showing an increase of KD 291,350,678.

KNPC Financial Results
for the Fiscal Year 2021/2022

The financial statements incorporated in the Report represent the Company position on 31.03.2022 in comparison with the previous fiscal year ending on 31.03.2021. The total assets appeared in the Balance Sheet amounted to KD 10,296,959,040 compared to KD 10,005,608,362 in the fiscal year ended on 31.03.2021, showing an increase of KD 291,350,678.

Revenues

The Company total revenues totaled KD 10,240,791,893, i.e. an increase of KD 5,501,973,578 over the previous year, detailed as follows:

Description	2021/2022	2020/2021
Oil refining revenues	6,847,789,086	3,250,874,887
Gas processing revenues	2,721,859,752	1,597,433,824
KAFCO revenues	100,755,963	27,210,418
Aromatics Co. revenues	593,128,437	343,283,276
Carwash	350,513	151,544
* Other revenues	(23,091,858)	(30,135,634)
Total revenues	**10,240,791,893**	**5,188,818,315**

* 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 627,719,612 in the current fiscal year compared to KD 465,601,482 in the previous one.

Profit and Loss

The Company operations during the fiscal year 2021/2022 revealed a net profit of KD 341,380,188 compared to last year's loss of KD 146,544,097.

The breakdown of the Company profit & loss is detailed as follows

Description	Kuwaiti Dinar
Profits (losses) resulting from oil refining & gas processing	380,461,784
Profits (losses) resulting from KAFCO activities	13,590,530
* Profits (losses) resulting from AROMATICS Co. activities	5,270,946
Profits (losses) resulting from local marketing activities	138,181
Other revenues	(39,532,130)
Remunerations	(18,480,400)
Remunerations for Board Members	(68,723)
Total profits (losses)	**341,380,188**

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

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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 2022

KPMG

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Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of Kuwait National Petroleum Company K.S.C. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 March 2022, 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (the "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.

KPMG

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Companies Law No. 1 of 2016, as amended, and its Executive Regulations and the Company's Memorandum and Articles of Association. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognised procedures and the accounting information given in the board of directors' report agrees with the books of accounts of the Company. We have not become aware of any violations of the provisions of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations, or of the Company's Memorandum and Articles of Association during the year ended 31 March 2022 that might have had a material effect on the business of the Company or on its consolidated financial position.

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

Kuwait: 11 May 2022

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 2022

	Note	2022 KD'000	2021 KD'000
Revenue	5	10,314,778	5,276,588
Cost of sales	6	(9,770,723)	(4,938,344)
Gross profit		544,055	338,244
General and administrative expenses	7	(15,765)	(15,555)
Staff costs		(141,553)	(144,639)
Other income	8	14,390	9,390
Provision charge	9	(18,480)	(1,773)
Share of results of investment in a joint venture		13,697	10,234
Finance costs		(47,024)	(75,959)
Finance income		2,111	3,452
Foreign exchange (loss) / gain		(6,265)	22,746
Profit before board of directors' remuneration and taxes		345,166	146,140
Board of directors' remuneration		(128)	(128)
Taxes related to a subsidiary	10	(144)	-
Profit for the year		344,894	146,012
Other comprehensive income / (loss)			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences		(3,862)	(20,084)
Other comprehensive loss for the year		(3,862)	(20,084)
Total comprehensive income for the year		341,032	125,928
Profit attributable to:			
Shareholders of the Company		341,380	146,544
Non-controlling interests	25	3,514	(532)
Profit for the year		344,894	146,012
Total comprehensive income / (loss) attributable to:			
Shareholders of the Company		342,687	141,882
Non-controlling interests	25	(1,655)	(15,954)
Total comprehensive income for the year		341,032	125,928

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

البترول الوطنية
KNPC

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

Consolidated statement of financial position
as at 31 March 2022

	Note	2022 KD'000	2021 KD'000
Assets			
Property, plant and equipment	*11*	6,277,572	6,368,684
Intangible assets	*13*	35,230	34,418
Right-of-use assets	*14*	6,653	10,121
Deferred expenses	*12*	22,481	21,265
Investment in a joint venture	*15*	50,828	46,887
Receivable from the Parent Company	*18*	182,600	182,600
Non-current assets		6,575,364	6,663,975
Inventories	*16*	897,279	553,252
Trade receivables	*17*	107,203	70,373
Due from related parties	*18*	2,307,936	2,122,084
Funds held by the Parent Company	*18*	212,133	349,337
Other receivables and prepayments	*19*	85,467	104,771
Term deposits	*20*	15,996	37,379
Cash and cash equivalents	*21*	75,580	64,657
Assets held for sale	*22*	20,000	39,780
Current assets		3,721,594	3,341,633
Total assets		10,296,958	10,005,608
Equity and liabilities			
Share capital	*23*	1,587,000	1,587,000
Statutory reserve	*24*	203,899	182,600
Foreign currency translation reserve		11,750	10,443
Accumulated losses		-	(128,388)
Acquisition reserve		27,006	27,006
Sub total		1,829,655	1,678,661
Non-controlling interests	*25*	155,369	157,024
Total equity		1,985,024	1,835,685
Loans and borrowings	*26*	1,613,429	1,935,907
Employees' end of service benefits	*27*	401,956	389,973
Financing received from the Parent Company	*18*	5,326,872	5,019,998
Deferred payments	*18*	26,286	-
Lease liabilities	*14*	6,154	9,409
Non-current liabilities		7,374,697	7,355,287
Loans and borrowings	*26*	344,737	368,688
Deferred payments	*18*	35,534	70,541
Lease liabilities	*14*	2,017	1,734
Trade payables		4,138	5,272
Other payables and accruals	*28*	358,911	349,876
Dividends payable	*29*	191,693	-
Due to related parties	*18*	207	18,525
Current liabilities		937,237	814,636
Total liabilities		8,311,934	8,169,923
Total equity and liabilities		10,296,958	10,005,608

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

Hamza Abdullah Bakhash
Chairman

Waleed Al-Bader
Chief Executive Officer

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

Consolidated statement of changes in equity
for the year ended 31 March 2022

	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 2020	1,587,000	182,600	15,105	(274,932)	27,006	1,536,779	172,978	1,709,757
Profit / (loss) for the year	-	-	-	146,544	-	146,544	(532)	146,012
Other comprehensive loss	-	-	(4,662)	-	-	(4,662)	(15,422)	(20,084)
Total comprehensive (loss) / income for the year	-	-	(4,662)	146,544	-	141,882	(15,954)	125,928
Balance at 31 March 2021	1,587,000	182,600	10,443	(128,388)	27,006	1,678,661	157,024	1,835,685
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

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 2022

	Note	2022 KD'000	2021 KD'000
Cash flows from operating activities			
Profit for the year before board of directors' remuneration and taxes		345,166	146,140
Adjustments for:			
Depreciation of property, plant and equipment	*11*	289,253	321,323
Depreciation of right-of-use assets	*14*	5,124	5,797
Provision charge	*9*	18,480	1,773
Amortisation of intangible assets	*13*	3,773	3,568
Amortisation of deferred expenses	*12*	13,580	13,653
Share of results of investment in a joint venture		(13,697)	(10,234)
Gain on sale of property, plant and equipment		390	569
Provision for employees' end of service benefits	*27*	46,197	42,033
Finance income		(2,111)	(3,452)
Finance costs		47,024	75,959
		753,179	597,129
Changes in:			
- inventories		(344,027)	(232,054)
- trade receivables		(36,853)	(627)
- due from related parties		(185,852)	(255,843)
- other receivables and prepayments		15,066	(10,883)
- trade payables		(1,134)	555
- other payables and accruals		9,712	(58,877)
- due to related parties		(18,318)	(58)
Cash flows from operations		191,773	39,342
End of service benefits paid	*27*	(34,214)	(75,993)
Net cash flows from / (used in) operating activities		157,559	(36,651)
Cash flows from investing activities			
Purchase of property, plant and equipment	*11*	(196,586)	(145,405)
Proceeds on sale of property, plant and equipment		-	17,153
Addition to intangible assets		(4,611)	
Purchase of catalysts	*12*	(14,796)	(21,302)
Proceeds from term deposits		21,383	135,565
Dividend received		9,756	17,986
Interest income received		2,111	3,452
Net cash flows (used in)/ from investing activities		(182,743)	7,449
Cash flows from financing activities			
Funding received from the Parent Company		306,874	506,039
Repayment of loans and borrowings		(346,429)	(456,097)
Payment of lease liabilities	*14*	(5,797)	(6,606)
Deferred payments		(8,721)	(72,791)
Interest paid		(47,024)	(75,959)
Net cash flows used in financing activities		(101,097)	(105,414)
Net change in cash and cash equivalents		(126,281)	(134,616)
Cash and cash equivalents at beginning of the year		413,994	548,610
Cash and cash equivalents at end of the year	*21*	287,713	413,994

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 2022

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 28 April 2022 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 2022	Percentage of ownership 2021
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%

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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 on 1 April 2022, but it does not have material effect on the Group's consolidated financial statements:

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

3. Significant accounting policies

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

a) Basis of consolidation

i. Business combinations of entities under common control

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

ii. Subsidiaries

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

Accounting period of a subsidiary

The financial year end of KARO is 31 December. For the purpose of the consolidated financial statements of the Group, 31 December 2021 consolidated financial statements of KARO have been used. All significant transactions made between the closing date applied by KARO and the closing date of the Group have been adjusted for accordingly.

iii. Non-controlling interests ("NCI")

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

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iv. Loss of control

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

v. Transactions eliminated on consolidation

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

b) Investment in a joint venture

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

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

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

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

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

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

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

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

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

c) <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.

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

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

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

Freehold land and assets under construction are not depreciated.

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

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

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

d) Intangible assets

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

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

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

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

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e) Impairment of tangible and intangible assets

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

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

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

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

f) Leases

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.

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

g) Inventories

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

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

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

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

h) Deferred expenses

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

i) Financial instruments

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

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

Classification and measurement

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

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

Financial assets carried at amortised cost

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

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

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

Business model assessment

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

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

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

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

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

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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.

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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.

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

Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

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

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

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

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

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

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

Derecognition

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

Offsetting of financial instruments

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

j) Employees' end of service benefits

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

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

Kuwaiti employees

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

k) Foreign currency transactions

Foreign currency translation

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

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

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

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

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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.

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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.

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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.

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4. Standards and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2022 with earlier application permitted, however, the Group has not early adopted any of these new or amended standards in preparing these consolidated financial statements.

- IFRS 17 – Insurance Contracts;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16;
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37;
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter;
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities;
- IAS 41 Agriculture – Taxation in fair value measurements;
- Definition of Accounting Estimates - Amendments to IAS 8; and
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2.

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

5. Revenue

	2022 KD'000	2021 KD'000
Refined products	6,847,789	3,250,875
Liquefied petroleum gas	2,721,860	1,597,434
Aromatic products	593,129	343,283
Aviation fuel	100,755	27,210
Revenue from local marketing operations	51,245	57,786
	10,314,778	5,276,588

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

	2022 KD'000	2021 KD'000
Point in time		
Refined products	6,847,789	3,250,875
Liquefied petroleum gas	2,721,860	1,597,434
Aviation fuel	100,755	27,210
Paraxylene	235,457	141,917
Heavy aromatics	4,802	1,433
	9,910,663	5,018,869
Over the time		
Benzene	80,640	37,784
Light naphtha	248,308	140,532
Other products	17,313	15,645
Reimbursement of local marketing operating expenses	51,245	57,786
Shipping and handling services	6,609	5,972
	404,115	257,719
	10,314,778	5,276,588

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

	2022 KD'000	2021 KD'000
Cost of crude oil and gas	8,379,430	3,748,087
Cost of feedstock (including KARO depreciation)	597,506	354,873
Staff costs	282,143	295,571
Local marketing operating expenses (including depreciation)	51,107	57,765
Other costs	204,975	184,706
Amortisation (note 12)	13,580	13,653
Depreciation (note 11)	241,982	283,689
	9,770,723	4,938,344

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7. General and administrative expenses

	2022 KD'000	2021 KD'000
Other costs	13,092	13,167
Depreciation (note 11)	2,673	2,388
	15,765	15,555

8. Other income

	2022 KD'000	2021 KD'000
Recovery of contract penalties	6,889	910
Handling charges	1,165	800
Gain on sale of catalysts	327	1,885
Gain on disposal of scrap materials	28	541
Insurance recoveries	-	1,469
Others	5,981	3,785
	14,390	9,390

9. Provision charge

	2022 KD'000	2021 KD'000
Reversal of / (provision) for legal claims	676	(2,224)
Reversal of / (provision) for expected credit losses	24	(34)
Reversal of provision for inventories	-	485
Impairment loss on Shuaiba refinery	(19,180)	-
	(18,480)	(1,773)

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.

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11. Property, plant and equipment

	Tanks, pipelines and jetties KD'000	Plant and machinery KD'000	Freehold land, buildings and facilities KD'000	Vehicles and transportation equipment KD'000	Insurance spares KD'000	Assets under construction KD'000	Total KD'000
Cost							
Balance at 1 April 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

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

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Freehold land, buildings and facilities includes an amount of KD 306,967 (2021: KD 306,967) which represents freehold land. Further assets under construction of KD 140,247 thousand (2021: KD 463,074 thousand) relates to the Clean Fuels Project ("CFP"). During the year, the Group capitalised borrowing costs amounting to KD 200 thousand (2021: KD 57,067 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:

	2022 KD'000	2021 KD'000
Cost of sales (note 6)	241,982	283,689
General and administrative expenses (note 7)	2,673	2,388
Depreciation relating to KARO	26,691	27,128
Local marketing costs	5,015	4,329
Charged to the Group's profit or loss	276,361	317,534
Charged to Kuwait Oil Company and other related parties	12,892	3,789
	289,253	321,323

12. Deferred expenses

	2022 KD'000	2021 KD'000
Balance at beginning of the year	21,265	13,616
Additions	14,796	21,302
Amortisation charge (note 6)	(13,580)	(13,653)
Balance at end of the year	22,481	21,265

13. Intangible assets

	2022 KD'000	2021 KD'000
Cost		
Balance at the beginning of the year	73,194	73,194
Additions during the year	4,611	-
Balance at the year-end	77,805	73,194
Accumulated amortisation and impairment losses		
Balance at the beginning of the year	38,776	34,469
Charge for the year	3,773	3,568
Foreign currency translation differences	26	739
Balance at end of the year	42,575	38,776
Carrying amount	35,230	34,418

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.

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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% (2021: 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 2020	12,253	12,916
Additions	4,727	4,727
Derecognition	(1,047)	(235)
Other adjustments	28	-
Depreciation	(5,797)	-
Finance costs	-	341
Lease liabilities paid	-	(6,606)
Foreign currency translation relating to subsidiaries	(43)	-
Balance at 31 March 2021	10,121	11,143
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

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

	2022 KD'000	**2021 KD'000**
Interest on lease liabilities	231	341
Depreciation charge for the year	5,124	5,797

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

	2022 KD'000	2021 KD'000
Current	2,017	1,734
Non-current	6,154	9,409
As at 31 March 2022	8,171	11,143

15. Investment in a joint venture

	2022 KD'000	2021 KD'000
Investment in a joint venture	50,828	46,887
	50,828	46,887

Investment in a joint venture

The Group has 57.50% (2021: 57.50%) equity interest in TKSC, which is indirectly held through Company's subsidiary i.e. KARO. TKSC is involved in the production of styrene monomer and other related products in the State of Kuwait.

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

	2022 KD'000	2021 KD'000
Statement of financial position		
Non-current assets	78,802	87,049
Current assets	54,360	32,494
Non-current liabilities	(594)	(639)
Current liabilities	(44,655)	(37,553)
Net assets	87,913	81,351
Group's share of net assets	50,828	46,887

The Group's share of TKSC's commitments and contingencies amounted to KD 0.52 million (2021: KD 0.414 million).

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16. Inventories

	2022 KD'000	2021 KD'000
Crude oil	43,983	28,194
Finished goods	711,137	412,948
Maintenance and spare parts	146,662	113,843
Catalysts and chemicals	11,810	14,580
	913,592	569,565
Provision for obsolete and slow-moving inventories	(16,313)	(16,313)
	897,279	553,252

17. Trade receivables

	2022 KD'000	2021 KD'000
Trade receivables	108,000	71,147
Provision for expected credit losses	(797)	(774)
	107,203	70,373

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:

	2022 KD'000	2021 KD'000
Balance at beginning of the year	774	1,225
Charge / (reversal) of provision for expected credit losses	23	(451)
Balance at end of the year	797	774

18. Related parties

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

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

Funds held by the Parent Company represent temporary placements by the Company using the proceeds received from the export credit agencies loans until those proceeds are being used for their intended use. These amounts have been invested in term deposits by the Parent Company on behalf of the Company and it earns interest at an average rate of 0.48% to 0.49% respectively (2021: 0.96% to 1.03% per annum).

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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 627,720 thousand (2021: KD 465,601 thousand).

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

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

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

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

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

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

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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% (2021: 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.

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

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

	2022 KD'000	**2021 KD'000**
Balances with related parties		
Due from related parties – entities under common control		
Parent Company	2,301,149	2,120,572
Kuwait Oil Company K.S.C.	3,953	-
Kuwait Oil Tanker Company K.S.C.	2,562	36
Kuwait Gulf Oil Company K.S.C.	206	90
Kuwait Integrated Petroleum Industries Company K.S.C	-	1,218
Kuwait Foreign Petroleum Exploration Company K.S.C.	12	65
Kuwait Petroleum International	25	41
Oil Sector Servicing Company K.S.C.	1	1
Petrochemical industries Company K.S.C.	28	61
	2,307,936	2,122,084
Funds held by the Parent Company		
Kuwait National Petroleum Company K.S.C.	189,367	311,412
Kuwait Aviation Fuelling Company, Sole Proprietorship	22,766	37,925
	212,133	349,337
Receivable from the Parent Company (non-current)	182,600	182,600
Due to related parties - entities under common control		
Kuwait Oil Company K.S.C.	49	18,525
Kuwait Integrated Petroleum Industries Company K.S.C	158	-
	207	18,525

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Financing received from the Parent Company	5,326,872	5,019,998
Deferred payments		
Non-current	26,286	-
Current	35,534	70,541
	61,820	70,541

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

	2022 KD'000	**2021 KD'000**
Balance at beginning of the year	5,019,998	4,513,959
Advances received	551,173	791,865
Advances credited to the Parent Company's current account	(244,299)	(285,826)
Balance at end of the year	5,326,872	5,019,998

	2022 KD'000	**2021 KD'000**
Transactions with related parties – entities under common control		
Sales		
Parent Company	9,620,894	4,906,095
Benzene to TKSC	80,640	37,295
Light naphtha and LPG to the Parent Company	248,308	138,713
Light ends, pygas and other products to EQUATE	813	772
Light ends to TKOC	937	1,320
Purchases		
Crude oil from the Parent Company	8,289,188	3,717,606
Light naphtha from the Parent Company	528,213	275,560
Others		
Aromatics plant management fees to EQUATE	754	756
Operating and utilities cost reimbursed to EQUATE for running the Aromatics plant	27,313	24,475
Marketing fees to PIC	463	246
Marine expenses	22,015	25,513
Interest income adjusted against borrowing costs	1,190	3,014
Medical expenses	80,259	78,435
Deferred payments	61,820	70,023
Key management compensation		
Salaries and short-term benefits	876	1,039
Employees' end of service benefits	173	188
	1,049	1,227

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19. Other receivables and prepayments

	2022 KD'000	2021 KD'000
Prepayments and deposits	15,009	22,499
Advances against projects	32,804	43,808
Other receivables	37,654	38,464
	85,467	104,771

20. Term deposits

	2022 KD'000	2021 KD'000
Term deposits with original maturity of more than three months and less than one year	15,996	37,379
	15,996	37,379

Term deposits are placed with financial institutions and carries effective interest rate of 2.85% (2021: 3.05%) per annum.

21. Cash and cash equivalents

	2022 KD'000	2021 KD'000
Cash in hand	509	16
Cash at bank	75,071	64,641
Cash and cash equivalents as disclosed in the consolidated statement of financial position	75,580	64,657
Funds held by the Parent Company maturing within three months from original maturity	212,133	349,337
Cash and cash equivalents as disclosed in the consolidated statement of cash flows	287,713	413,994

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 1.42% (2021: nil) per annum. At the reporting date, bank balances and term deposits are placed as security for project financing (note 26).

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22. Assets held for sale

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

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

	2022 KD'000	**2021 KD'000**
Balance at beginning of the year	39,780	40,886
Reclassification to inventories	(600)	(1,106)
Impairment of assets held for sale	(19,180)	-
	20,000	39,780

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 19,180 thousand (2021: nil) 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 (2021: 1,587 million shares of KD 1 each) and is fully contributed in cash.

24. Statutory reserve

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

Distribution of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

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25. Non-controlling interests

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

	2022 KD'000	2021 KD'000
NCI percentage	40%	40%
Statement of financial position		
Non-current assets	411,515	431,113
Current assets	110,592	93,927
Non-current liabilities	(44,676)	(3,338)
Current liabilities	(89,009)	(129,140)
Net assets	388,422	392,562
Net assets attributable to NCI	155,369	157,024

	2022 KD'000	2021 KD'000
Statement of profit or loss and other comprehensive income		
Revenue	594,537	339,907
Profit / (loss)	8,805	(1,317)
OCI	(1,263)	(779)
Total comprehensive income / (expense)	7,542	(2,096)
Profit / (loss) allocated to NCI	3,514	(532)
OCI allocated to NCI	(1,655)	(15,954)
Cash flows from operating activities	27,814	14,992
Cash flows from investment activities	31,211	150,257
Cash flows from / (used) in financing activities	(38,015)	(182,804)
Net change in cash and cash equivalents	21,010	(17,555)

26. Loans and borrowings

	2022 KD '000	2021 KD '000
Current portion		
Long term loans	158,799	158,799
Export credit agencies loans	185,938	184,867
Project financing related to KARO	-	25,022
	344,737	368,688

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Non-current portion		
Long term loans	556,302	715,101
Export credit agencies loans	1,041,932	1,220,806
Term loan related to KARO	15,195	-
	1,613,429	1,935,907

Long-term loans

On 28 April 2016, the Company entered into a long term loan agreement ("Facility") of KD 1.2 billion with a consortium of banks. The Facility consists of conventional and Islamic financing and is repayable in semi-annual installments of KD 80 million from April 2019 till 28 April 2026. The Facility carries an interest rate of 1% (2020: 1%) per annum over and above the Central Bank of Kuwait discount rate and is unsecured. The funds were specifically borrowed to finance the CFP. At the reporting date, the Company fully utilised Islamic and conventional facility of KD 710 million and KD 490 million, respectively.

Export credit agencies loans

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

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

Project financing related to KARO

On 17 May 2007, KPPC, a 100% owned subsidiary of KARO, signed a KD 427 million project financing facility with a consortium of banks which includes commercial facilities of KD 321 million and an Islamic loan facility of KD 106 million. The term loan is repayable over a period of 11 years in biannual instalments starting from 15 December 2010 and maturing on 15 June 2021. The coupon rate on this facility is LIBOR + 0.4% till the completion of the project, LIBOR + 0.45% till 7th anniversary of the project, LIBOR +0.6% till 10th anniversary of the project and LIBOR + 0.7% till the maturity date. The effective interest rate on the outstanding balance was 2.82% per annum. Project finance is secured by a charge over the Subsidiary's property, plant and equipment and assignment of bank balances (note 11 & note 21).

27. Employees' end of service benefits

	2022 **KD'000**	**2021** **KD'000**
Balance at beginning of the year	389,973	423,933
Charge for the year	46,197	42,033
Payments made during the year	(34,214)	(75,993)
Balance at end of the year	401,956	389,973

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28. Other payables and accruals

	2022 KD'000	2021 KD'000
Accrued expenses	110,055	109,186
Accrued utilities	54,113	40,082
Contract retentions	106,344	118,285
Other payables	35,184	33,820
Leave provision	53,215	48,503
	358,911	349,876

Accrued expenses include an amount of KD 69 thousand (2021: KD 69 thousand) relating to the Company's board of directors' remuneration for the year ended 31 March 2022, 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 191,693 thousand (2021: nil) after setting off the accumulated losses of KD 128,388 thousand (2021: nil) and transfer to the statutory reserve of KD 21,299 thousand (2021: nil).

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.

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

Credit risk

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

Exposure to credit risk

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

	2022 KD'000	2021 KD'000
Receivable from the Parent Company	182,600	182,600
Trade receivables	107,203	70,373
Other receivables	37,654	38,464
Due from related parties	2,307,936	2,122,084
Funds held by the Parent Company	212,133	349,337
Term deposits	15,996	37,379
Cash at bank	75,071	64,641
	2,938,593	2,864,878

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 66,827 thousand (2021: KD 41,419 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% (2021: 49%) of the outstanding trade receivables balance:

	2022 KD'000	2021 KD'000
First Fuel Marketing Company K.S.C.	15,746	12,966
Al-Sour Fuel Marketing Company K.S.C.	11,975	8,450
Ministry of Defence, Kuwait	12,570	11,506
Ministry of Interior, Kuwait	1,923	1,639
Kuwait Airways Company K.S.C	20	80

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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.

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

	KD'000			
	2022		**2021**	
	Non-credit impaired	*Credit impaired*	*Non-credit impaired*	*Credit impaired*
Not due	66,827	-	41,419	
Past due				
- Secured with collaterals	-	-		
- Not secured	-	41,173		29,728
Gross carrying amount	66,827	41,173	41,419	29,728
Loss allowance	-	(797)	-	(774)
	66,827	40,376	41,419	28,954

Liquidity risk

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

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

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

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

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.

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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.

	2022 KD'000	2021 KD'000
Assets	223,284	374,433
Liabilities	(1,243,065)	(1,430,695)
Net short exposure	(1,019,781)	(1,056,262)

The following exchange rates has been applied;

	Average rate		Year-end spot rate	
	2022	2021	2022	2021
US Dollars	0.30178	0.30616	0.30390	0.30220

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 176,613 thousand (2021: KD 183,960 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:

	2022 KD'000	2021 KD'000
Loans and borrowings	(1,958,166)	(2,304,595)
Deferred payments	(61,820)	(70,541)
Funds held by the Parent Company	212,133	349,337
Term deposits	15,996	37,379
	(1,791,857)	(1,988,420)

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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 17,919 thousand (2021: KD 19,884 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.

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The analysis of the Group's components of capital is as follows:

	2022 KD'000	2021 KD'000
Financing received from the Parent Company	5,326,872	5,019,998
Loans and borrowings	1,958,166	2,304,595
Deferred payments	61,820	70,541
Cash and cash equivalents	(75,580)	(64,657)
Net debt	7,271,278	7,330,477
Total equity	1,985,024	1,835,685
Total capital	9,256,302	9,166,162

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.

33. Capital commitments

As at the reporting date, the Company had commitments with respect to future capital expenditure amounting to KD 60,107 thousand (2021: KD 208,788 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 (2021: KD 102 thousand per day);
- Purchase of naphtha from the Parent Company amounting to approximately KD 1,450 thousand per day (2021: KD 757 thousand per day); and
- Sale of return streams of naphtha to Parent Company amounting to approximately KD 682 thousand per day (2021: KD 379 thousand per day).

In addition to the above, the subsidiary also has capital commitments amounting to KD 2,228 thousand (2021: 3,077 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.

35. Implications of COVID-19

Covid-19 has significantly impacted the global markets. Many countries have imposed travel bans on millions of people and additionally people in many locations are subject to quarantine measures. Businesses are dealing with limited/delayed availability of subcontractor services, goods and disrupted supply chains.

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The impact of Covid-19 on the Company related to the disruption in the scheduled works of the assets under construction and restrictions on the workforce from smoothly entering the country. The implications of COVID-19 are ongoing, with new limitations imposed by the Government to contain the spread of the virus, which included closure of borders and enforced country-wide lock downs. These circumstances due to the pandemic are expected to affect the scheduled work of assets under construction and might result in additional costs for which the Company continues to assess the impact until the pandemic exists.

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

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

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