

ANNUAL REPORT

2022 - 2023



مؤسسة البترول الكويتية
وشركاتها
Kuwait Petroleum Corporation
and subsidiaries

ANNUAL REPORT

2022 - 2023



His Highness the Emir of the State of Kuwait
Shaikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
May Allah Protect and Bless Him



His Highness the Crown Prince of Kuwait
Shaikh Mishaal Al Ahmad Al-Jaber Al-Sabah
May Allah Protect Him



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Our Mission

"We are committed towards achieving the optimal value of Kuwait's hydrocarbon resources through conducting our operations around the world on a commercial basis in an integrated and sustainable manner, while providing our employees with growth opportunities, as well as contributing to the development of Kuwaiti economy."

Our Vision

To be a world leader in the integrated oil and gas industry by:

- Leveraging innovation to maximize profitability.
- Achieving excellence in our operations and working with qualified and ambitious cadres.
- Acting as a safe and secure supplier.
- Delivering objectives in an efficient and effective manner.
- Adhering to health, safety and security standards.
- Preserving the environment.



Our Values



Partnership

Building and sustaining relationships that support growth and enhance operational excellence



Caring for People

Creating a culture where people develop and 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



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 a customer focus



One Team

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

Board of Directors



Dr. Bader Hamed Al-Mulla
Deputy Prime Minister
Minister of Oil and Minister of State for Cabinet Affairs
Chairman of the Board of Directors



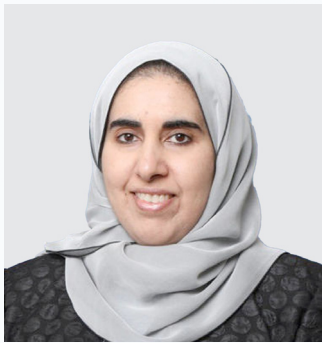
Shaikh Nawaf Saud Al-Sabah
Deputy Chairman
Chief Executive Officer



Mr. Youssef Khaled Al-Qabandi
Board Member



Mr. Ali Abdullah Al-Thuwaimer
Board Member



Mrs. Aseel Suleiman Al-Munifi
Board Member



Mr. Asaad Ahmed Al-Saad
Board Member



Dr. Fadel Safar Ali Safar
Board Member



Mr. Manaf Abdulaziz Al-Hajri
Board Member



Mr. Ghanem Suleiman Al-Ghuneiman
Board Member

Managing Directors of KPC



Bader Ebrahim Al Attar
Managing Director of
Planning & Finance



Shaikh Khaled A. Al Sabah
Managing Director of
International Marketing

Kuwait Oil Tanker Company
Chief Executive Officer



Hesham Ahmad Al Refaee
Managing Director of
Human Resources



Chief Executive Officers of our Subsidiaries



Ahmad J. Al-Eidan
Kuwait Oil Company
Chief Executive Officer



Wadha A. Al-Khateeb
Kuwait National Petroleum Company
Chief Executive Officer



Nadia B. Al-Hajji
Petrochemical Industries Company
Chief Executive Officer



Mohammad S. Al-Haimer
Kuwait Foreign
Petroleum Exploration Company
Chief Executive Officer



Waleed K. Al-Bader
Kuwait Integrated Petroleum
Industries Company
Chief Executive Officer

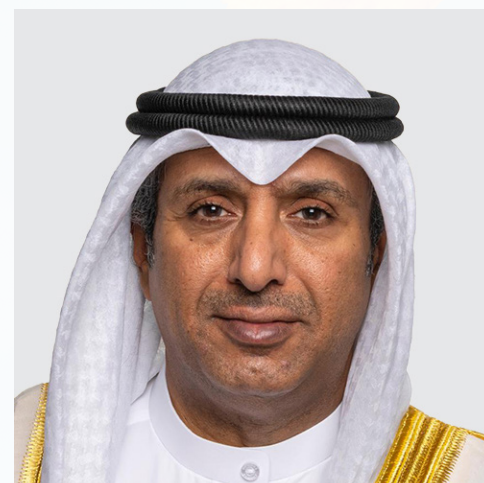


Shafi T. Al-Ajmi
Kuwait Petroleum International
Chief Executive Officer



Khaled N. Al-Otaibi
Kuwait Gulf Oil Company
Chief Executive Officer

Chairman's Statement



Dr. Bader Hamed Al-Mulla

Kuwait's oil sector is steadily progressing towards achieving its strategic objectives locally and globally, through KPC and subsidiaries' commitment to avoid shortcomings and avail the advantages that contribute to the development of the oil and gas industry, as well as translating government directives and strategies into long-term initiatives and action plans for a better future.

There is no doubt that we are always keen to undertake many initiatives and take many decisions that will increase oil revenues and promote the preservation of eco-friendly energy, based on Kuwait's interest in preserving the environment, and in implementation of the commitment to reach carbon neutrality by 2050 in various operations related to the oil and gas industry.

Within the framework of the fiscal year (2022/2023), we cannot overlook the contributions made by the dedicated national workforce working in the Kuwaiti oil sector in various fields and at all levels, starting from exploration, production and export operations, to the stages of refining and petrochemical complexes known as "refineries".



Transferring strategic directions into long-term initiatives and action plans for a better future

For example, the overall completion rate of construction work at the Duqm Refinery in the Sultanate of Oman reached 97.65% until the end of March 2023 with the start of experimental work, while the Vietnam Refinery refined 67.7 million barrels of Kuwaiti export crude.

Europe's marketing industry has made some extremely profitable investments. Kuwait Petroleum International (Q8), for example, invested in the gas station infrastructure in Italy by selling 100% hydrogen-treated vegetable oil (HVO). This achievement had a great impact in contributing to covering part of the amount obligated to Q8 in relation to the European Union laws for renewable energy, in addition to enabling Q8 to achieve financial results "net profits" for the fiscal year (2022/2023) with an increase exceeding the budget by 131.3 million US dollars, and this is due to the outstanding performance of the marketing sector in Europe.

In the midst of these achievements and financial successes of Kuwait's oil sector, we cannot overlook the interest in human capital, as we are always keen to adopt the latest training programs to qualify the national workforce for they are the real wealth.

We assure that we are taking steady steps based on well-thought-out plans to increase the percentage of "Kuwaitization" in the oil sector by replacing expatriate workers with Kuwaiti workers by recruiting and hiring Kuwaitis with competence and experience in vacant jobs. We are also working on developing a new mechanism aimed at strategic employment in the oil sector.

Lastly, we will keep working and focusing our efforts to achieve sustainable added value by harnessing all capabilities to help achieve strategic oil plans and future projects.

In conclusion, I am pleased to extend my sincere thanks and appreciation to His Highness the Emir, Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, may Allah protect and bless him, His Highness the Crown Prince, Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah, may Allah protect and bless him, and to His Highness the Prime Minister Sheikh Ahmad Nawaf Al-Ahmad Al-Sabah, may Allah protect him, and thanks to all workers in the oil sector from various sectors for their valuable contributions.

Chief Executive Officer's Statement



Shaikh Nawaf Saud Al-Sabah

Kuwait Petroleum Corporation adheres to its mission to optimize the value of Kuwait's hydrocarbon resources by operating commercially and globally in an integrated and sustainable manner, while providing opportunities for our people to grow and contributing to Kuwait's economic development. We also adhere to our values, and we continuously promote innovation and the one team spirit in every aspect of our work.

KPC and its subsidiaries have always strived to meet the needs of Kuwait, as one of the world's top ten oil exporters, by pursuing a sound, agile strategy that enables it to achieve positive returns in various fields of the oil and gas industry. We take pride in being the pulse of our national economy and the primary partner for a myriad of government entities in supporting prosperity and growth in Kuwait, as well as ensuring a bright future for our people.

KPC substantially expanded its activities domestically and internationally and achieved major breakthroughs in various parts of the supply chain, enabling us to maintain our leading global position among oil-producing and exporting companies.

KPC has significantly expanded its operations domestically and internationally, resulting in

Sustainable Energy for a promising future

KPC maintains a leading global position among oil-producing and exporting economic entities

a notable advancement across various sectors of the oil industry. This success has granted KPC and its subsidiaries a prominent global position among oil-producing and exporting entities. In the fiscal year ending on March 31, 2023, KPC and its subsidiaries achieved a remarkable profit of 2.663 billion KWD. This represents the highest net profit recorded in the past decade within our business.

In exploration and well drilling, we increased oil and gas reserves and production, with 63 contracts signed for drilling and maintenance platforms during the fiscal year 2022-2023. In addition, drilling in the first offshore well (Nokhitha-1) began in August 2022.

To maximize the strategic value of crude oil, KPC expanded its mega projects, and an agreement was reached with our partner in the Wafra Joint Operations (WJO) to drill exploratory wells over the five-year plan 2023-2027. Kuwait Gulf Oil Company (KGO) also agreed with our partner in WJO on the locations of productive reservoir extensions and created plans to develop them and sustain production.

As for the associated gas flaring treatment project, Kuwait Oil Company (KOC) achieved a lead global position in the gas flaring reduction index, as its gas flaring percentage decreased during the past six years from 4% to 0.45%. KOC has protected our local environment by reducing its gas flaring percentage in line with its strategy to increase revenues and reduce emissions.

Regarding Al-Zour Refinery the first and second refineries have been run, and preparations are currently being made to run the third refinery. The crude oil refining rate at Al-Zour Refinery during the fiscal year 2022/2023 reached 118.7 thousand barrels per day. Kuwait's refining capacity is expected to increase from approximately 800 thousand barrels per day to 1.415 million barrels per day with the operation of the third and final distillation unit in the project by the end of 2023. In addition, we signed several recent sales contracts during the fiscal year 2022-2023 in light of the increase in production, especially after the operation of the Clean Fuels Project and the Al-Zour refinery. The value of our sales has increased as we added new customers for both diesel and jet fuel, a proud addition to our roster of current long-term contracts.

KPC and its subsidiaries also continued our investment in human capital by developing our workforce and engaging with them as our most important asset and most valuable stakeholders. Several training and skill development initiatives were implemented this year with the main aim of developing our national workforce. And because we realize our role as the employer of choice in the country, KPC and its subsidiaries adopted a new mechanism for recruiting fresh graduates from our national workforce.

In addition, KPC and its subsidiaries continue their efforts in implementing digital transformation initiatives to achieve complete automation and operational excellence. We have focused on using best-in-class innovative technology to preserve our hydrocarbon sources, and we continue to pursue a digital transformation strategy with digital initiatives and a plan to implement them through an integrated governance system. The most important of these initiatives are those related to developing digital infrastructure and platforms, enhancing cybersecurity, and creating an enabling digital culture that upskills the digital capabilities of our workforce.

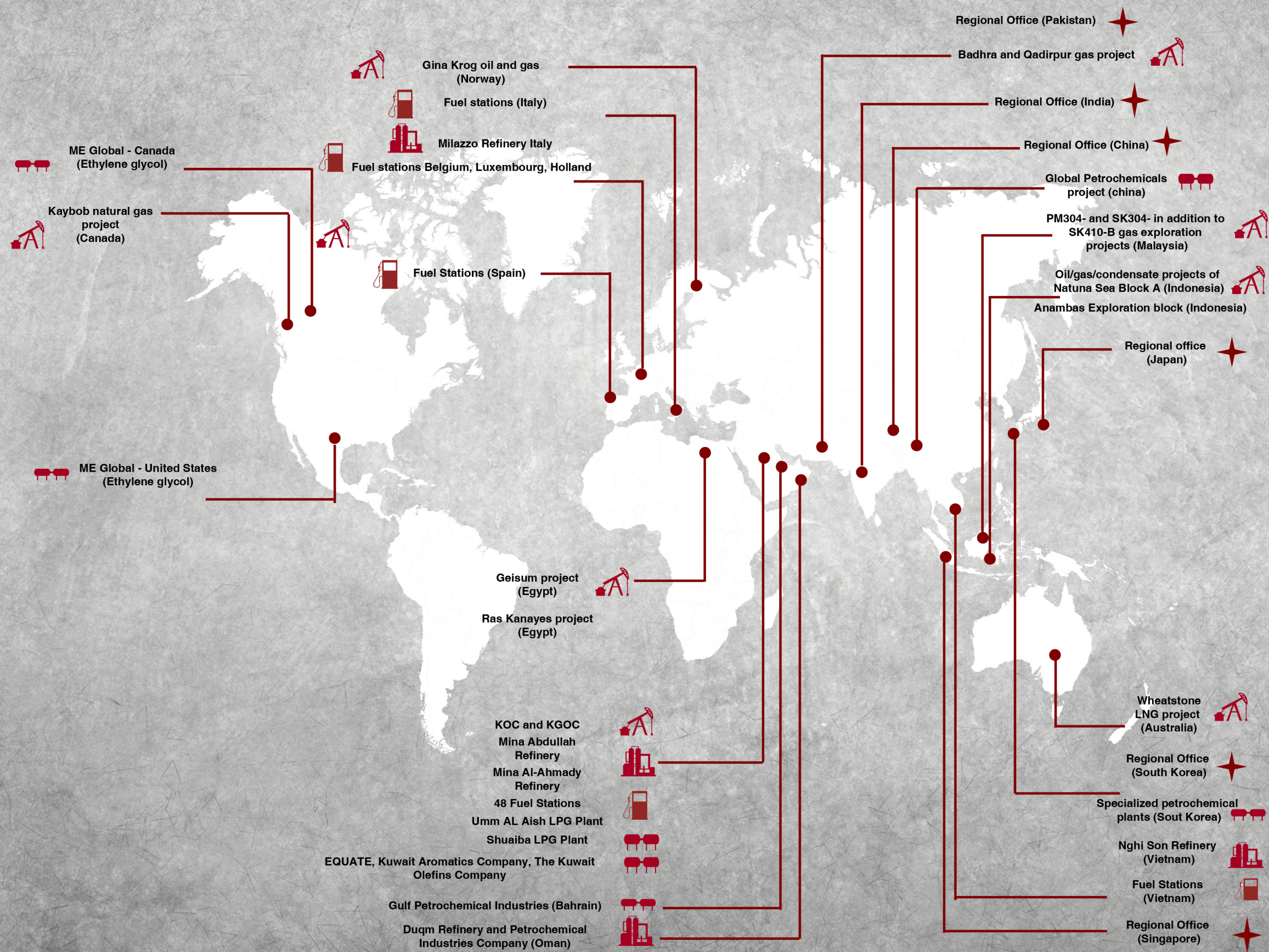
We also confirm our commitment to a just and fair energy transition, and we have begun implementing it through the Energy Transformation Strategy to reach net zero carbon emissions by 2050. We will do our part to achieve Kuwait's goals on climate action and its commitment to international treaties and sustainable development goals.

For all of the above, I am happy to present our annual report for the fiscal year 2022-2023, which highlights the most significant projects and accomplishments we have completed the past year with the grace of God and the tireless efforts of the men and women of the Kuwaiti oil industry.

May God guide us to the right path and bless our beloved country under the benevolent leadership of His Highness the Amir of the State of Kuwait Shaikh Nawaf Al-Ahmad Al-Jaber Al-Sabah and His Highness the Crown Prince Shaikh Mishaal Al-Ahmad Al-Jaber Al-Sabah, may God protect and bless them both.

**Strategic Directions 2040
at a Glance**

KPC is distinguished by its global presence through its regional offices and subsidiaries, which allow it to achieve optimal value in its operations chain





General Directions

- Continuously optimize the portfolio to capitalize on opportunities and rationalize non-core and unprofitable assets.
- Meet the State of Kuwait's current and future energy demand by providing an economically and environmentally friendly mix of fuels as well as strategic backup.
- Utilize alternative, renewable and other energy sources when it adds value to KPC businesses.
- Develop a digital strategy and implement a digital transformation framework to achieve operational excellence.

Domestic Upstream

- Achieve sustainable crude oil production capacity in the State of Kuwait (including the divided zone) of up to 4.0 million barrels per day in 2035 and maintaining it until 2040.
- Achieve sustainable non-associated gas production capacity of 2.0 billion cubic feet per day in 2040 (including the divided zone).

International Upstream

- Improve and optimize current portfolio to ensure operational excellence and maximize financial returns to KPC.
- Pursue selective attractive acquisitions opportunities partnering with major oil companies, that strategically complement current portfolio and increase overall portfolio returns to KPC.

Domestic Downstream

- Achieve up to 1.6 MMBPD domestic refining capacity by 2025 with maximum conversion capabilities while ensuring maximum offtake of domestic heavy oil and meeting local energy demand.
- Maximize integration of refining and petrochemical operations domestically

International Downstream

Pursue, through partnerships/alliances with international partners, economically viable investment opportunities taking into consideration:

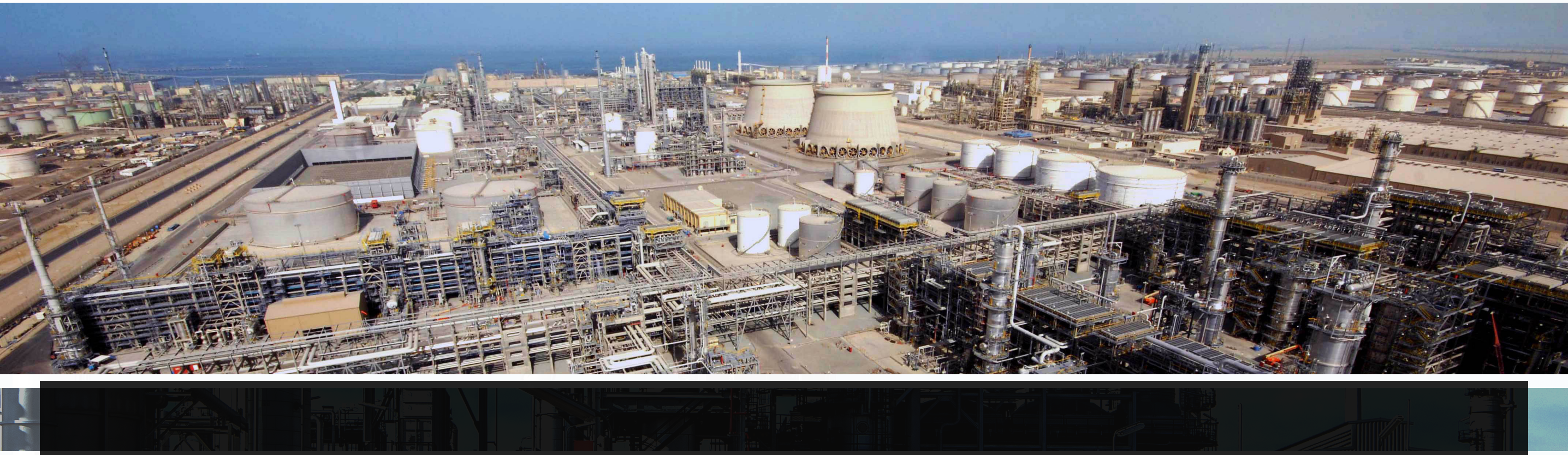
- Capacity of disposal of 425 MBPD of Kuwaiti crudes in high-growth promising markets by 2025.
- Expand fuel retail business through partnership/JVs in high-growth promising markets.

Petrochemicals

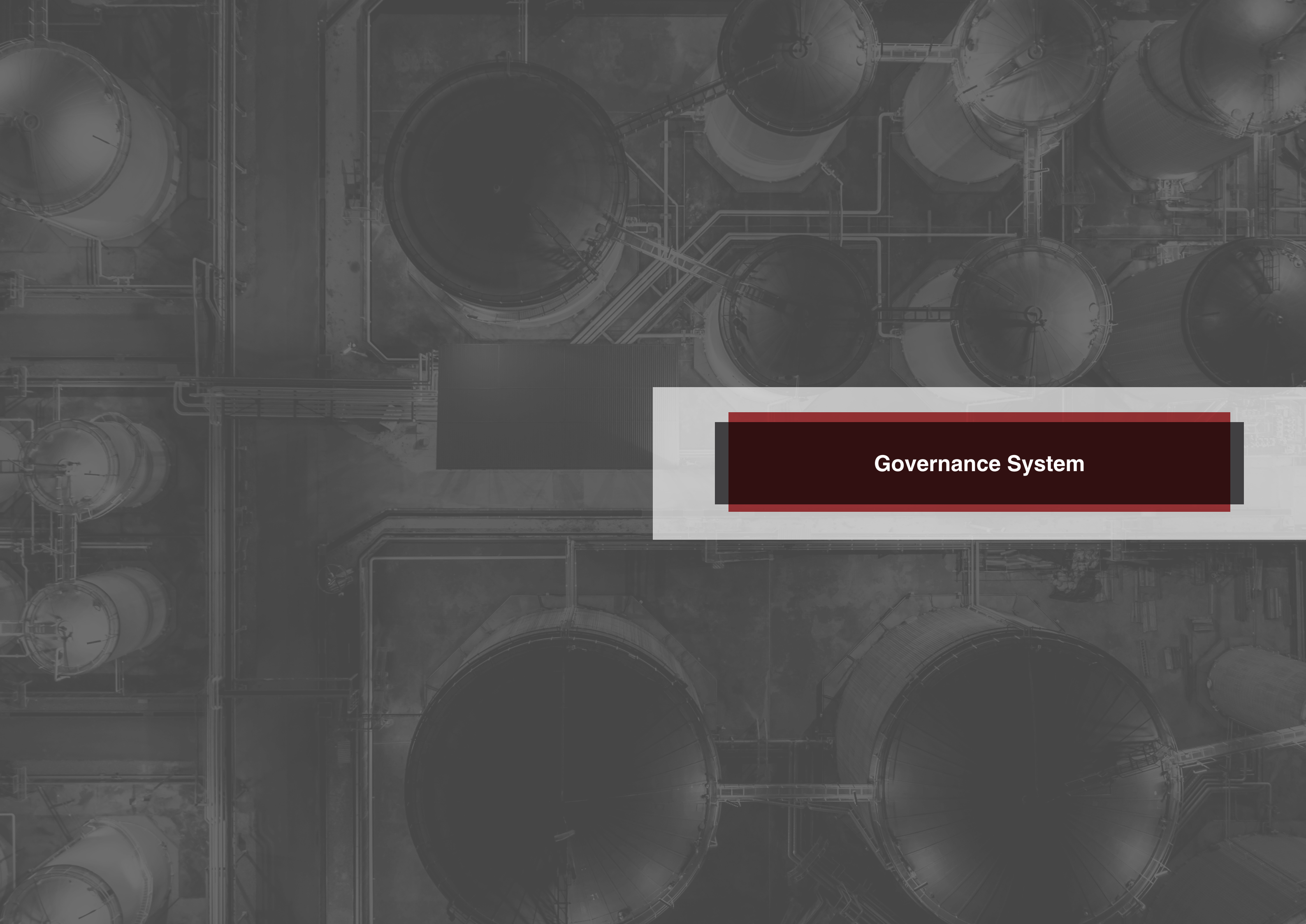
- Expand base petrochemical inside and outside State of Kuwait, by reaching 14.5 million tons annually (MTpa) in 2040.
- Expand into downstream derivatives linked to base petrochemicals production / inside and outside the State of Kuwait.

International Marketing

- Maximise the value of Kuwaiti hydrocarbons throw disposal insecure long term and divers outlets.
- Develop Asset-Backed trading business to maximize Kuwaiti hydrocarbons values, while actively managing market / price risks.



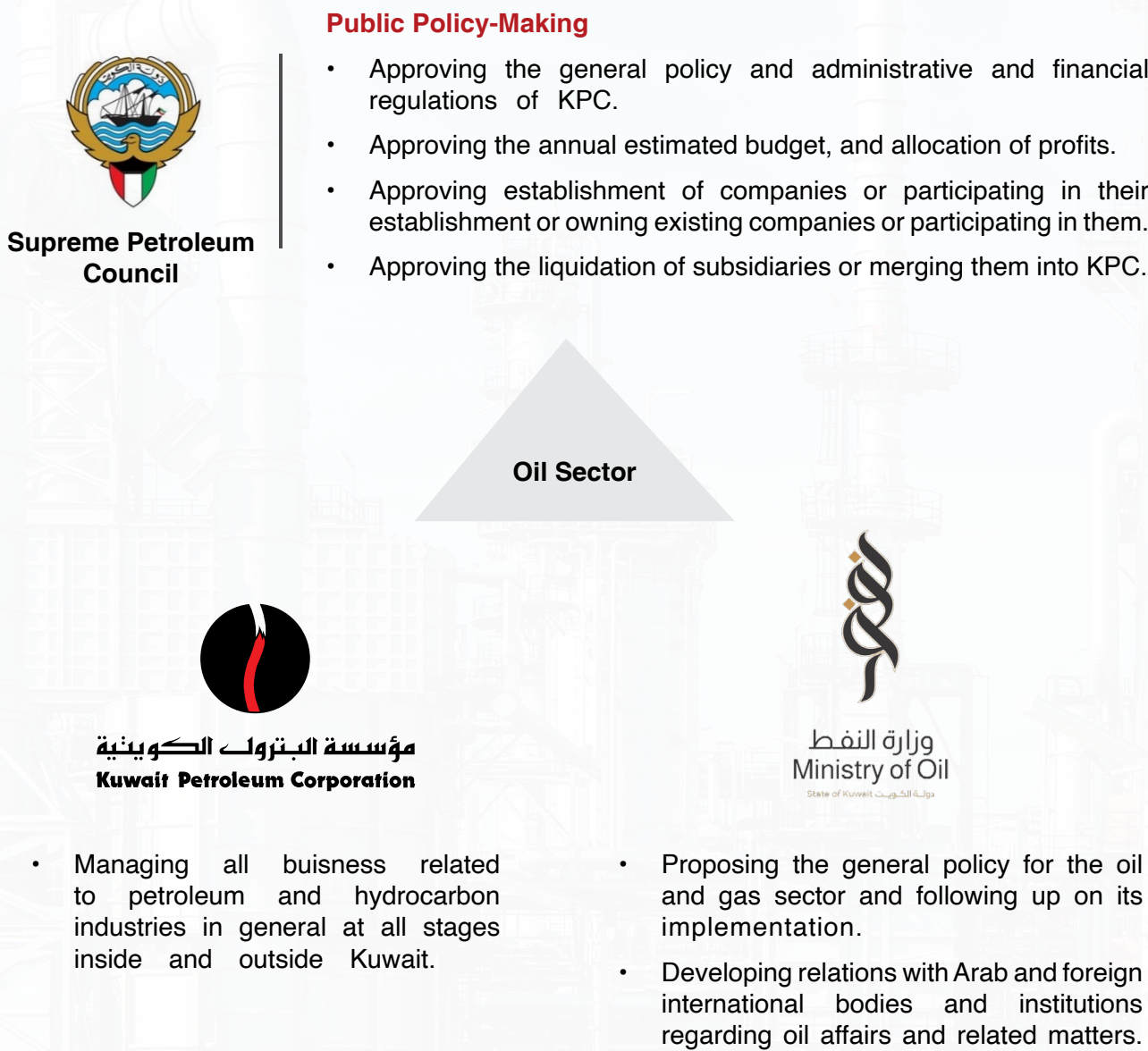
Shipping • Ensure meeting long term strategic cover and KPC marketing requirements of crude oil, refined products and LPG carriers in-line with KPC’s production plans, and via the most economical means. Human Resources • Become a partner to KPC’s Subsidiaries businesses by providing tailored HR services focused on strategic needs and people development. Health, Safety, Security and Environment • Achieve world class HSSE performance by applying the most stringent HSSE standards and regulations wherever KPC operates. Research and Technology • Build and maintain R&T skills, capabilities and infrastructure aligned with business needs through a physical R&T center and collaborations with strategic partners. Finance • Develop corporate finance capabilities and tools to best manage financing requirements and capital allocations.	Enterprise Risk Management Promote a risk aware culture, and fully embed and enforce risk based processes and procedures. Information Technology • Adopting common best practices cyber security standers and procedures across KPC and protect the sector from cyber attacks. • Efficiently support Operational Technologies via common infrastructure and standardized policies and procedures Communication • Taking the initiative to enhance KPC’s image at the local and global levels, and preparing and implementing a comprehensive social responsibility program in the State of Kuwait. Private Sector Participation • Leverage refining and petrochemical businesses to deliver Downstream manufacturing opportunities to the private sector inside the State of Kuwait. • Increase local private sector share (Local Suppliers and Contractors) in KPC and Subsidiaries spending. • Enhance private sector participation in KPC existing and future activities/investments.
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Governance System

The organizational structure of the Kuwaiti oil industry

Kuwait Petroleum Corporation (KPC) was established in 1980 as a public corporation with an economic nature and a legal personality. It is overseen by the Minister of Oil and has a budget independent of the state budget prepared in the same manner as commercial budgets in accordance with accounting principles. The oil industry in the State of Kuwait is managed through KPC and other parties as follows:



Governance System of KPC and Subsidiaries

KPC carries out its operations according to a governance system consistent with global practices in the oil and gas sector through its Board of Directors. KPC's Board of Directors consists of the Chairman of the Board and the Deputy Chairman, along with 7 members. One of the most important tasks of the Board of Directors is to approve the strategic directions and plans of KPC and subsidiaries, and to generally supervise the management of its operations and activities. Additionally, KPC's Board of Directors has the authority to establish subcommittees by deciding on the matter. It also has the authority to abolish any of these committees or establish other committees as it deems appropriate.

Board of Directors' Sub-Committees:

- Supreme Executive Committee
- Executive Compensation Committee at KPC and Subsidiaries
- Audit and Risk Committee

Each committee meets separately at least four times a year upon the invitation of its chairman or his deputy in the absence of the chairman. After being approved by the committee, the subcommittees of the KPC's Board of Directors provide copies of their minutes to the board members for review and information.

The Supreme Executive Committee is responsible for the following:

- Reviewing the annual estimated budgets of KPC (head office) and subsidiaries and submitting recommendations thereon to the Board of Directors.
- Approving changes in the timetable and scope of work for the approved phased operational and vital capital programs of KPC and subsidiaries whose capital cost does not exceed KWD 100 million. As for capital programs whose cost exceeds KWD 100 million, the committee reviews the requests and submits recommendations thereon to the Board of Directors.
- Approving pricing principles and policies for fuel and feedstock between KPC and subsidiaries and/or companies in which KPC or subsidiaries own a share.
- Approving the signing and renewal of contracts for marketing crude oil, gas and products in accordance with the Board of Directors' financial powers specified in KPC's financial regulations.



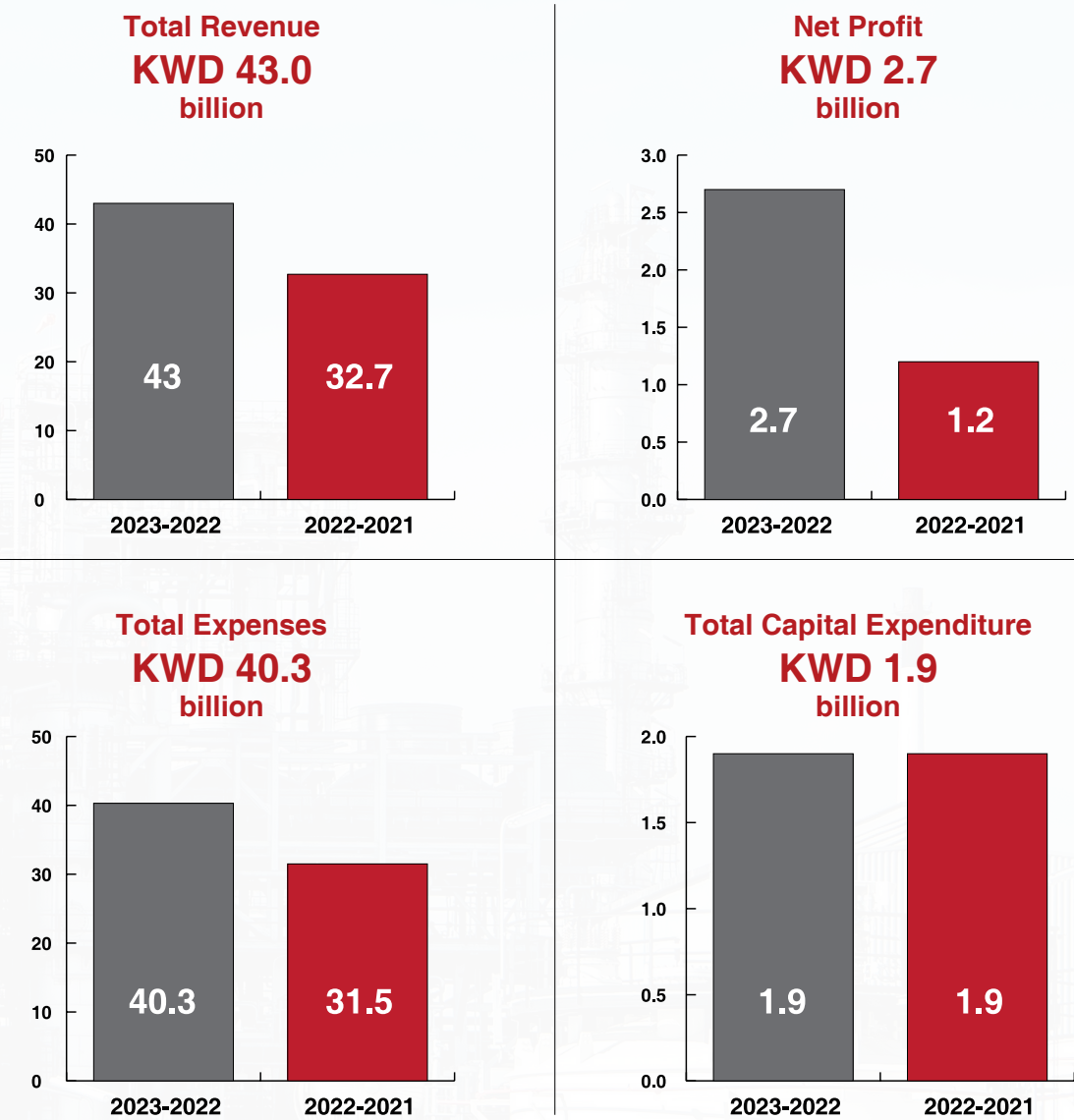
Executive Compensation Committee is responsible for the following:

- Reviewing and approving the proposed changes to the organizational structures of KPC and subsidiaries.
- Examining the possibility of creating or abolishing leadership posts within KPC and subsidiaries and submitting the appropriate recommendation thereon to the Board of Directors.
- Conducting a periodic review of the system of wages, bonuses, allowances and benefits used in KPC and subsidiaries, based on the results of market surveys and taking the necessary action thereon if necessary.
- Reviewing and approving incentives, rewards and annual goals systems related to the annual performance of leaders and employees of KPC and subsidiaries and ensuring that they are consistent with KPC and subsidiaries’ business development as well as the oil sector’s aspirations to achieve the strategic objectives for the next stage.
- Proposing and following up on the development plans of managing directors/CEOs.
- Reviewing the standards and controls necessary for choosing members of the boards of directors for KPC wholly owned subsidiaries and submitting recommendations to the Board of Directors for approval.

The Audit and Risk Committee is responsible for the following:

- Reviewing the criteria for appointing the external auditor, determining his fees, giving its viewpoint on his reappointment, and reviewing the nature and extent of other professional services provided by him.
- Reviewing the findings of the annual external audit on the financial statements and the external auditor’s observations on the internal control systems.
- Reviewing applicable financial policies and international accounting principles and any changes thereto that have an impact on the financial statements.
- Reviewing KPC and subsidiaries’ risk management policies and plans, conducting a periodic review of (Risk limits), submitting appropriate recommendations to the Board of Directors, and ensuring that business risks in KPC and subsidiaries are consistent with the approved controls and not surpassing acceptable risk levels (Risk Appetite).

Financial Performance for the Fiscal Year 2022/2023



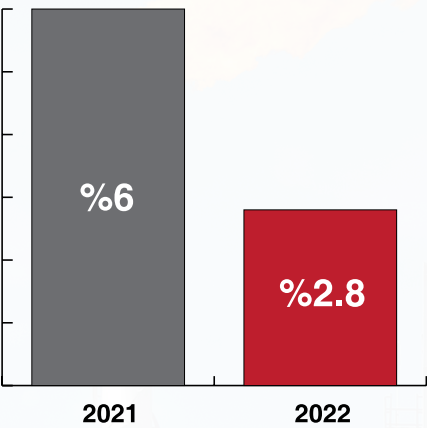


Global Markets at A Glance

Economic Growth

The global economy experienced its most robust recovery from the coronavirus pandemic in 2021; however, the pace of growth gradually slowed down afterwards due to ongoing global geopolitical problems (the Russian-Ukrainian War), which led to an increase in energy prices. Additionally, some major Chinese cities resumed their closures as the number of people infected with the epidemic increased again, adversely affecting the course of global economic activity in 2022.

The world has also witnessed a sharp rise in inflation rates, especially in major economies and OECD countries, which reached 9.2% in January 2023, forcing global central banks to tighten monetary policy by raising interest rates and reducing lending to curb persistent inflation. Accordingly, the US Federal Reserve has raised interest rates to a new range of 4.5-4.75%. The major central banks concluded this year with a collective increase of 50 basis points.



Crude Oil

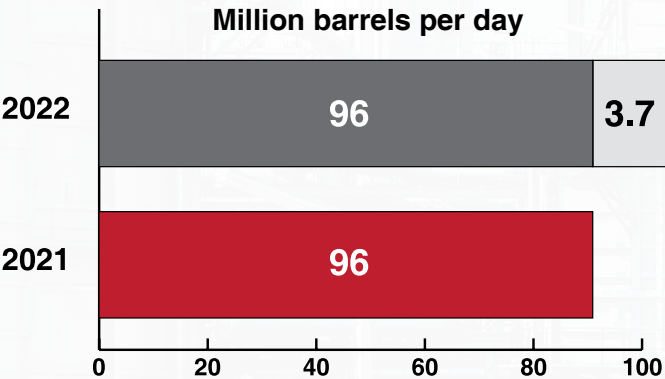
In an effort to curb price rises, the International Energy Agency (IEA) announced its approval to withdraw 182 million barrels of strategic oil reserves in 2022, and the United States of America withdrew about 180 million barrels of total reserves in 2022.

Meanwhile, the finance ministers of the Group of Seven major industrialised countries (G-7) have agreed to cap the prices of Russian exports of oil and petroleum products to destinations outside the G-7 at 60 US dollars per barrel in a step to reduce Russia's revenues while maintaining the flow of Russian oil to global markets. The European Union has approved a ban on exports of seaborne crude oil and Russian petroleum products, which will enter into force on December 5, 2022 and February 5, 2023, respectively.

With the aim of supporting market stability, the (OPEC)+ group decided during its meeting held in October 2022 to cut production by 2 million barrels per day, starting from November 2022 until the end of 2023.

In February 2023, Russia has also announced that it would cut its oil production by 500 thousand barrels per day in March, while insisting on limiting its sales to countries that do not adhere to the Western restrictions imposed on it. In March 2023, Moscow announced to extend the cut until the end of the year.

However, as a result of the easing of coronavirus pandemic restrictions as well as the relative economic recovery, oil demand has increased by 3.7 million barrels per day in 2022, reaching 99.7 million barrels per day.



Petroleum Products

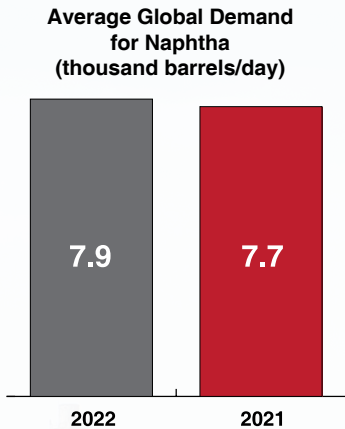
Liquefied Petroleum Gas

The world still has a surplus of liquefied petroleum gas in 2022, and demand is expected to be very high in Asia and India as a result of rising demand for the residential and commercial sectors during the upcoming period, with North America being the largest exporter of liquefied petroleum gas, followed by the Middle East.

It is important to note that the supply of liquefied petroleum gas is primarily dependent on the OPEC decision to reduce crude oil production and its consequences and impact on the supply of petroleum products.

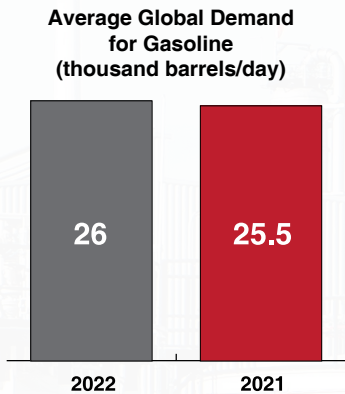
Naphtha

Global demand for naphtha increased by 2.6% in 2022 compared to 2021, noting that there was a surplus of production equivalent to about 7.8 million tons worldwide, mainly from the Middle East region, followed by the Soviet Union and Africa.



Gasoline

Gasoline supplies rose in 2022 to their pre-coronavirus level; however, gasoline supplies will not be sufficient to cover the world's gasoline needs in the time being and in the near future. Asia is considered one of the regions with the highest demand for gasoline, followed by Latin America, while North America and Europe will witness a decline in demand for this product in the short and long term as a result of the growing use of electric cars.



Jet Fuel

Demand for jet fuel has increased as a result of the easing of travel restrictions globally and the increase in the vaccination rate for the Corona virus. The increase in refinery capacity in 2022 has led to an increase in supply amounts compared to demand.

Gas Oil

Demand for gas oil began to gradually rebound in 2021 and 2022 after the recovery and easing of restrictions due to the Corona virus outbreak, and in light of the use of the product in generating electric power and heating, the negative impact of the Corona pandemic on the demand for gas oil was less compared to other products.

It is important to note that the Russian-Ukrainian crisis and rising global inflation have both led to an increase in product prices.

Fuel Oil

The ongoing US embargo on Russian oil has reduced fuel oil flows from the Middle East to Asia, as US refineries in the Gulf of Mexico will continue to need more fuel oil from the Middle East for refining.

Sulfur

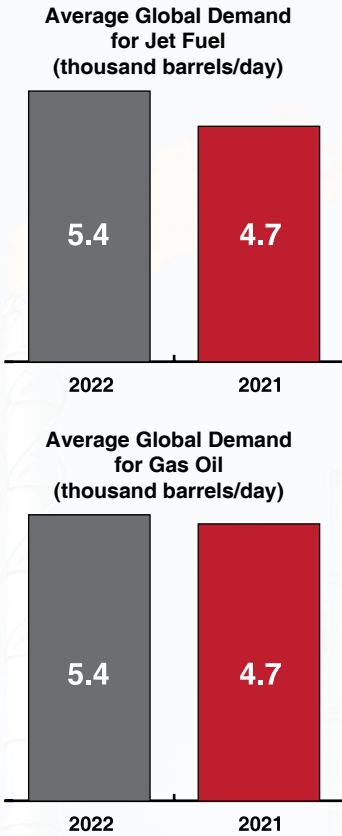
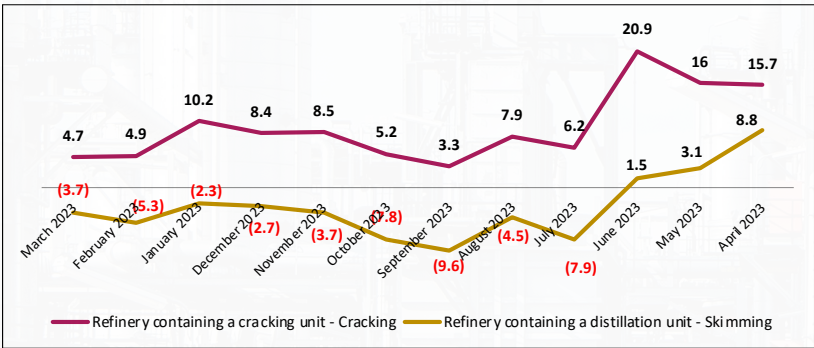
Demand for sulphur has fallen sharply since the third quarter of 2022 due to the abundant supply of the product from the Middle East, and due to the floods that swept the world at that time and the small volume of buyers for the product, resulting in a sharp decline in prices.

Petroleum Coke

Due to global decline in the price of aluminum, petroleum coke prices have decreased in the first quarter of 2023. This is due to the global economic recession and the slowdown in global national output, as petroleum coke is considered a basic material for aluminum production.

Profit margin from refining operations in Singapore refineries - Signal Oil Dubai

The first half of 2022 witnessed exceptional profits from refining activities as a result of the increase in the prices of transportation products, particularly jet fuel, due to the easing of coronavirus-related travel restrictions. However, in the second half of 2022, profits returned to their relatively normal levels due to the stability of product prices.



Global Petrochemical Market Conditions

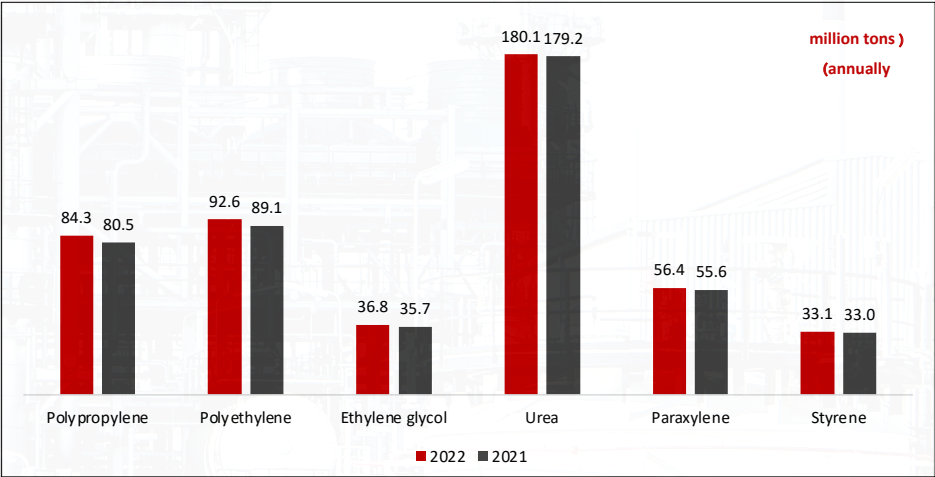
Global economic activity faced a very significant and sharp slowdown in growth due to the ongoing Russian-Ukrainian conflict, the earthquake in Turkey, certain targeted markets being negatively affected by economic obstacles, and the reduced availability of the US dollar in some strategically important markets such as Pakistan and the Arab Republic of Egypt.

Polypropylene product prices have decreased during the first, second and third quarter of the fiscal year (2022/2023) from a selling price of USD 1,300 per ton to below USD 900 per ton, and begun to rise slightly during the fourth quarter due to improved demand in some targeted areas.

Regarding the urea product, diverting Russian exports, which constitute 15% of the world's urea exports as a result of Western sanctions, to new markets such as the Brazilian, Indian, Chinese and Southeast Asian markets, has led to increased competition in these strategically important markets between the main exporters. The sharp increase in natural gas prices in Europe led to widespread reductions in the nitrogen fertilizer industry, as a result of which ammonia production plants were closed and production rates declined by about 70% in Europe. However, production costs declined in recent months due to the increase in liquefied natural gas imports to support the reserves for European countries, in addition to the milder winter, as some closed nitrogen fertilizer production plants in Europe began to resume their operations, which contributed to reducing the amount of imports from abroad, negatively affecting the profitable results of the Petrochemical Industries Company from a financial standpoint compared to the previous year.

As is the case with petrochemical aromatics products, the North and South Asian markets and the Indian subcontinent witnessed different and moderate growth rates, especially in the second quarter of the fiscal year (2022/2023), as they witnessed an increase in the prices of the paraxylene product to levels equivalent to 1,190 US dollars/ton (an estimated increase of USD 190 per ton), with an increase in profit margins for feedstock compared to (PX-NHT) product to USD 380 per ton during the second and third quarters of the fiscal year (2022/2023). High activity was also observed particularly in the Chinese markets due to the expansion of PTA and polyester production projects with production capacities exceeding 7 million metric tons, compared to 3 million tons of expansion projects in paraxylene, which led to continued demand for paraxylene to cover the needs of these new plants, especially that the demand for (PTA), used in the polyester manufacturing, is increasing.

Quantities of global demand for petrochemical products during (2021 and 2022) - million





Operational Performance



KPC’s business is based on crude oil and gas production operations because of their significant impact on its integrated chain of operations.

Crude Oil

KPC seeks to increase production rates of crude oil in order to meet global and local energy needs through the operations of subsidiaries (Kuwait Oil Company and Kuwait Gulf Oil Company), as KPC has continued to achieve accomplishments in this regard by applying the most effective practices in line with global standards.

From this standpoint, Gathering Center (32) operations began in October 2022, contributing to an increase in production in the south and east Kuwait operations area by 120,000 barrels of oil per day. The Maaddud reservoir in the Raudhatain field has also reached its highest production of 76 thousand barrels of oil per day, and this is due to the continued development of the reservoir by drilling appropriate wells for production and water injection as well as improved water injection performance in the reservoir.

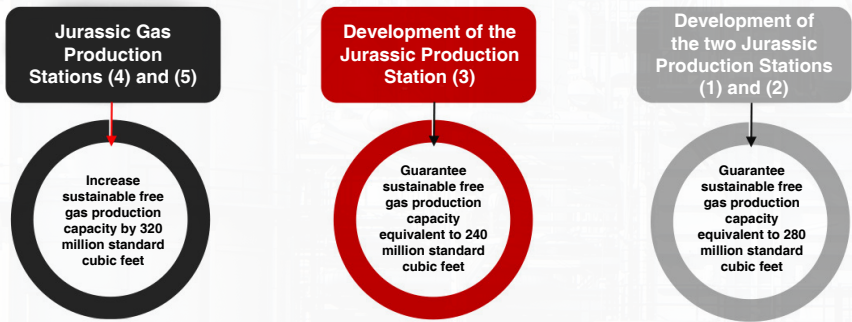
As for the company’s achievements in increasing heavy oil production, it has achieved a record in production from the Lower Fars reservoir in the Umm Naqa field, where production reached about 21 thousand barrels of oil per day for the first time in March 2023. Additionally, heavy oil with medium density (24o API) was also produced by mixing oil of the West Kuwait region with Ratawi oil produced by the KGOc and storing it in 4 tanks located in the southern tank farm, in order to supply it as feedstock to the Al-Zour Refinery starting from the first quarter of the fiscal year (2022/2023).

Furthermore, KOC has increased the capacity of drilling and repairing wells, as approximately 460 wells have been drilled and more than 1,800 wells have been repaired. Drilling of the first offshore exploratory well (Al-Nokhitha-1) has also begun in August 2022, representing KOC's first offshore exploration operations.

Meanwhile, KGOc has constructed 11 wells on the production line after agreeing with the partner to drill exploratory wells within the exploration and production five-year plan (2023-2027) in the Wafra Joint Operations area. The first experimental horizontal drilling has also begun in the South Fuwaris field as part of the low-porous carbonate project in Wafra and Fuwaris fields.

Free (Non-Associated) Gas Production

KPC is making every effort towards achieving the target production capacity of free gas, as the implementation of the project to develop Jurassic Production Station No. 3 has been completed, and work is underway to implement two projects to develop Jurassic Production Stations No. 1 and No. 2, as well as Jurassic Gas Production Stations No. 4 and No. 5 according to plans established for northern Kuwait projects. The rate of free (non-associated) gas production has reached approximately 522 million standard cubic feet per day during the fiscal year (2022/2023).



As part of the intensive efforts to develop free gas reservoirs, the highest rate of gas production in Kuwait was observed in the Najma limestone layer, as the horizontal wells in the Bahra field have successfully produced 32 million standard cubic feet per day of gas associated with oil, and 9 thousand barrels of oil, according to preliminary tests.

As for the Durra offshore field development project, production from the field is expected to begin in 2028 (according to the approved plan), as a memorandum of understanding was signed on 11 December 2022 between the two partners to proceed with the re-verification of the design and engineering work developed in 2012. The scope of work has been completed, as well as the feasibility study for onshore processing facilities, and the process of initiating the procedures to choose the licensee for establishing the facilities is currently underway.

Associated Gas Production

KPC seeks to take advantage of natural gas resources and utilize them to supply gas to electric power generation stations to reduce the costs of importing quantities of gas from abroad. For that, the work on the line project to transport Kuwait’s share of the rich and liquefied Khafji gas (12-inch line) from the Khafji Joint Operations to the Al-Ahmadi Refinery was completed, and the overall completion rate reached 99.8%. Accordingly, the average production of the Khafji Joint Operations increased from 100 thousand barrels of oil per day to 160 thousand barrels of oil per day, and the lean gas is sent to Kuwait.

In addition, the short-term operating plan for sending surplus gas from the Wafra Joint Operations has been completed, and quantities have begun to be exported and received at KOC facilities, where work is currently underway on the long-term operating plan and is expected to be completed in 2025.

Developing oil reserves to ensure sustainable production

KPC seeks to work to compensate for the quantities of hydrocarbons produced and maintain the level of oil reserves in a way that supports its vision of continuing to be a safe provider to its customers. Accordingly, a three-dimensional seismic survey is currently being carried out in Kuwait's northern fields on an area of 1,275 square kilometers with the aim of exploring and developing those fields to meet strategic objectives.

A successful exploration of the Najma/Sargilo reservoirs in the Burgan field located in the south of Kuwait was also achieved by drilling an exploratory well in the reservoir, and another exploration of the middle Marat layer in the Karaa al-Marw field located in western Kuwait was achieved by exploiting one of the development wells. In addition, the exploration cycle was completed in the Sukhaybaryat field in the Marat reservoir (Jurassic age) located in the north of Kuwait by searching for light oil and associated gas from an appraisal well in commercial quantities.

In the same context, it was agreed with the partner in Wafra Joint Operations area on areas of extensions of productive reservoirs and developing plans with a view to sustaining production, as well as developing strategies and drilling plans for wells related to new explorations.

International Upstream

KPC is seeking to enhance its global presence and increase its financial returns by entering into strategic partnerships with international oil companies outside the State of Kuwait.

The plan to develop and improve the current asset portfolio for all areas of operations in which the Kuwait Foreign Petroleum Exploration Company (KUFPEC) operates has been completed.

Accordingly, KUFPEC has exited several assets/activities with the aim of improving its current portfolio as follows:

- Exiting from nine assets: In Australia, Pakistan, Norway, China, the Philippines, Tunisia and Egypt, which resulted in KUFPEC exiting 3 countries: Tunisia, China, and the Philippines.
- Completing the procedures for selling KUFPEC's share in current assets in: The (YME) project in Norway, the Yaxing project in China, and work is underway to exit 3 other projects.

Meanwhile, two exploration assets (Sissell and Pedalo) in Norway were acquired in 2022 to extend the life of KUFPEC's assets in the Sleipner region and achieve integration with its existing activities. Additionally, new lands were acquired in the Kebob project in Canada (74 areas in the Duvergne region adjacent to the current joint project site), and the acquisition is expected to add a financial return of \$24.3 million and potential oil resources estimated at approximately 46.6 million barrels of oil equivalent.

Oil and Gas Production Rates and Level of Reserves

The average production of KUFPEC reached about 97.8 thousand barrels of oil equivalent (80% gas, 20% oil and condensates), which is 1% higher compared to the previous year 2021. New oil reserves estimated at 15.3 million barrels of oil equivalent were also added through development activities that were completed during the year, which contributed to reaching total proven reserves to about 368.2 million barrels of oil equivalent at the end of 2022. Additionally, new potential resources (Risked Prospective Resources) estimated at approximately 8 million barrels of oil equivalent were added in the (WA-71-R) sector in Australia after conducting the latest evaluations and studies.

It should be noted that drilling operations at the Anambas project in Indonesia (in which KUFPEC is the operator) were completed successfully, safely and with positive outcomes, resulting in the discovery of 40 million standard cubic feet per day of gas and 1,240 billion standard cubic feet per day of condensate.

Moreover, a number of development/appraisal wells in the Geisum and Tawila project in Egypt has been successfully drilled and connected to the production line. By doing so, the total production of the project reaches about 8,662 barrels of oil per day, and KUFPEC's share is estimated to be about 1,888 barrels of oil per day, an increase of up to 84% compared to the previous production rate.

The company has undertaken several initiatives in Pakistan resulting in an increase in production rates, which are as follows:

1. Launching production in the Kadnowari project through wells (K-39) and (K-16 Dir B), which will contribute to enhancing gas production from the field with a production rate of up to 11 million standard cubic feet per day.
2. Implementing production improvement initiatives in 3 production fields in the "Bet and Badra" projects, which resulted in enhanced field production and thus an increase in production rates of 13% compared to the planned production in the second quarter of 2022, bringing the current net production to 3,500 barrels of oil equivalent per day from the two projects.

As part of efforts to maximize revenues and achieve operational excellence, revenues from the Gina KRog project in Norway amounting to US\$1,172 million were generated thanks to the decision to stop injecting and selling gas to take advantage of the current high gas prices in Europe. The renewal of the energy policy package also resulted in financial savings of US\$8.6 million thanks to successful negotiation efforts into reducing the excess rate compared to average market rates and improving insurance coverage provisions related to "loss of production income". By that, KUFPEC has achieved the highest revenue and net profit rates in its history in 2022, with revenues reaching 3,469 billion US dollars and net profits reaching 1,007 billion US dollars.

Additionally, KUFPEC has conducted an integrated regional quantitative analysis study of an area of 2,000 square kilometers covering its producing assets in Australia (Wheatstone, Eago, Julimer, and Brunello) with the Wheatstone exploration sector and its surrounding exploration sectors. Given the excellence and integrity of the study and its constructive results, the study results were adopted by the operator (Woodside) and the partners in the Julimer and Brunello project. This improved the value of the project by reducing the costs of the work program and the company's general and administrative expenses.





Domestic Downstream

KPC has the capacity and flexibility to refine Kuwaiti oils of various specifications and specific densities, ranging from light, medium and heavy oils.

KPC seeks to reach a local refining capacity of 1.455 million barrels per day in 2025 by increasing the refining capacity in the Mina Abdullah refinery affiliated with the Kuwait National Petroleum Company (KNPC), as KPC manages refining and manufacturing operations within the State of Kuwait through subsidiaries (which are Kuwait National Petroleum Company and Kuwait Integrated Petroleum Industries Company), and the refineries affiliated with these two companies are operated on a commercial basis to meet the needs of the local and global market.

It is worth noting that the operation of all units of the Clean Fuels Project (CFP) of the Kuwait National Petroleum Company was completed in September 2021, making both the Mina Abdullah and Mina Al-Ahmadi refineries an integrated refining complex. The refining capacity of this complex reached about 800 thousand barrels per day of Kuwaiti crude oil (as the refining capacity of the Mina Abdullah refinery is 454 thousand barrels per day, while the refining capacity of the Mina Al-Ahmadi refinery reaches 346 thousand barrels per day).

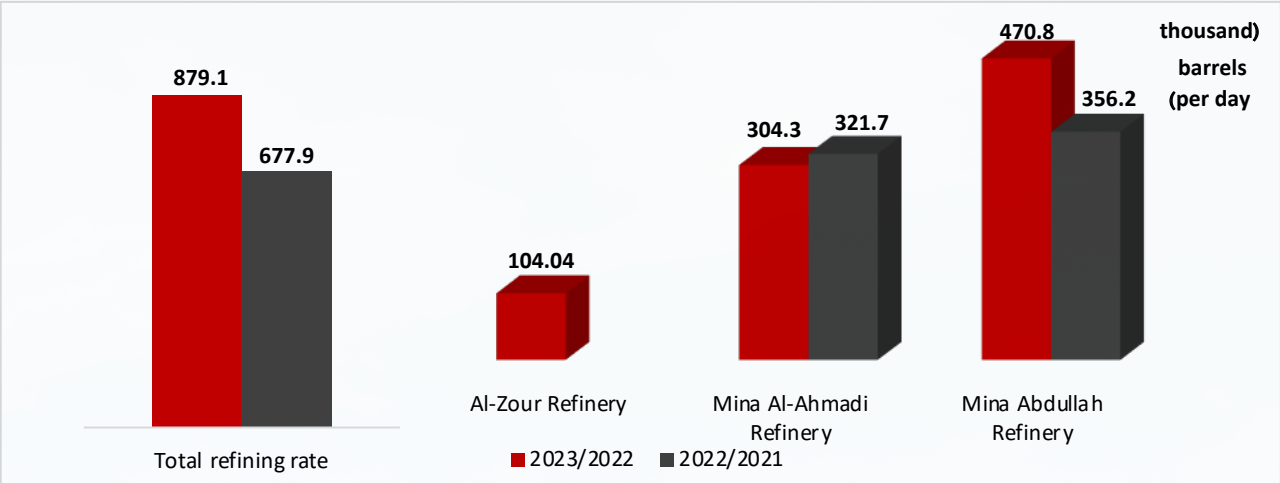
As for the operation of the Al-Zour Refinery of the Kuwait Integrated Petroleum Industries Company (KIPIC), the commercial operation of the refinery began in November 2022 by operating the first mini-refinery, and then the second mini-refinery was operated in March 2023, bringing the overall completion rate of the Al-Zour Refinery project to about 99.9% by the end of March 2023. To clarify, Al-Zour Refinery has the capacity to refine 615 thousand barrels per day of Kuwaiti Export Crude (KEC), while its refining capacity reaches 535 thousand Kuwaiti barrels when refining the Kuwaiti oil mixture (oils of medium and heavy quality density). Accordingly, the export of petroleum products from all of the company’s artificial island docks began in November 2022, in addition to successfully supplying the Al-Zour South Station with fuel oil with low sulfur content (1%) produced from the Al-Zour Refinery in August 2022, and the first shipment of it was exported outside the State of Kuwait in November 2022.

It is worth mentioning that the specifications of petroleum products comply with the required local and international specifications (especially the stringent European specifications) after the Clean Fuels Project (CFP) was fully operational, and it is expected that the specifications of Al-Zour Refinery (ZOR) products will comply with European specifications after the operation of the refinery units stabilizes.

In this context, it should be noted that KNPC won first place in the Oil and Gas Magazine - Middle East award for the best project in the refining sector for 2023, the results of which were announced at a special ceremony held by the magazine in the Emirate of Dubai in the United Arab Emirates, as the award committee chose the Clean Fuels Project, outperforming many projects that competed to win this award in its thirteenth edition, which this year has received a record number of nominations exceeding 140 nominations from nearly 50 well-known companies operating in the oil and gas industry.

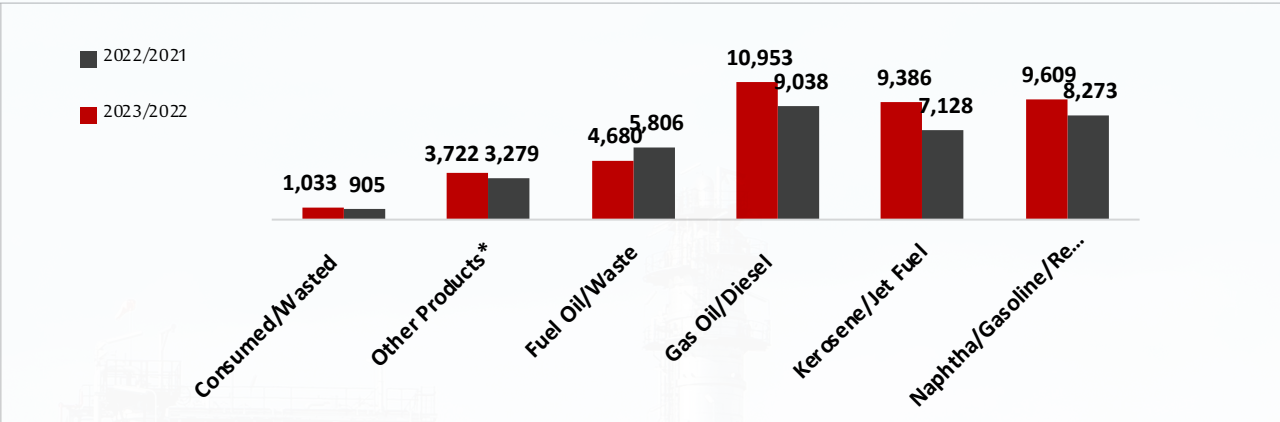
Refining Rates in Refineries

The rate of oil refining in local refineries increased by 201.2 thousand barrels per day compared to last year, due to the increase in refining capacity at Mina Abdullah Refinery (Crude Oil Distillation Unit (CDU-111)) given the experimental testing of the refinery, and the operation of the two mini-refineries from Al-Zour Refinery during the fiscal year (2022/2023).



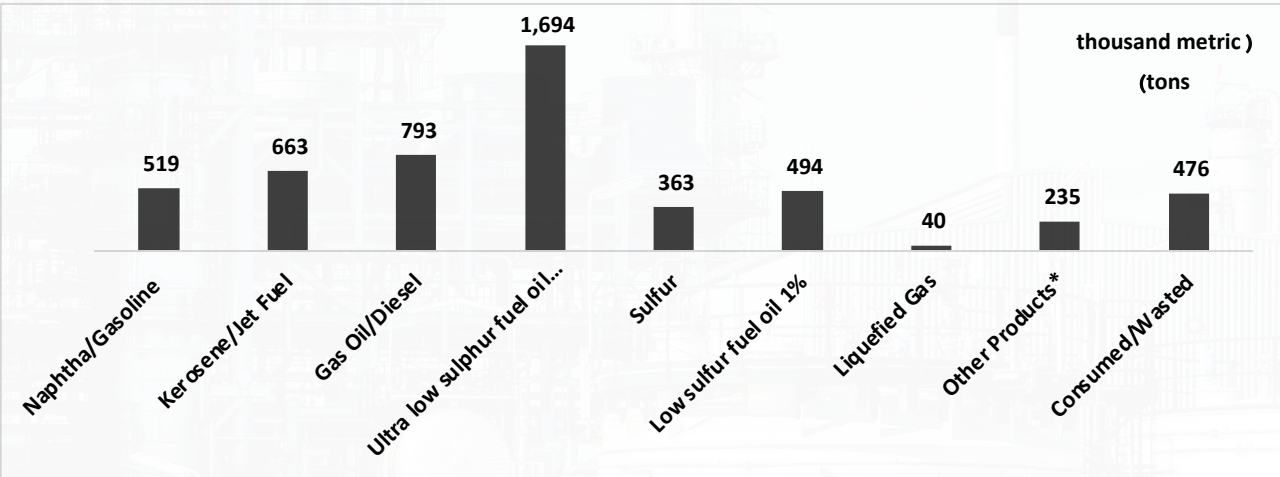
Quantities Produced by Local Refineries During the Fiscal Year 2022/2023

KNPC has increased its production of petroleum products by 14.4% compared to last year due to an increase in the refining capacity of the company’s refineries, reaching a production rate of 39,382 thousand metric tons in the fiscal year (2022/2023) (as shown in the chart below).



*This includes liquefied petroleum gases from refineries, sulfur, petroleum coal, bitumen and propylene gas.

production rate from the Al-Zour Refinery of KIPIC has reached about 5,278 thousand metric tons in the fiscal year (2022/2023) (as shown in the chart below).



*This includes liquefied petroleum gases from the refinery.

The most important capital projects being implemented to enhance services and facilities supporting local refining and manufacturing operations

In order to rehabilitate the current acid gas treatment unit (AGRP) at Mina Al-Ahmadi Refinery, in line with the quantities of acid gas expected to be produced from KOC's operations, and then send it to the liquefied gas units at Mina Al-Ahmadi Refinery to be manufactured and converted into products (lean gas and liquefied gas) with economic returns, the tender for studying the preliminary engineering designs for this project was launched in February 2023.

As for enhancing operations and distributing loads during emergencies in the event of a power outage, and providing new explosion-resistant buildings to improve the work environment and enhance worker safety in line with safety conditions in local refineries, according to the latest Quantitative Risk Assessment (QRA) report, KPC is replacing the old nine electrical stations (Substations) in Mina Al-Ahmadi Refinery with new stations with larger electrical capacity and high-quality technology systems in order to enhance the efficiency of the electrical system, as the actual completion rate reached approximately 89% and it is expected that the implementation of these stations will be completed in October 2024.

KNPC is currently restoring and strengthening the oil berth at its Shuaiba port, with the aim of extending the operational life of the main berth bridge (Approach Trestle) for the next 20-25 years through conducting proper and periodic maintenance, by strengthening the metal structure through adding new pilasters and pillars, repairing corroded pillars and pilasters and modernizing the cathodic protection system. To do so, the project contract was signed and the implementation of the bridge strengthening and restoration work began in September 2022. Additionally, the actual completion rate of the project has reached approximately 30%, and it is expected to be completed in May 2024.

For the project concerned with constructing a new arm (New South Oil Arm) for the oil berth at the Shuaiba port, a feasibility study has also been completed in March 2023. The project's purpose is to demolish the current northern facility and replace it with a new southern facility that complies with the latest specifications and modern technology and has an operational life of up to 50 years, with the addition of the necessary facilities (e.g. the import of vacuum gas oil (VGO) and the export of bunker oil). Additionally, the preparation of the initial engineering design study for the project will begin in the fiscal year (2023/2024).

Regarding the project concerned with replacing naphtha with liquefied natural gas for hydrogen units in Al-Zour Refinery, which aims to produce hydrogen gas by using liquefied natural gas instead of naphtha, in order to benefit from the price difference between liquefied natural gas and naphtha, which contributes to increasing the refinery's revenues, a request has been submitted for approval from the Central Agency for Public Tenders (CAPT) to invite tenders as a public tender with preconditions required for tenders in January 2023.

The most important capital projects being implemented locally to meet the needs of the local market for petroleum products

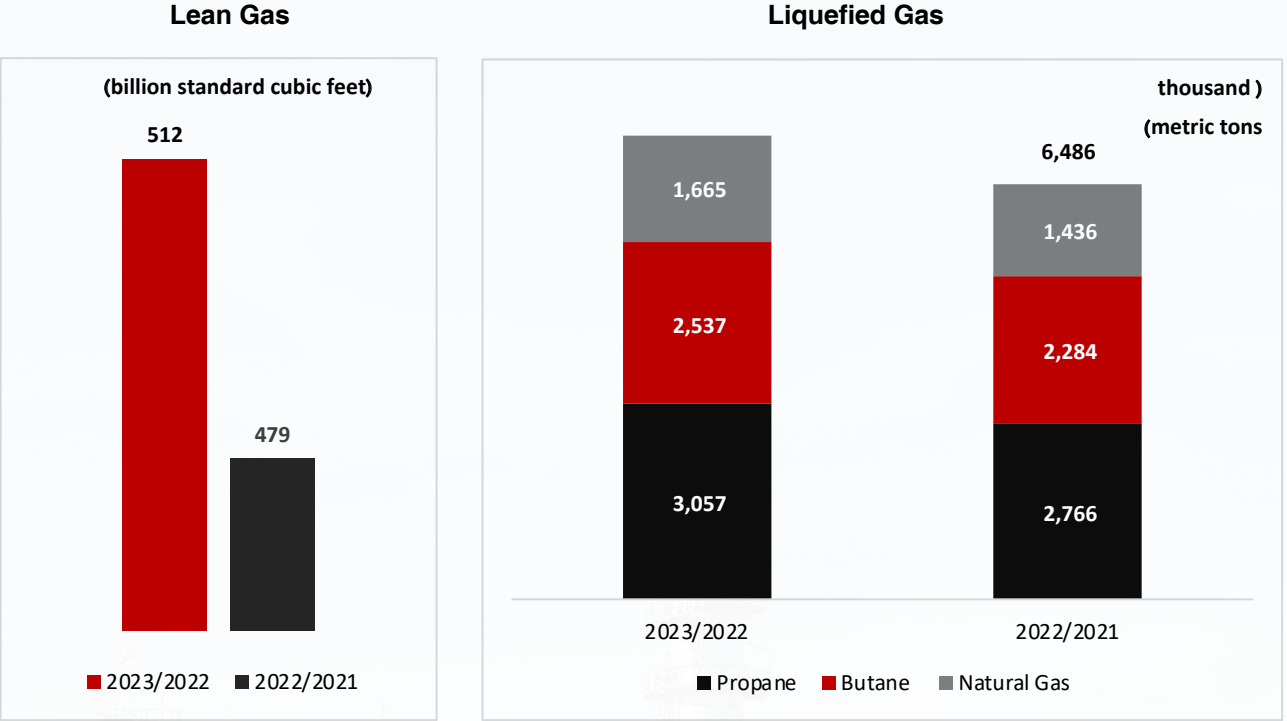
In line with the strategic requirements for petroleum products in the local market, KPC seeks to increase storage capacity by building a new warehouse in the Al-Mutlaa area in the north of the State of Kuwait. This location was chosen with the aim of meeting the increasing demand for petroleum products for distribution in the north of the country until 2045 in light of the urban expansion in that part of the State of Kuwait. Accordingly, an estimated budget for the project amounting to KWD 355 million has been approved, and tender documents for implementing the project are currently being prepared.

A preliminary engineering design study has also been completed to build a new oil distillation unit and a new bitumen production unit, as well as a storage capacity for bitumen sufficient for 30 days as a strategic stock, in order to ensure the provision of the local market's future needs for bitumen product. The possibility of extending the lifespan of the current manufacturing units (the eocene unit and the bitumen unit) is currently being studied and evaluated to determine the need for implementing the new units project at the lowest possible cost.

Gas Liquefaction Plant

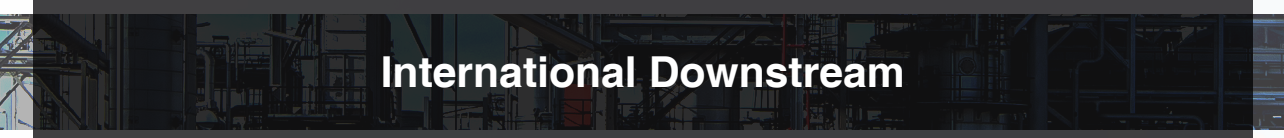
KNPC owns a gas liquefaction plant at Mina Al-Ahmadi Refinery, which includes five (5) gas processing and production units with a total production capacity of 3.13 billion standard cubic feet per day of gas and 332 thousand barrels per day of condensates. In the plant, lean gases are produced, which are used as fuel for producing electrical energy and as feedstock for the petrochemical industry, and liquefied petroleum gas (LPG) is also produced, which is bottled locally for household uses. In addition, the surplus exceeding local needs is also exported abroad, as liquefied petroleum gas produced in the State of Kuwait is exported as feedstock to the (SK Advanced) project in South Korea to produce polypropylene.

Quantities produced by the gas liquefaction plant:



The increase in liquefied gas and lean gas production rates is due to the quantities and quality of oil produced.





Refining Kuwaiti crude oil outside the State of Kuwait through partnerships and integration with petrochemicals and retail, which increases the added value of KPC’s operations.

In light of KPC’s endeavour to provide safe outlets for disposing Kuwaiti oil, the strategic goal of building a refining capacity to dispose 425 thousand barrels per day of Kuwaiti oil is expected to be achieved by 2025 through a refining capacity of 200 thousand barrels per day to refine Kuwaiti Export Crude (KEC) in Vietnam Refinery (existing refinery), 75 thousand barrels per day of Kuwaiti Export Crude (KEC) to be refined at Milazzo Refinery (existing refinery), and 150 thousand barrels per day of Kuwaiti Export Crude (KEC) to be refined in Duqm Refinery. This could be achieved as KPC owns a 50% stake in the Milazzo Refinery in Italy, a 35.1% stake in a refinery and petrochemical complex in Vietnam, and a 50% stake in the Duqm Refinery in the Sultanate of Oman through its subsidiary “Kuwait Petroleum International Company”. To ensure safe outlets for Kuwaiti crude oil to be refined, these refineries were established in compliance with the technical specifications. It should also be noted that the total completion rate of the engineering, procurement and construction works at the Duqm Refinery reached about 97.65% until the end of March 2023, and it is expected to begin full operation of the refinery in September 2023 and obtain (Initial Acceptance) in January 2024 based on the latest estimates.

As for the strategic direction of disposing Kuwaiti petroleum products to retail activity outside the State of Kuwait, both the global marketing sectors in KPC and Q8 have implemented a business model for the optimal chain of operations (VCO). This model helps to make the most out of the available opportunities to ensure the optimal disposal of petroleum products, as the rate of disposal of petroleum products from local refineries to European markets during the fiscal year (2022/2023) reached about 184 thousand tons of Ultra Low Sulfur Diesel (ULSD) in Italy, and about of 516 thousand tons of jet fuel.

Jet Fuel Supply

As part of Q8's efforts to increase its market shares, it has successfully started to supply Liverpool Airport in the United Kingdom and Bergamo Airport in Italy, and at Kuwait Airport with jet fuel by signing a technical services agreement (TSA) with KAFCO, a subsidiary of KNPC. It has also successfully supplied airlines with the first batch of sustainable fuel in France according to the amount required to be fulfilled in 2022, in addition to signing an agreement with Qantas Airlines to supply sustainable jet fuel at Heathrow Airport.

In addition, Q8, represented by (KPIAC), has signed many long-term partnerships with the aim of maintaining and increasing sales volume in strategic markets (including technical services, sustainable consulting for jet fuel, and sales on the long run). It is planned to increase the supply of jet fuel produced from local refineries by up to 50% during the next five years over the amount currently being disposed. It is also expected that quantities of gas oil produced from local refineries will be marketed in European markets (in compliance with European specifications).

Retail Operations

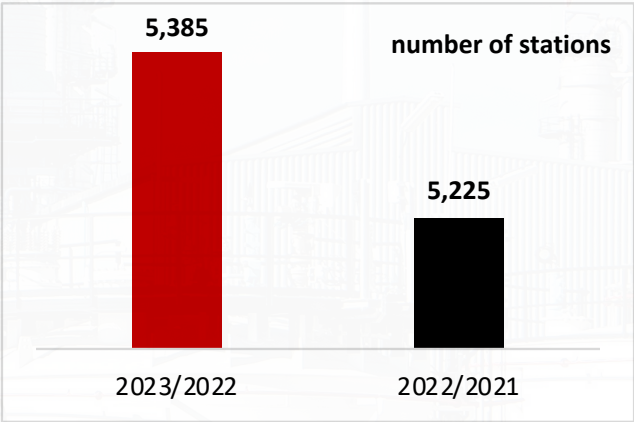
Q8 has developed many initiatives in order to improve and maintain the productivity of the retail network, as the quantity sold for the retail activity was approximately 10.8 million cubic meters (9.1 million cubic meters of which were from stations wholly owned by it). The total number of wholly owned stations reached 4,573 stations, in addition to 812 jointly owned stations. As for global fuel card activity, the diesel supply card was accepted at 80 stations in Norway in addition to accepting the card in Spain by signing an agreement with (DKV) and a new contract with (GCB VATEX) to expand the company's card usage activity from Poland to the Baltic States.

On another level, the company’s electric charging card has been used in approximately 210,000 devices in Europe, in addition to signing the first contract to operate 97 charging points for electric vehicles in 17 locations in Belgium, as well as installing electric charging devices in several hospital facilities and a chain of stores (Delhaize) in Belgium and Luxembourg. Work is also underway to supply electric chargers to the company’s retail network in Spain.

In addition to the aforementioned, Q8 has received a European Union grant worth €1.6 million, as well as a co-financing grant worth €2.4 million, with the aim of helping to develop alternative fuel infrastructure in Italy.

Below is a breakdown of the total number of stations and quantities sold at them:

Country	Station Type	Number	Quantity (thousand cubic meters)
Italy	Serviced	1,953	3,287
	Self-service	817	1819
Belgium	Serviced	265	487
	Self-service	202	497
Holland	Serviced	0	0
	Self-service	194	759
Luxembourg	Serviced	38	205
	Self-service	0	0
Spain	Serviced	139	201
	Self-service	16	6
International Diesel Services	Wholly owned	134	1157
	Accepts fuel refill cards form the company's customers	815	722
Total wholly owned stations		4,573	9,139
Sweden	Serviced	296	805
	Self-service	265	378
Denmark	Serviced	106	218
	Self-service	140	228
Vietnam	Serviced	5	41
	Self-service	0	0
Total jointly owned stations		5,385	10,809



Petrochemicals

The petrochemical industry achieves an additional profit margin for KPC by expanding the chain of operations associated with the production of hydrocarbon resources.

KPC manages its local and international production operations of petrochemical products through its subsidiary, the Petrochemical Industries Company (PIC). The company wholly owns the polypropylene plant inside the State of Kuwait and has several shares in petrochemical plants inside and outside the State of Kuwait, as shown in the following table:

Main Products	Share Percentage (%)	Country	Partnering Companies
- Paraxylene - Gasoline	80	 Kuwait	Kuwait Paraxylene Production Company
- Propylene oxide - Propylene glycol - Styrene monomer - Propylene glycol mono methyl ether	49	 South Korea	SK Pic Global
Styrene	46	 Kuwait	Kuwait Styrene Company
- Polyethylene - Ethylene glycol	42.5	 Kuwait	EQUATE Petrochemical Company
Ethylene glycol	42.5	 Kuwait	Kuwait Olefins Company
Fertilizers (ammonia/urea/methanol)	33.3	 Bahrain	Gulf Petrochemical Industries Company
Propylene	25	 South Korea	SK-Advance

It is noteworthy that a memorandum of understanding was signed regarding a new investment opportunity in the field of specialized petrochemicals in July 2022, wherein a non-binding offer was made to acquire a percentage of existing plants.

With regard to KPC's contribution to the circular economy in the State of Kuwait, PIC has appointed a global consulting company to develop a medium- and long-term strategy for expanding in green petrochemicals and the circular economy, and to develop a plan for implementing a set of initiatives that would ease environmental pressure, improve the efficiency of natural resource consumption, and reduce waste in order to enhance economic growth in the State of Kuwait.

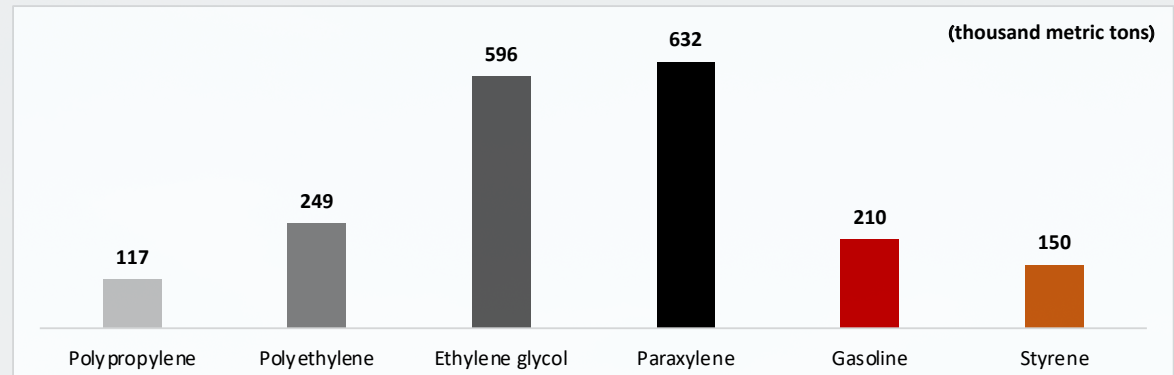
In light of the constant fluctuations in prices and the slowdown in economic growth, KPC is keen to continue sales of futures and spot contracts for all petrochemical products during the fiscal year (2022/2023), especially the polypropylene product. This is achieved by renewing most of the long-term sales contracts with consumers

from various strategic markets to maintain the continuity of the supply process without interruption, reduce pressure on inventory, and ensure continuous production for the polypropylene plant in the State of Kuwait. Spot selling to high-priced markets has also been enhanced to achieve the best possible returns. Additionally, agents were hired to diversify sales channels and maintain final consumers, as well as hiring distributors to ensure the sale and shipment of contracted quantities and adherence to the annual sales plan.

Local Activities

KPC's share of the petrochemicals quantities sold for local activities within the State of Kuwait amounted to approximately 1,954 thousand metric tons of main intermediate products.

Quantities of petrochemical products sold for local activities:



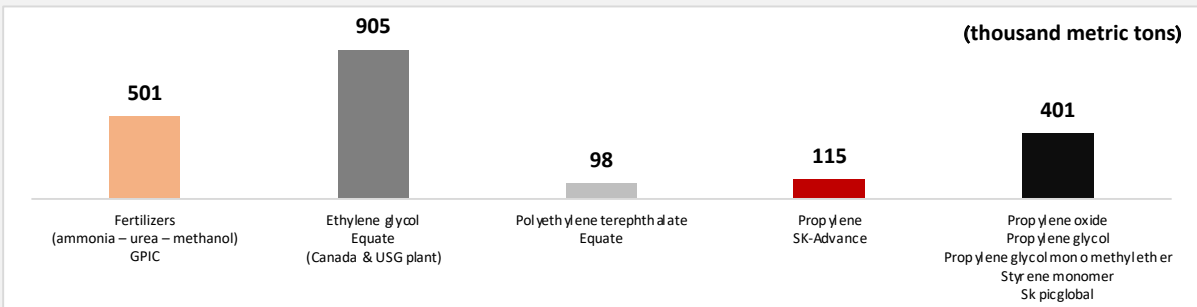
As part of PIC's efforts to manage petrochemical operations in optimal ways, all periodic maintenance work for the polypropylene plant was successfully carried out in February 2023, as the plants were operated earlier than scheduled by seeking an external source to supply the plant with hydrogen, which led to saving approximately KWD 1 million through implementing this initiative.

On another hand, a detailed feasibility study has been completed for establishing the fourth olefins project in the State of Kuwait, which aims to establish a plant with a production capacity of up to 0.58 million tons annually of the main petrochemical products with international specifications and subsequent downstream chemical products with a quantity of 60 thousand tons annually by using ethane gas supplied by the gas liquefaction plant of KNPC as feedstock for the plant. All available options have also been studied to choose the optimal partner, and the necessary approvals are expected to be obtained during the fiscal year (2023/2024) to implement the next steps.

Global Activities

KPC has contributed in global projects with approximately 2,020 thousand metric tons of main intermediate products and subsequent specialized products, as shown in the chart below:

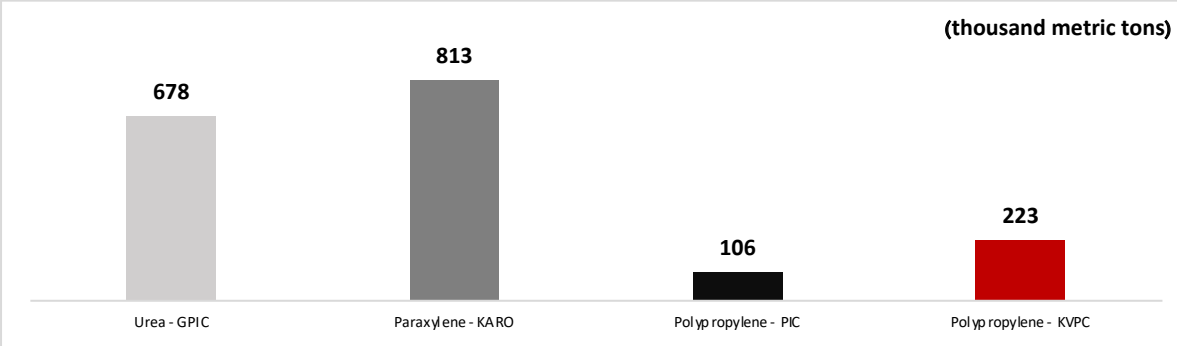
Produced quantities of petrochemical products for global activities:



Expanding Operations of Marketing Petrochemical Products

PIC has prepared an integrated marketing plan to expand the marketing of petrochemical products globally, as a Customer Relationship Management (CRM) system was implemented during the fiscal year (2022/2023). It is a set of integrated, data-driven software solutions designed to support sales, marketing, and customer service activities. The supply chain has also been automated by (Interim Supply Chain Automation Solution) in order to market polymers (polypropylene). Additionally, an agent/distributor/retailer has also been appointed to market the company's petrochemical products according to the targeted areas.

Quantities of petrochemical products sold through PIC:



Integration between refining and petrochemical operations

KPC seeks to implement and seize available opportunities to maximize integration between refining and petrochemical operations, whenever this achieves added value.

KPC is striving to achieve the desired integration by establishing the petrochemical complex integrated with the Al-Zour Refinery (PRIZe), the refining capacity expansion project integrated with the petrochemical activity (ZICUP), and the refinery and petrochemical complex project in Duqm (Sultanate of Oman).

The economic modernization and capital cost study for the petrochemical complex (Olefins III and Aromatics II) integrated with Al-Zour Refinery (PRIZe) project was completed in March 2023. In addition, it should be noted that the feasibility study of the refining capacity expansion project integrated with petrochemical activity (ZICUP) has been suspended until the final investment decision (FID) for the (PRIZe) project is taken.

As for the integration between the products of the local gas liquefaction plant and the petrochemical industry, KNPC is currently conducting a feasibility study to enhance its supplies of ethane gas into the Olefins IV project with the aim of achieving added value by converting the gas into chemical products with high financial returns.

Meanwhile, the petrochemical complex project integrated with the Duqm Refinery aims to produce 1.437 million tons annually of the main intermediate petrochemical products and 260 thousand tons annually of subsequent downstream products. The complex was scheduled to operate in 2025, but the project was re-evaluated and a project development agreement was signed between the Omani Company (OQ), Saudi SABIC and Q8 on December 28, 2022. The first phase of the agreement work is expected to be completed at the end of December 2023, which includes preparing an updated feasibility study for the project, studying market requirements, updating the total budget required for preliminary engineering design work, as well as updating the project timetable.



International Marketing

KPC strives to promote geographical expansion and diversification to ensure safe markets for marketing its oils and petroleum products in order to achieve the highest financial returns.

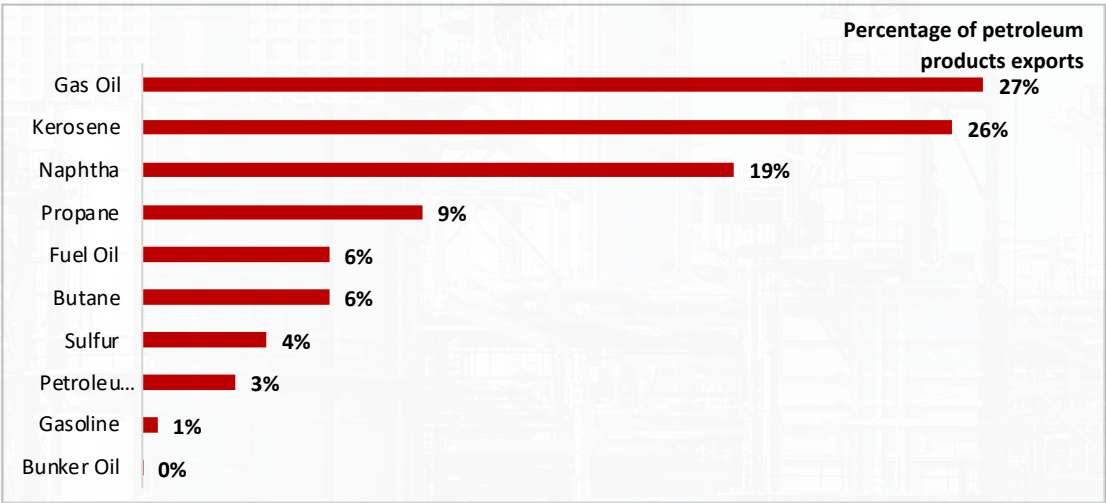
KPC's Global Marketing sector markets crude oil, petroleum products and Kuwaiti liquefied gas by creating diversified, stable, long-term and commercially-viable global markets, aiming to achieve the maximum possible return for the State of Kuwait. Sales are conducted through long-term contracts with the highest percentage of commitment to acquire and maintain a marketing share with the remainder of sales being disposed of through spot or short-term contracts.

Kuwaiti Oils Marketing

KPC is keen to market various types of Kuwaiti oils by increasing the quantities supplied through current contracts with its customers and tapping into new global markets to market Kuwaiti oils.



It is worth mentioning that KPC's exports of Eocene crude oil increased by 86% and exports of Khafji crude oil increased by 17% compared to last year due to increased production in the Divided Zone.



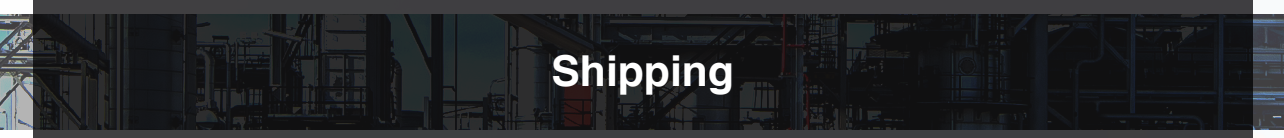
Gas and Petroleum Products

In light of KPC's increased production of petroleum products after operating the clean fuel project and the Al-Zour refinery, new contracts have been concluded with new customers for both diesel and jet fuel. On another hand, KPC has made great efforts to maintain all long-term annual naphtha contracts, renew them at competitive prices, and conclude new contracts despite fluctuations in global demand in the petrochemical market. Moreover, it succeeded in selling the first naphtha shipment produced from Al-Zour refinery at a competitive price that exceeds the spot market by more than (8) US dollars per metric ton.

It should be noted that with the operation of the Al-Zour refinery, one of whose products is low-sulfur fuel oil, the first shipments of low-sulfur fuel oil from Al-Zour Port began to be safely exported in November 2022. Exported quantities amounted to approximately 1.6 million metric tons, and were sold through spot and quarterly contracts. KPC was able to reach an agreement with the local company (PCIC) to reduce and cancel contractual shipments from November 2022 to February 2023, to be sold in global markets at a value higher than the value of selling quantities to (PCIC), with total profits amounting to 18,782,859.48 US dollars. KPC was also able to reduce the quantities sold of liquefied petroleum gas in the spot market by increasing the annual contractual quantities with its customers in order to avoid price fluctuations in the spot market.

In order to enhance the sale of Kuwaiti petroleum products in European markets, KPC is keen to increase the volume of shipments of middle distillates to European markets with the aim of increasing its market share in the European market. Given that diesel products, which meet the new European specifications, were marketed through spot sales and long-term contracts. From another side, KPC was able to save an amount estimated at approximately 600 million US dollars, through negotiation and agreement with (Shell) to reschedule 4 shipments of liquefied natural gas, which were delivered ahead in November and December 2022 instead of July - September 2023. This has enabled KPC to avoid purchasing liquefied natural gas cargoes at very high prices from the spot market during January and February 2023 to meet the needs of the local market.





KPC owns a marine fleet to meet its marketing needs and long-term strategic cover needs.

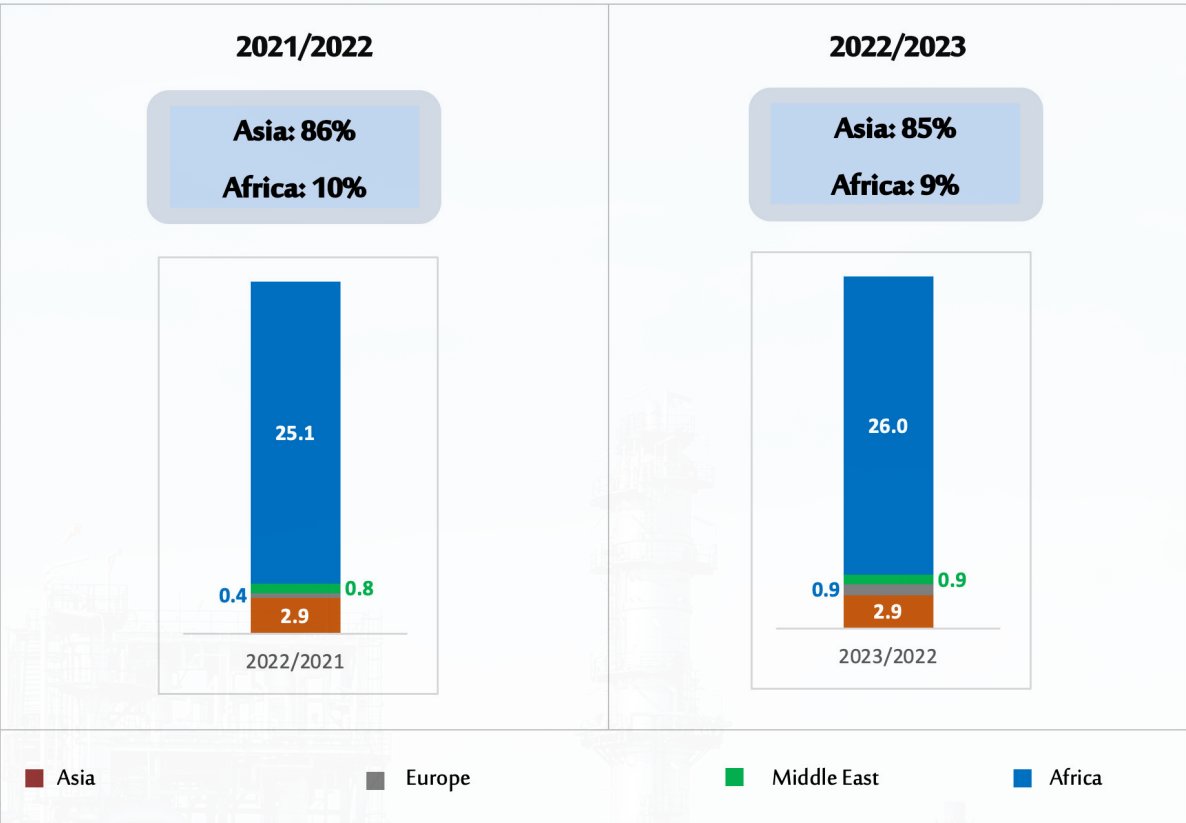
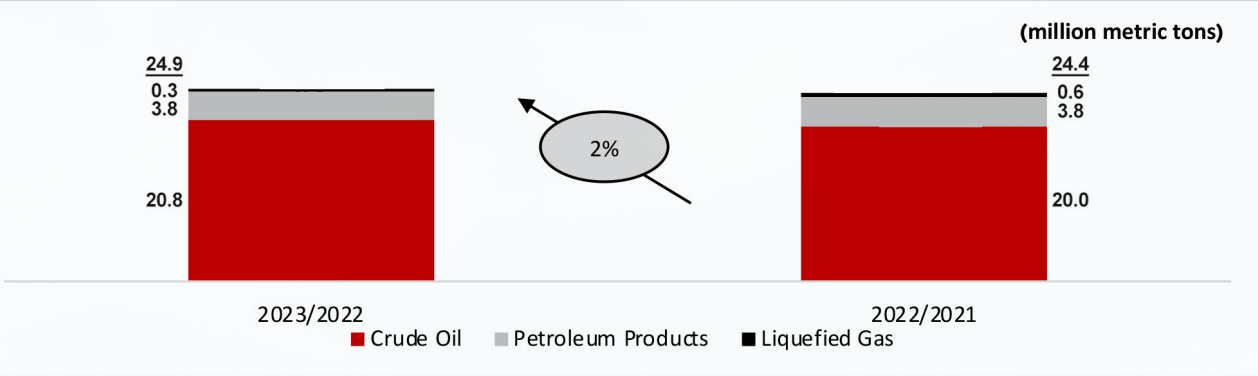
KPC, through the Kuwait Oil Tanker Company (a subsidiary), manages a marine fleet consisting of thirty-one tankers to transport crude oil, petroleum products and liquefied gas to its clients and customers. It is made up of eleven giant crude oil tankers, fifteen petroleum product tankers of various sizes, and five giant liquefied gas tankers, with a total tonnage of about 4.64 million metric tons. It should also be noted that the tankers are operated in an optimal manner, including the operation of tankers surpass strategic and/or marketing needs on a commercial basis and the sale/exit of unprofitable/high-cost tankers. Accordingly, the company sold the tanker Wafra (LR2 petroleum products tanker) during the fiscal year (2022/2023) because it becomes obsolete.

The company's fleet transported 30.2 million metric tons of crude oil, petroleum products, and liquefied gas during the fiscal year (2022/2023), an increase of 4.6% over last year. The tonnage transported from Kuwait amounted to about 24.95 million metric tons, an increase of 2.3% over last year, and the tanker operating rate this year increased by about 0.1% over last year to reach 98.5%.

In addition, KPC is keen to increase competitiveness in the maritime transport markets by rationing the operating expenses of the Kuwait Oil Tanker Company (KOTC). Accordingly, the company has prepared a study in October 2022 that includes the best practices for rationing operating expenses by studying the position of competitors (Benchmarking). The company has also implemented many initiatives aimed at rationalizing operating expenses, including developing a plan to improve the cost of materials procurement, which aims to increase efficiency in procurement, evaluate the improvement of fuel efficiency so that all tankers are compatible with energy efficiency requirements (EEXI), and review philosophy of periodic maintenance, as the dry-docking plan was extended from two and a half years to five years in accordance with international maritime laws and as applicable in the maritime transport industry.



Quantities transported from the ports of the State of Kuwait



Maritime Agency Branch

The Maritime Agency branch offers a variety of services to oil tankers at different Kuwaiti oil ports for fees charged by the Agency in addition to the value of the services provided. The branch received approximately 1,381 oil tankers, including 151 Kuwaiti tankers and 1,123 non-Kuwaiti tankers during fiscal year (2022/2023).



Local Market Supply

KPC is keen to provide quantities of gaseous and liquid fuels in order to meet the needs of the Ministry of Electricity, Water and Renewable Energy (MEW).

KPC prepares studies on energy supply and demand at the national level in coordination with the Subsidiaries and concerned authorities (such as MEW) on an annual basis in order to estimate the quantities needed by the State, including the oil sector of energy, and thus prepares an appropriate supply plan in order to satisfy all needs, provided that a mixture of various fuels is provided, which is economically and environmentally optimal, while ensuring the provision of a strategic alternative to it. It also works to optimize the use of traditional, alternative, renewable and other energy sources.

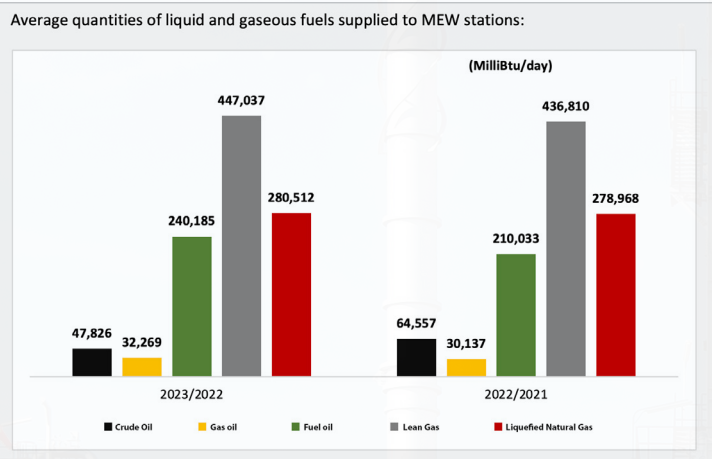
Fuel Supply to MEW

KPC is committed to meeting the needs of MEW of all fuels necessary to operate its gas and steam turbines to generate energy for the State of Kuwait. The Ministry's energy needs in the fiscal year (2022/2023) amounted to about 104,782 billion British thermal units per day, which represents an increase of 3% over the needs of last year.

KPC periodically negotiates with LNG suppliers in order to conclude long-term contracts regarding importing it in an effort to cover local needs at the lowest possible cost. LNG is received at the permanent LNG import facilities in the Al-Zour region, which include (8) storage tanks, that are considered the largest in the world, in addition to two berths to receive LNG tankers.

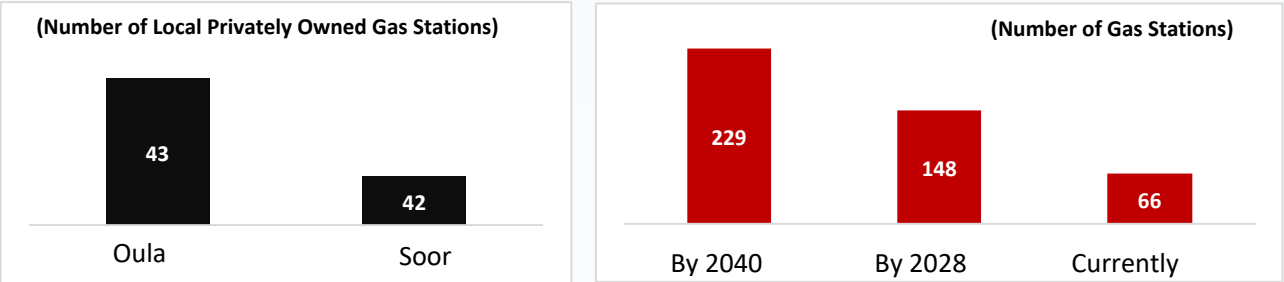
Activities of Gas Cylinder Filling Plants

The production rate of two LPG cylinder filling plants in (Shuaiba and Umm Al-Aish) amounted 16.506 million cylinders of different sizes for the fiscal year (2022/2023), while the distribution rate of gas cylinders used in homes (12 kg) amounted 15.610 million cylinders.

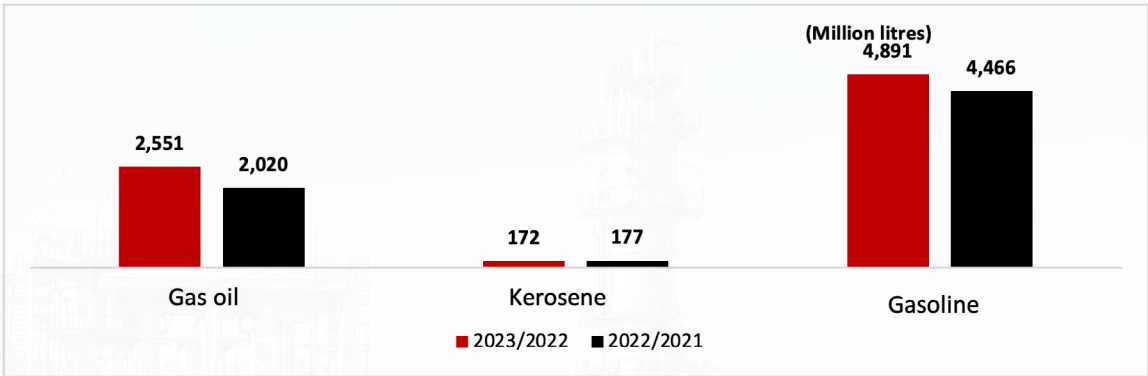


New Local Retail Stations

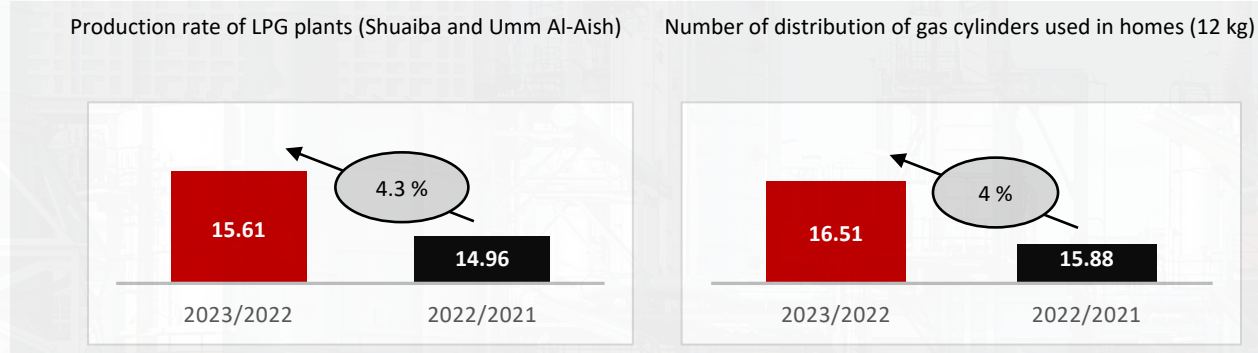
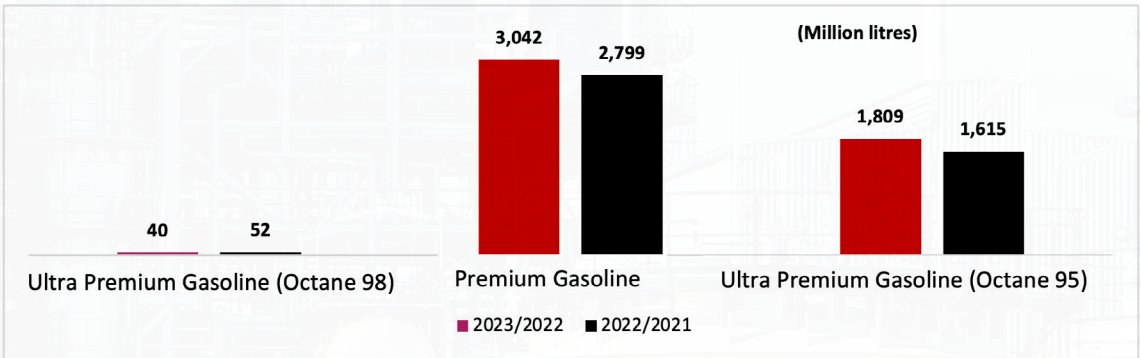
In order to achieve the strategic goal of providing retail stations in line with local needs, KPC is working through its subsidiary, the Kuwait National Petroleum Company, to build 181 additional fuel filling stations until 2040. Such stations will be built in several phases, including nine groups. The construction of 100 new stations until 2028 will be carried out in five groups. It should be noted that the new fuel filling stations use advanced technology to produce electrical energy using alternative and renewable energy sources, noting that 18 retail/ fuel filling stations have been operated within the first group. Accordingly, the total number of fuel filling stations reached 66 stations (61 permanent stations and the remaining five are mobile).



With regard to the quantities of products sold in the local market, the sales of the local market for the fiscal year (2022/2023) increased in general from the previous fiscal year. The following data indicates the details of local marketing sales during the fiscal year (2022/2023) compared to the fiscal year (2021/2022):

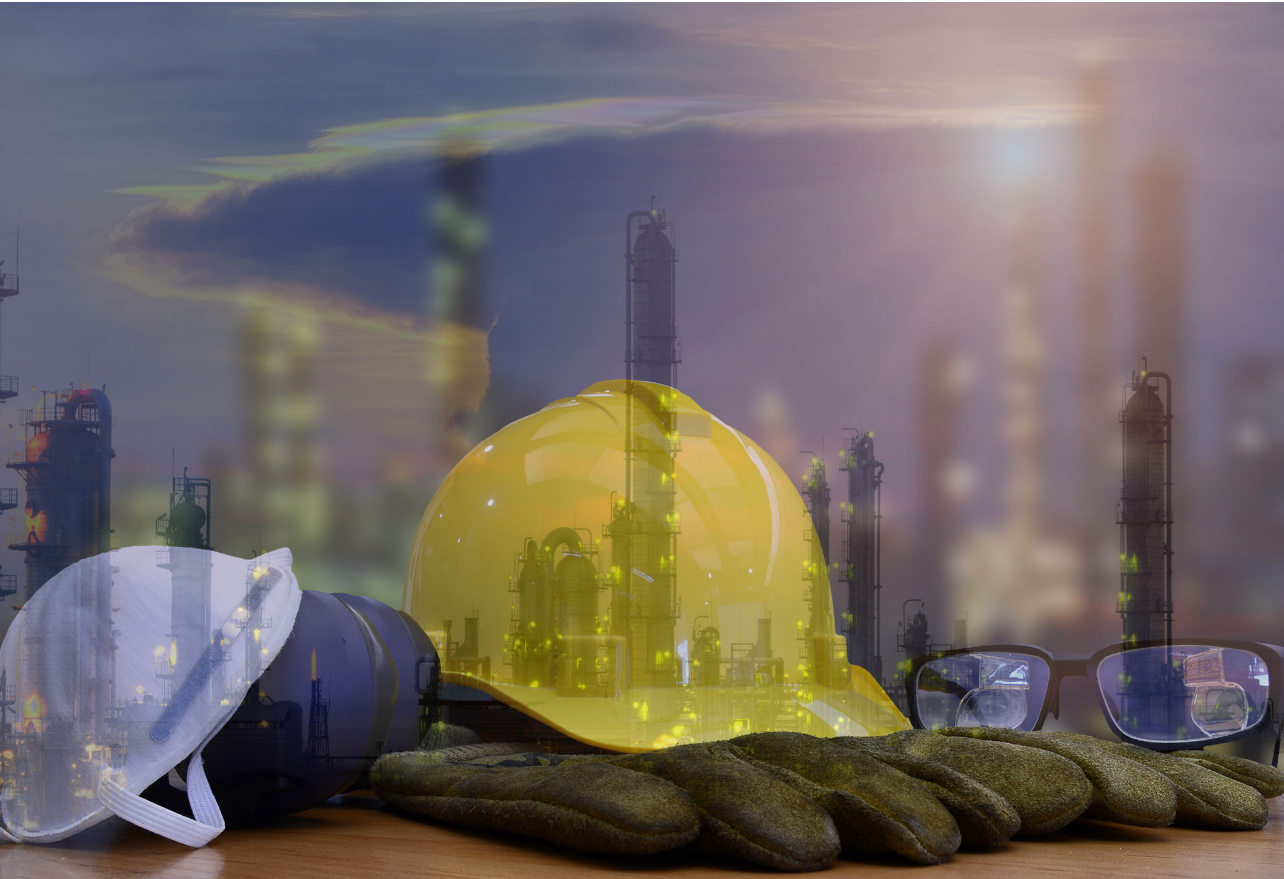


The following data also indicates the details of vehicle fuel sales made in the local market of all three types across local retail stations during the fiscal year (2022/2023) compared to sales made during the previous year. The total sales increased from 4,466 million liters in the previous fiscal year to 4,891 million liters in the current fiscal year (i.e 10%):



Health, Safety, Security and Environment

KPC is keen to develop health, safety, security and environment (HSSE) strategies and plans for its subsidiaries and follow up their implementation in order to ensure safe and effective operations.

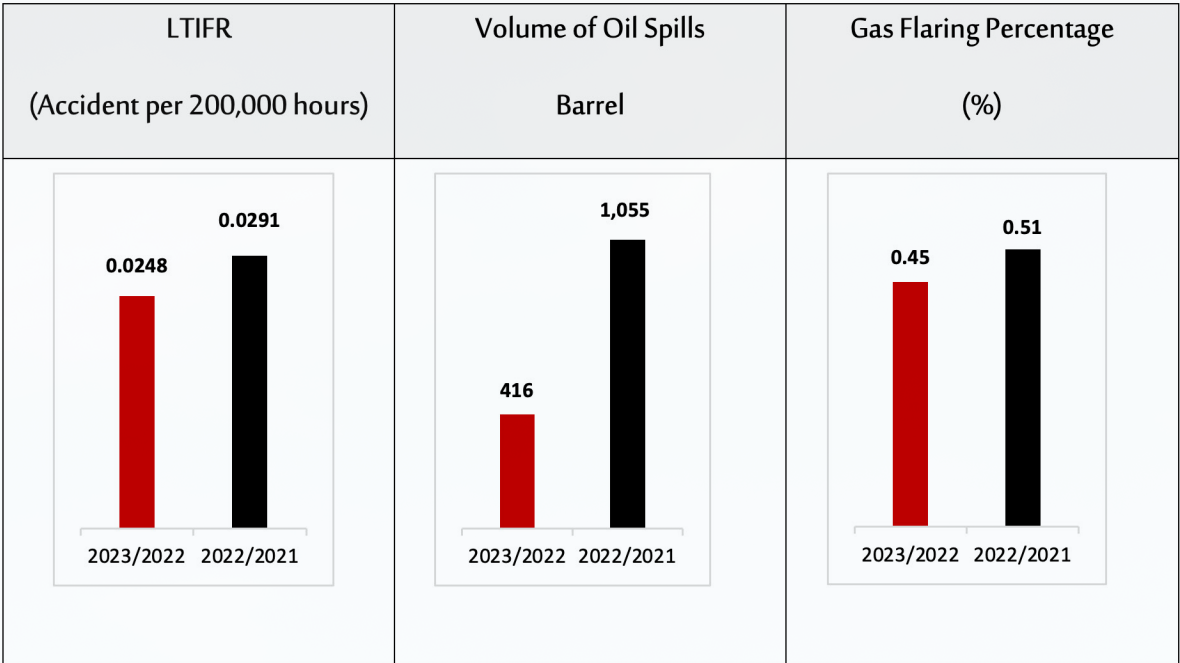


It also takes the initiative to develop and apply effective HSSE management systems to provide a healthy work environment for its employees, which enables to improve work productivity. In addition, It develops HSSE policies and process by auditing and reviewing the application of these policies and process on an on-going basis.

Accordingly, KPC's Subsidiaries have launched an action plan for spreading the culture of HSSE. This plan has been implemented in each of KPC's Subsidiaries separately and work is currently underway to prepare the standard final evaluation at the level of the oil sector.

As for the rate of accidents and injuries during operations, KPC continued its efforts to reduce lost time injury frequency rate (LTIFR), so that the rate decreased by 14.8% compared to last year.

It is worth mentioning that for the second year in a row, KOC has succeeded in setting a new record of reducing the rates of burning natural gas in the company's operations inside the country to 0.45%, which represents a decrease of 11.8% compared to last year. This reflects the KPC's keenness and commitment to the environment by reducing emissions from gas flaring in line with global climate change issues. Such an achievement enhances Kuwait's leading position at the forefront of major oil and gas producing countries.



*Reflects KNPC and KIPIC data up to Q4 FY22/2023 and KOC data up to Q3 FY22/2023.

On the other hand, KPC is working to develop an effective plan to ensure the provision of a qualified and motivated workforce in all areas of health, safety, security and environment, with a focus on the management of greenhouse gas emissions and international negotiations. The plan was developed and its implementation rate carried out by the KPC's subsidiaries mounted approximately 64% by the end of the fourth quarter of the fiscal year (2022/2023).

Health

KPC continued to hold lectures and medical campaigns including topics of common diseases such as diabetes, cancer and bad habits such as smoking, etc. in order to increase the health awareness of employees, help individuals solve the health problems they suffer, and establish sound health behaviour for the purpose of improving the level of health at the level of individuals and communities. It is worth noting that Ahmadi Hospital continues to enhance its leading position as one of the most prominent and modern medical facilities, with the aim of providing the highest levels of various medical services to those who work in the sector as well as their families. In this context, the hospital has established many specialized departments and provided them with the best equipment in addition to attracting the highest competencies of the medical and nursing staff.

Security and Firefighting

As a commitment to strictly comply with the security, health, safety and environment controls and requirements, KPC has started training 15 firefighters through the "Certified Firefighters" training program as of February 12, 2023 at the Main Support and Emergency Operations Center (MSEOC) in line with the requirements of the National Fire Protection Association (NFPA). The total duration of this course is 28 weeks.

under the auspices of His Highness the Prime Minister Sheikh Ahmad Nawaf Al-Ahmad Al-Sabah, and in the presence of the First Deputy Prime Minister, Minister of Interior and Acting Minister of Defence Sheikh Talal Khalid Al-Ahmad Al-Sabah, KNPC also participated among 33 military, civil and oil entities in the activities of the "Shamel 8" exercise, which was carried out by the General Fire Force in Arifjan. The exercise, which is held annually, aims to enhance cooperation and concerted efforts of state institutions dealing with various accidents, whether land or sea, and to increase the level of their readiness to support each other by conducting a unified exercise with a scenario that simulates the reality of the actual experiences witnessed by the country in past years in order to deal with any emergency and avoid any human or material losses.

Environment

KPC is closely following the implementation of its Greenhouse Gas Emissions Management Strategy and Roadmap. The Greenhouse Gas Emissions Monitoring Platform is currently being developed by KPC's subsidiaries and a unified mechanism is being defined to improve the accuracy of measuring greenhouse gas emissions. Within the same framework, KPC is continuously coordinating with the Environment Public Authority to achieve KPC's commitment towards managing greenhouse gas emissions. It is also worthy to note that an integrated platform has been established containing the oil sector's emissions resulting from its operations outside and inside the State of Kuwait.

In addition, KPI succeeded in completing the study on converting waste from paper industries to sustainable jet fuel with the support of the Dutch Government and starting a project implemented by a consortium of research companies with the support of the Dutch Government for converting lignin to jet fuel. KPI for Aviation Fuel Supply and Research and Technology Center joined the Low Carbon Renewable Fuel Alliance, which is an initiative of the European Commission to develop the production chain for renewable fuel for aircraft and ship fuel.

Based on KPC's keenness to protect the environment, the tankers of the KOTC Tanker sailed during the fiscal year (2022/2023) for more than 2,497,215 nautical miles with high efficiency, including 603 ports around the world without any marine pollution incidents. No harmful hydrocarbon emissions were detected from the company's tankers during the loading and unloading of goods, noting that the company's fleet is fully compliant through its operations with the requirements of the International Safety Law (ISM), and the international standards of quality (according to the different ISO requirements).

KIPIC also responded to a report from the Environment Public Authority of an oil spill of unknown origin in August 2022 in Sabah Al-Ahmad Marine Area by preparing an oil spill control plan with the Integrated Oil Spill Services Contractor and starting cleaning operations on 6/8/2022. In those operations, contaminated waste was collected and disposed of safely after the completion of cleaning operations and an additional field survey of nearby beaches to ensure that they are free of oil spills.

In addition, the Petrochemical Industry Company has succeeded in achieving (9.5) million working hours without recording any lost time accidents. In addition, no environmental accidents have been recorded against the company since 2012 until the current year (2022/2023). All periodic maintenance operations have been carried out without recording any industrial accident.

Through a constructive collaboration between KOC and KNPC, the two Eocene oil pipelines (16"and 12") have been cleaned and inspected and the pipeline inspection process was successfully carried out. A crude oil quantity equivalent to 26,872 barrels was discharged and the pipeline was safely maintained under nitrogen pressure.

International Awards in the Field of HSSE

KPC manages its operations taking into account the global and local HSSE conditions. In this regard, the successes at KNPC have continued. For the first time, Mina Abdullah Refinery received the highest honourable recognition by the Royal Society for the Prevention of Accidents (ROSPA) in 2022, which is granted to companies that maintain a rank of excellence for safety for 18 continuous years. The headquarters of KNPC received the International Safety Award with Distinction. Mina Al-Ahmadi and Mina Abdullah Refineries, Local Marketing and Project Management in the company received the International Safety Award deserved by the British Safety Council (BSC) for the year 2022. In addition, the company's headquarters and the local marketing received the Gold Award from the ROSPA for the year 2022, for the seventh year in a row while the company's project management received the same award for the year 2022. The company also received ROSPA President Award for the year 2022 after receiving the Gold Award from ROSPA for 11 years respectively since 2009.

The company has also received the Merit Award and the International Safety Award with Distinction from the British Safety Council for the year 2022. Moreover, the company has received the ROSPA Gold Fleet Safety Award for the year 2022 for its outstanding performance in managing occupational risks of roads. In addition, the company has received this award for 5 consecutive years since 2018.

KPI was also awarded the 12th consecutive ROSPA Award for Health and Safety Performance during the period from 1 January to 31 December 2022.

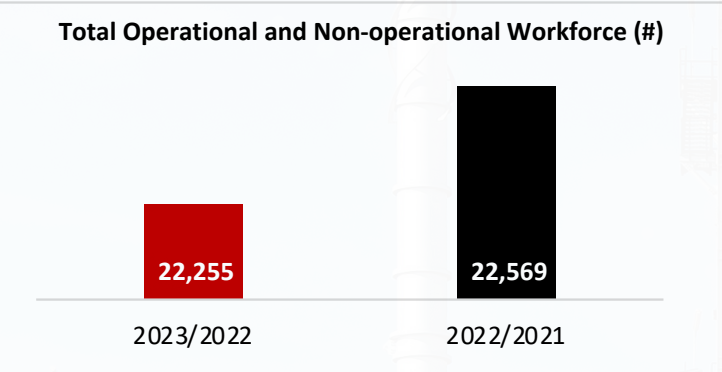




KPC invests in increasing the efficiency of employees through cooperation with the competent academic authorities and is keen to retain qualified employees by establishing an attractive incentive system.

The human resources sector in KPC seeks to enhance the role of the human element because it is the most important element that contributes to achieving the desired goals for all its sectors. KPC considers the human element as a partner for its activities. Accordingly, investment in the human element is carried out by training the employees of the oil sector in line with the capabilities and skills required to implement important strategic projects for the oil sector in the country. In fact, investment in national cadres is considered the real investment in human capital.

The percentage of Kuwaitis in the workforce in the oil sector reached approximately 90% of the non-work force of Ahmadi Hospital until February 2023. The total number of operational/ non-operational workforce reached (22,255) employees, noting that there is no non-operational workforce since the beginning of the fiscal year (2022/2023). All employees in the oil sector are considered operational, and the total number of those who are employed (Kuwaiti/ non-Kuwaiti) reached (257) employees, including (240) Kuwaitis and (17) non-Kuwaitis, while the total number of Kuwaitis appointed to contractors contracts reached (5,591) until December 2022.



The vision, mission and values of the KPC in human resources practices and procedures are contiguously embedded for the purpose of enhancing the culture of performance and job engagement by including values (K-Values) in the annual incentive programs for leaders and managers (SMAIP/MAIP) as well as continuous work to consolidate the values of KPC in its various business and operations in order to enhance overall performance and employee participation, in addition to launching "Culture and Behavior" questionnaires with the aim of measuring the extent of awareness and commitment to values. Four questionnaires related to four of the K-values have been completed and work is underway to prepare the action plan to be applied in the oil sector.

In the context of KPC's interest to train the human element and invest in its professional capabilities, the updated policy of the support system for employees who enroll in postgraduate studies programs inside the State of Kuwait has been adopted by the Board of Directors of KPC. The system has been circulated to all parties concerned with the application and follow-up to work on it. The leadership training program plan has been also approved for the period from July 2023 to March 2024. It is worthy to note that the automated systems supporting training have been developed by launching the automated system to request additional training needs from oil companies for training programs on the annual plan and linking the Unified Education Management System (ULMS) with the electronic messaging system.

From this standpoint, KPC has strived to increase human skills and energies, provide an attractive work environment for them and work to achieve the highest levels of job satisfaction among its employees by continuous implementation of many initiatives to develop and train its employees using various training tools such as direct training programs, self-education, distance learning, and on-the-job training, the most important of which are the following:

KOC provided an opportunity for Kuwaiti students enrolled in the College of Nursing to enroll in a training program that provides students graduate successfully to be employed at Ahmadi Hospital, where training contracts were signed with 40 students of diploma and bachelor degrees holder. It has also provided a marine scholarship program for high school graduates to study maritime disciplines (marine engineering/marine navigation) in the United Kingdom, with the purpose of attracting and supporting Kuwaiti youth and enhancing their capabilities in order to cover the shortage of workforce in this discipline. They will be offered jobs in the KOC upon their successful graduation.

As part of Kuwait Foreign Petroleum Exploration Company's (KUFPEC) endeavors and efforts to participate in the exchange of experiences and provide secondment opportunities in its overseas offices and with its international partners with the aim of providing employees of the local exploration and production sector with more practical experiences, developing their technical competencies and skills and providing international technical applications and practices, the company offered 13 secondment opportunities to the local production and exploration sector to work in its overseas offices in 2022. It also provided nine technical lectures to the local exploration and production sector focusing on the nature of KUFPEC's assets and the technical applications used in them to choose the most appropriate ones to address similar technical challenges in the local sector. In addition, 24 employees of the company were assigned to work in the company's overseas offices in order to develop their technical and administrative skills and gain practical experience.

With regard to KNPC, 60 employees of Senior Engineers/Supervisors completed the induction program during the months of October and November 2022, which was held at the Ahmed Al Jaber Oil & Gas Exhibition. The induction program for Senior Engineers/Supervisors is part of the overall integration of employees in the company. This program is designed to target newly promoted Senior Engineers/Supervisors, which helps them to develop their skills and competencies and adapt to their work environment and positions.

It is worth mentioning that the official opening of the training center at KIPIC (KIPIC Academy) took place on October 11, 2022. The total training programs held at the training center reached (483 courses) including (6190) trainee from various technical groups, which include intensive courses for refinery operators in operations, qualification courses on the use of the asset performance management system (PSM) and training courses in the field of health, safety, security and environment for the company's employees and contractors, in addition to some introductory courses for employees of Kuwaitization contracts and technical courses to qualify technical employees. Furthermore, 580 field operators in the Operations Team were qualified for uptime by holding 26 training courses.

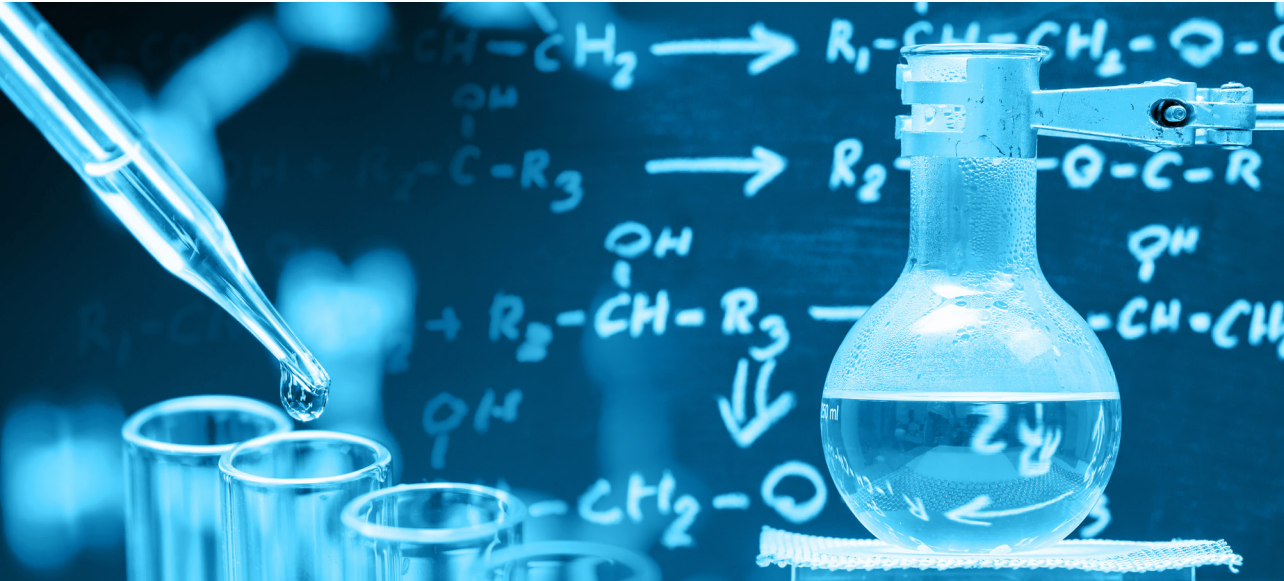
In its efforts to develop its employees, KPI, in cooperation with its joint venture (OQ8), has trained and developed 12 Kuwaiti employees directly assigned to the Oman project. It has also conducted an online talent assessment with the partner consulting company YSC for the company's team leaders and started individual training sessions. To maintain operational efficiency, PIC has qualified and trained 23 polypropylene plant operators and 8 polypropylene plant engineers. It has also implemented a staff training program through local and international partnership companies to exchange experiences and develop human resources. 3 employees were sent to SK picglobal in South Korea. This program and approach will continue to be applied under an approved mechanism to develop the largest number of employees and ensure their involvement in all participating companies.

To improve the level of employees, PIC organized a training workshop in Boubyan Club for three days, where specialists from Microsoft provided training for employees on the applications of (Team), (Power BI) and (Forms). It also qualified a number of employees in the company and the oil sector on the Lean Six Sigma methodology in order to obtain the Green Belt Certificate.

At another level, KOTC was awarded the (Maritime Education and Training) Award for the year 2022 in the Middle East and the Indian Subcontinent region awarded by the International Maritime Organization.

Research and Development

KPC is keen to develop research, development and technology capabilities to achieve the desired goals of all sectors and operations.



KPC aims to build a leading research and development center specialized in applied scientific research and studies related to the field of exploration and production, which will contribute to overcoming the key challenges that face the oil and gas industry in the State of Kuwait. Major research agreements have been signed with local and international strategic partners to identify the technological challenges in the field of exploration and production.

In this context, a research and technology roadmap for both the exploration and production sector and the refining, manufacturing and retail sector is currently being developed and updated periodically to adopt additional platforms and provide the necessary solutions for the needs of KPC's activities. With regard to cooperation with international research institutes and centers and international oil companies to ensure the implementation of the roadmap for research and technology, several local and international strategic cooperation agreements have been concluded with companies, research institutes and universities (such as: Kuwait University, Kuwait Institute for Scientific Research, IFP Energies Nouvelles (IFPEN), TEES, TNO, etc.) to address technological challenges. Many research projects are currently being implemented through MRAs. Moreover, technical/ research projects are currently being implemented in cooperation with partners in line with the approved cooperation model of KPC's subsidiaries in the refining, manufacturing and retail activity.

Notably, new technologies are continuously evaluated and applied in line with the technical roadmap. The total of number of technology systems adopted in the last three years reached 48, 30 technology systems distributed in KOC and 18 technology systems in KNPC). As for the development of internal procedures and practices for continuous follow-up and learning about the latest developments in technology, many initiatives are implemented by the Subsidiaries in this regard as follows:

- An integrated automated system for innovation and technology is under development at KOC, which will help to identify the technological difficulties associated with each activity and select the viable proposal in this field.
- KNPC's process and practices have been developed in order to keep abreast of developments in technology, identify emerging technologies, and ideas that can be developed to overcome the challenges faced by the company.

Digitalization

KPC increases the efficiency and effectiveness of operational processes through the use of digital technology.



Digital Transformation:

Within the framework of supporting KPC's strategic directions for digital transformation, reaching operational excellence and electronically automating all KPC and Subsidiaries' business, KPC's strategy for digital transformation was approved on July 26, 2022.

In light of KPC's keenness to support operational technology through common infrastructure and standardized policies and process, the development of a governance model and a joint roadmap for support, cooperation and integration between information technology and operational technology has been completed. Accordingly, a roadmap has been defined for both KOC and KNPC in relation to operational technology support. In addition KOC process automation has been completed as well as several processes in KNPC.

In the same context, a change management team has been formed for each set of strategic initiatives to support the transformation process in process automation. Teams work to identify the required updates to existing operations on an ongoing basis and determine how to manage them through the implementation of the strategic initiatives.

In order to keep pace with the rapid developments witnessed by the world in digital transformation technologies, virtual workshops were organized with the participation of specialists in KPC and Subsidiaries, including:

- A workshop on the importance of digital transformation in predicting the maintenance of machines and equipment, in cooperation with the Gulf Business Machines (GBM) and their strategic partner, the French company (ASYSTOM).
- Workshop on Honeywell's strategy for digital transformation in the digital oil industry operations combined with cybersecurity, advanced data analytics and integration in different operations.

KPC and Subsidiaries have also succeeded in achieving several achievements in the field of information technology, the most important of which are the following:

KIPIC has successfully completed the first phase of the National Developers Program, which enables employees to build their own applications and smart dashboards to accelerate digital transformation, productivity and automation. The first phase includes training the company's employees and launching the President's Award for Digital Transformation Pioneers. The second phase includes double training and brainstorming with all company departments to extract ideas and apply them to serve the departments and accelerate the pace of digital transformation. The first phase of the initiative to digitize the recruitment process and leave the job was completed in cooperation with Microsoft, which seeks to fully automate and digitize the life cycle of employees joining and leaving the company smoothly and ensure a distinctive experience for employees. The first phase included data collection and finding gaps in addition to brainstorming with the concerned departments. It was followed by the second phase, which includes drawing up a roadmap for results, and then the third phase, which includes identifying priorities and implementation.

In the same context and to move towards digital transformation, the Gas Operations Department at Mina Al-Ahmadi Refinery launched the electronic operations portal and the programs it contains, the most important of which is the electronic operations record program. It should be noted that the completion of the smart operations portal will bring about the full automation of the refinery. This will be reflected in greater productivity and profitability for KPC by saving time, effort and expenses. PIC has also developed the detailed plan for the first phase of the digital strategy and participated in the preliminary study to standardize the ERP platform.

As part of the efforts to search for creative solutions to improve operation performance and overcome operational challenges, some engineers selected from KNPC with certified certificates in Fusion 360 3D printing application have developed (12) 3D models using their experience gained from the training program. These models will be printed and manufactured using 3D printing machines for plastic materials. This will contribute to building skills among engineers and help them to find innovative solutions to overcome challenges in refineries.

KOC has also successfully implemented new technology by recording readings electronically through Dill-Pipe Logging for the first time in the Jurassic fields rather than traditional methods, which eliminates several obstacles in Highly Deviated Wells.

In light of the contribution to the development of production improvement solutions in KOC, the well liner patch inside a narrow-diameter production liner in Al-Abdali well (No. 41) have been successful installed for the first time in Kuwait and the Middle East. 3 patches were installed for the production liner with a narrow diameter of 4.5 inches in order to insulate and prevent the infiltration of water adjacent to the production layers and obtain the largest amount of crude oil, which resulted in avoidance of the high costs of repeated cement insulation operations in the production liner. This achievement also contributed to avoiding the work project of a side well derived from the main well and saving the budget allocated thereto, which is estimated at about 1 million Kuwaiti dinars.

Moreover, the company has successfully installed the first non-maintenance tower pump in a double well at the company and world levels using the "Pilot Rigless ESP on Dual String" technology. This successful operation is the key for more successful operations in inclined wells in the future.

At another level, KOTC updated the current Oracle system to the new edition with the activation of the value-added tax (VAT) system and the activation of a new system (Oracle Enterprise Command Centre – ECC) that helps analyze employee data and displays it in an innovative way. It has also installed and activated the server management system (Cisco Intersight) to follow up the operation of servers in primary and secondary data centers so that the information systems team can monitor any malfunctions in the devices and work to address them through a central monitoring and control system.

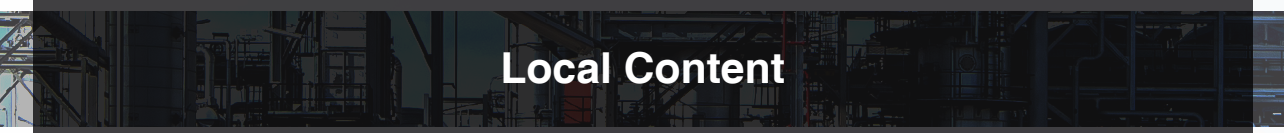
Cyber Security

KPC has started working on the implementation of several cybersecurity initiatives (namely: Threat awareness and security monitoring). Work is underway to appoint the consultant to implement both initiatives in order to protect the sector from electronic piracy attacks, noting that it always seeks to maintain its databases, develop and maintain applications and implement all security measures to protect data.

With regard to KOTC, it has conducted Penetration Testing to assess the security of computer systems by simulating an attack from the outside to identify weaknesses and work to correct them and restructure and upgrade network security systems (Firewall) in order to increase its effectiveness in monitoring and controlling operations in the various networks of the company while improving the level of cybersecurity.

As part of the efforts to develop the infrastructure of PIC, the latest "Application Centric Infrastructure (ACI)" technology has been applied to improve the information network and complete the implementation of the data encryption project, which provides additional protection for the firewall.





KPC seeks to promote local content and provide opportunities for private sector in the oil industry.



KPC is keen to involve the private sector in current and future activities, investments and support services, in addition to creating manufacturing industries that depend on the oil sector's output of oil products to create competitive and sustainable local value. Likewise, it seeks to maximize the share of the local private sector in the spending volume of KPC and Subsidiaries.

Maximizing Local Spending in Oil Sector Operations and Projects

In its efforts to maximize local spending in the supply of materials and services for oil sector activities, KPC has succeeded to increase the share KPC and Subsidiaries' spending on materials/services/projects/etc. of local private sector (local suppliers and contractors) to 43.5% in the fiscal year (2022/2023).

KPC and Subsidiaries also create industrial opportunities for the local private sector to provide manufactured materials to the oil sector by expanding existing plants and/or establishing new ones within the State of Kuwait, as well as developing and increasing the scope of services provided by local service providers to the oil sector. Accordingly, KPC, in cooperation with the Public Authority for Industry, identified 10 investment opportunities for materials and services to be announced through the Public Authority for Industry.

Involvement of the Private Sector in Existing or Future Support Activities in the Oil Sector

KPC is working to facilitate the provision of suitable land for the local private sector to establish new plants related to the oil sector business. The approval of the Board of Directors of KPC was obtained to start a detailed feasibility study for the Oil Industry Zone. The Oil Industry Zone aims to expand the local production base in industries and services related to the oil sector, maximize the participation of the private sector in the local economy, and create job opportunities for Kuwaitis, in addition to meeting the needs of the local oil industry of materials and services as quickly as possible at a lower cost and high quality.

Providing the Appropriate Feedstock from the Outputs of the Oil Sector's Operations of Oil Products to be Exploited by the Private Sector in Creating Manufacturing Industries

On the other hand, the implementation of approved investment opportunities within the local content program is in progress. A set of industrial opportunities have been studied and presented to local investors to enhance the participation of the private sector in the Kuwaiti oil industry. KPC plays a vital role in providing the appropriate value from the outputs of its operations to the local private sector to be used in the manufacture of subsequent value-added products that contribute to the development of the national economy. Below is a statement of the progress of the opportunities that have been presented or announced:

Project for Converting Spent Catalysts into Metals: - Auction was released on December 27, 2022. - Awaiting receipt of auction bids in June 2023.	Malik Anhydride Industry Opportunity: - Expressions of interest for the opportunity were announced in the official gazette "Kuwait Today". 3 expressions of interest were received in September 2022. - The action plan is currently being implemented to move forward with the opportunity as per the approved timeframe.	Opportunities for Sulphur Industries: The action plan is currently being implemented to move forward with the opportunities as per the approved timeframe.
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KPC also announced 10 investment opportunities (materials and services) through the Public Authority for Industry.

Creating Job Opportunities for National Workforce

KPC and Subsidiaries support local content through the development of the national workforce by creating direct and indirect job opportunities for Kuwaitis in the local private sector as well as developing their capabilities and expertise while working in the private sector working with KPC and Subsidiaries.

Role of the Oil Sector in Supporting and Empowering (Entrepreneurs) Owners of Small and Medium Enterprises

KPC and Subsidiaries continue to facilitate the procedures for engaging and attracting owners of small and medium enterprises in oil sector projects through the electronic system (Bader Platform) under easy terms to qualify small and medium enterprises to participate in oil sector tenders.

As part of the Foundation's efforts to develop the participation of the private sector in the expansion of retail stations and ancillary activities, the involvement of the private sector (entrepreneurs) in the activities of retail stations and future stations is currently under study.

Internal Audit

KPC emphasizes the implementation of audit and follow-up programs and plans to ensure adherence to internal and external standards.

KPC performs an objective and independent control and advisory activity with the aim of adding value and increasing and developing the efficiency of its business to help it achieve its operational and strategic objectives. It is keen to strengthen governance by evaluating internal control systems, evaluating the effectiveness of risk management systems and recommending the necessary improvements to the regulatory environment. Accordingly, the Central Auditing Organization issued 98 reports on the operational operations of KPC and Subsidiaries. These reports included multiple recommendations amounting to 819 recommendations that led to the following:

- Enhancing the efficiency, performance and effectiveness of internal control systems.
- Developing the process and systems applicable in many sectors of KPC and Subsidiaries.
- Making financial savings.

The rotation policy of the corporate internal audit rotation plan, approved by the Audit and Risk Committee of the Board of Directors, has also been implemented and a three-year plan has been developed. The plan aims to provide an opportunity for as many auditors as possible to transfer expertise and skills (each according to his work location and position), in a way that leads to the development of employee performance.

In completion of the Internal Audit Organization's plan to review and evaluate the governance of information technology in the oil sector, a number of integrated audit tasks have been carried out, which aim to:

- Better management of IT to improve the quality of services provided.
- Achieving greater alignment between IT and organizational strategic plans.
- Optimal use of IT resources in subsidiaries.

In order to gain technical skills and add value from the audit, the tasks of auditing the operational processes were carried out in cooperation and in conjunction with those with technical and operational expertise in the subsidiaries (Guest Auditor).

Moreover, in pursuit of its objectives, KPC is always keen to cooperate effectively with the Audit Bureau because of the importance of its work and its role as an oversight body of the state.

Risk Management

KPC exerts all required efforts to apply risk management means and mechanisms and to increase awareness and knowledge of risk management at the level of KPC and Subsidiaries.

KPC is based on several principles, the most important of which is spreading the culture of risk awareness and including the risk element in the process and operations in all fields of work related to its activities. Accordingly, it continuously develops risk management policies at the level of the oil sector to ensure the effective implementation of the risk management approach in line with its strategic directions and the risk tolerance system set by the Board of Directors. This approach is applied using Enterprise Risk Management Frameworks (ERM Framework). It is also keen to prepare periodic and quarterly reports for the CEO and Managing Directors of KPC, Subsidiaries and KPC's Board of Directors on the status and level of risk in KPC and Subsidiaries. On the other hand, in light of the imminent activation of the tax systems in the State of Kuwait, KPC succeeded to adopt a Tax Risk Register for KPC and Subsidiaries to effectively manage tax risks and collect them in one platform. It is worth mentioning that Mina Abdullah and Mina Al-Ahmadi refineries have succeeded to achieve the highest average points in their history in risk management of 95.55 points and 96.20 points, respectively, within the framework of a field survey on risk engineering conducted by a group of well-known international insurance companies, which contributed to their obtaining an advanced global ranking with the quality of risk engineering in the global energy and refining industry categories, according to the study conducted by Marsh International Company to measure and compare the level of quality of risk engineering and loss prevention. Both refineries achieved a leading position in the highest quarter of competition when compared with more than 1,400 major energy and refining facilities around the world. This achievement of both refineries of this rate is a new achievement added to their record in this important and vital aspect. This progress reflects the accuracy of the goals and the effectiveness of the plans developed by the refiners to reduce risks of various types, which the company's individuals or assets may be exposed to. It also indicates the excellence and efficiency of the refinery's employees.

Spreading the Culture of Risk Awareness

The level of awareness of risk management has been improved through the preparation and application of training curricula to spread the culture of risk management, the holding of periodic conferences in the oil sector and through external means of communication with the participation of the leaders of KPC and Subsidiaries, and the keenness to present topics related to risk management in the periodic meetings of boards of directors and leaders. The first risk management awareness campaign for KPC employees was conducted in October 2022, at which awareness messages on best practices in risk management were spread. The second risk management awareness campaign was conducted in February 2023. In addition, two workshops entitled (Global Risks) and (ERM Journey) were organized in cooperation with Kuwait University with the aim of increasing awareness of the risk culture in KPC. In the same context, KOC hosted an event titled "Shaping the Future of Risk Management" as part of the (Speak ERM) program for KPC and subsidiaries on 12 March 2023.

In the field of training, training courses (remote learning) were held for the levels of employees with grades of (17-16) with a participation rate of about 88%, and a participation rate of about 71% for the levels of employees with grades of (15 and below). Training programs were implemented to obtain professional certificates in the field of oil and gas industry dedicated to risk management in cooperation with specialized organizations in this regard. 16 employees of KPC and Subsidiaries received professional certificates for risk management, and more specialists in this field will continue to be qualified. 8 tests were conducted for all employees of KPC to measure risk awareness, with the aim of spreading the culture of risk awareness among employees during the period from August 2022 to February 2023.

Social Responsibility

KPC continues to implement its objectives and highlight its image through many campaigns and events that devote its commitment to local community institutions.

KPC pays great interest to social responsibility because it is directly relevant to supporting the growth of Kuwaiti society and advancing sustainable development. This interest comes from the importance of the concept of social responsibility as a means of developing societies in various aspects, including educational aspects, social aspects, health aspects, cultural aspects, etc.

In light of this interest in social responsibility, the Care and Donations Committee has been reconstituted in addition to establishing a technical committee to develop the current work of the Committee and ensure that the work of social responsibility is carried out to the fullest extent possible.

KPC and Subsidiaries have adopted several initiatives/projects that support sustainable development in the country in order to continue to play its leading role in providing community contributions. It worked on implementing and supervising the central training program for (300) persons assigned to national military service at the site of the National Military Service Authority. With the aim helping entities develop innovative services and activities, KGOCC has also provided a number of donation and support contributions to some official bodies and ministries within the State of Kuwait. These contributions included donating a number of dialysis devices to the Ministry of Health as well as providing support to the Environment Public Authority for the development of the Jahra Natural Reserve. The contributions also included providing support to the annual Al Salam Camp program organized by the Ministry of Education, as well as providing support to the Kuwaiti diving team.

At another level, KNPC took part in the work of the First National Urban Forum of Kuwait under the slogan (Partners in Sustainable Urban Development), which was organized by the United Nations Human Settlements Program (UN-Habitat) in cooperation with the Supreme Council for Planning and Development, which aims to demonstrate the progress of the State of Kuwait in the implementation of the sustainable development goals and focus on the work carried out by the State of Kuwait in the new urban plan. A presentation was made on the company's policy in the field of sustainability through the environmental fuel project, which applied the highest international requirements in the production of environmentally friendly oil derivatives. An explanation was also provided on the waste treatment unit in the project and the solid waste management system in the company, in addition to water treatment units and how to reuse them, especially in the field of agriculture, as well as green buildings in the company. Representatives of government, private and national entities participated in the forum and made contributions to sustainable development programs. The company also established an interactive pavilion as part of the summer camp activities organized by the Scientific Center at its main headquarters in the Salmiya in order to inform community members about the nature of the work, projects, and tasks it carries out. This pavilion was designated for the category of children with the aim of making them aware of the important and basic aspects related to the oil wealth on which their country's economy is based. In addition, KNPC participated in the "Fourth Loyalty Day" organized by Al-Ahmadi Governorate for people with disabilities and under the slogan "Creativity and Disability", as part of the company's contribution to serving various society segments.

At another level, KIPIC organized an awareness campaign in May 2022 for residents of the Nuwaiseeb and Bnaider to introduce the Al-Zour Complex and the company's projects, in addition to hosting student delegations from Kuwait University in September 2022 and February 2023, as well as visiting the Australian College headquarters in February 2023 for the purpose of introducing students to the company's strategic



projects and their importance to Kuwait. It also organized a campaign to clean Al-Khiran Beach in February 2023 (in which about 156 employees took part). In cooperation with the Central Blood Bank of Kuwait, a blood donation campaign was organized in October 2022 at the company's main headquarters and Al-Zour refinery. Likewise, KPI organized a blood donation campaign in cooperation with the Salhiya Complex Administration and the Central Blood Bank, in which a large number of the company's employees participated with the aim of extending a helping hand to patients in need of blood. In addition, two blood donation campaigns were organized in the KPC's headquarters and Al-Ahmadi Hospital continued to organize blood donation campaigns nationwide. KOC also continued to launch various initiatives and campaigns aimed at spreading and enhancing public awareness in various fields, including health and safety awareness lectures in schools and environmental reform efforts in the areas of operations. It also held many workshops and training courses for various state bodies at all levels and hosted many representatives of various government bodies in its facilities in order to introduce them to the company and the nature of its work. Within a unique initiative, a documentary film was produced to commemorate the brutal Iraqi invasion of the State of Kuwait aimed at shedding light on the events that took place in the city of Al-Ahmadi and the resulting impact of the invasion on the oil sector during that period. The film presented new stories that occurred during the invasion that were not previously documented. It was broadcast on one of the national television stations, marking the first time that a television work of this type produced by the company is broadcast.

In continuation of the annual traditions in Ramadan, KNPC has set up a Ramadan tent near the headquarters in Al-Ahmadi to provide Iftar for more than 1,000 fasting people. KIPIC has also prepared a program to distribute Ramadan meals during April 2022 and March 2023. Also, KPC, in cooperation with LOYAC, distributed the provisions of the holy month of Ramadan to a number of needy families as part of the "Ramadan Gift" program, where more than 110 boxes containing foodstuffs were distributed. In Completion of KPC's efforts in social responsibility, KUFPEC planted 20,000 trees in the Makhad Exploration Sector in Pakistan, donated a number of IT equipment as well as furniture to local educational institutions in Pakistan and donated medical equipment to local communities and clinics in Anambas Island, Indonesia. The office of Malaysia also provided a virtual awareness lecture to Mont'Kiara International School students on the topic of energy and its link to the oil and gas industry. It is worthy to note that the second report on the sustainability of KPC and Subsidiaries was published in January 2023, including the relative importance of the Global Reporting Initiative (GRI), in which KPC takes part with transparency in its non-financial performance with regard to the four dimensions of sustainability, covering workplace, market, society and environment. KPC will continue to grow by integrating sustainability goals into its culture and daily activities.

Environmental, Social and Corporate Governance
(ESG)



KPC started its sustainability journey by developing the energy transformation study in 2022 and defining clear decarbonization and circular economy initiatives and targets.

KPC is keen to include the key dimensions of ESG in its daily operations and activities. It is aware of the need to achieve its strategic objectives in line with the protection of the environment and its natural resources as well as providing growth opportunities for individuals. Focusing on environmental, social and governance practices contributes to ensuring a sustainable future.

Accordingly, KPC has developed its ESG strategy in line with recent global trends to align its business with sustainability goals, as well as to achieve the Kuwait New Vision 2035. Key measures were selected in relation to ESG aspects relevant to KPC based on the results of Gap Analysis and benchmarking with its international and national oil company peers. Thus, implementation of initiatives related to this will start.

It is worth mentioning that the implementation of the Energy Transition Strategy has begun. KPC Energy Transition Strategy2050, which was approved by KPC's Board of Directors in August 2022, has been prepared. In addition, the detailed roadmap for the implementation of the strategy was adopted by KPC's Board of Directors in April 2023. Accordingly, the capital disbursement of projects/initiatives and other resources required to ensure that the strategic objective of the energy transition is achieved in 2050 has been identified. Furthermore, a plan to increase awareness of the KPC's strategy with relevant internal and external parties has been developed and will be completed by March 2023.

Consolidated Financial Statement And Independent Auditor's Report For The Year Ended 31 March 2023



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Independent auditor's report

His Highness Sheikh / Ahmed Nawaf Al-Ahmad Al-Sabah
The Prime Minister and Chairman of the Supreme Council for Petroleum
State of Kuwait
Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait Petroleum Corporation ("the Corporation") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and the Law Decree No. 6 of 1980.

Basis for Opinion

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

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

KPMG Al-Qenae & Partners, a Kuwaiti Public Accountant and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



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 the Law Decree No. 6 of 1980, 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Law Decree No.6 of 1980. In our opinion, proper books of account have been kept by the Corporation and the accounting information given in the board of directors' report agrees with the books of accounts. We have not become aware of any contravention, during the year ended 31 March 2023, of the Law Decree No. 6 of 1980 that might have had a material effect on the business of the Group or on its consolidated financial position.

Dr. Rasheed M. Al – Qenae
License No. 130
of KPMG Al-Qenae & Partners
Member firm of KPMG International

Kuwait: 25 July 2023

Kuwait Petroleum Corporation and Subsidiaries State of Kuwait



مؤسسة الكويت
Kuwait Petroleum Corporation

Consolidated statement of financial position as at 31 March 2023

	Notes	2023 KD'000	2022 KD'000
Assets			
Property, plant and equipment	5	32,551,793	32,212,591
Goodwill	6	115,201	116,527
Intangible assets	7	554,732	592,186
Right-of-use assets	8	1,044,907	1,007,487
Deferred tax assets	15	20,426	15,624
Other non-current assets	9	122,045	125,404
Financial assets at fair value through other comprehensive income	10	3,598,154	3,717,282
Investments in equity accounted investees	11	936,406	738,523
Non-current assets		38,943,664	38,525,624
Inventories	12	2,007,916	1,955,495
Trade receivables	13	7,078,520	7,314,101
Financial assets at fair value through other comprehensive income	10	455,584	551,474
Financial assets at fair value through profit or loss	10	4,585	4,937
Other receivables and prepayments	14	1,092,586	1,151,938
Taxes receivable	15	5,219	2,048
Cash and cash equivalents	16	1,445,447	940,844
Assets held for sale	17	15,962	20,000
Current assets		12,105,819	11,940,837
Total assets		51,049,483	50,466,461
Equity			
Share capital		2,500,000	2,500,000
Statutory reserve	18	1,250,000	1,250,000
Capital reserve	19	232,945	232,945
General reserve	20	18,899,538	17,301,775
Reserve for replacement and renewal of property, plant and equipment	21	4,051,691	3,970,691
Remeasurement of defined benefit obligation reserve		(39,413)	(118,733)
Fair value reserve		362,230	592,992
Foreign currency translation reserve		(262,098)	(265,566)
Proposed dividend	25	1,171,249	85,013
Equity attributable to equity holder of the Corporation		28,166,142	25,549,117
Non-controlling interests		79,355	78,433
Total equity		28,245,497	25,627,550
Non-current liabilities	22	12,226,558	12,632,394
Trade payables		1,138,524	1,503,371
Other payables and accruals	23	3,840,839	3,749,016
Lease liabilities	8	452,466	322,796
Taxes payable	15	374,924	213,059
Amounts due to Ministry of Oil	24	4,342,996	5,999,044
Profit available for distribution	25	427,679	419,231
Current liabilities		10,577,428	12,206,517
Total liabilities		22,803,986	24,838,911
Total equity and liabilities		51,049,483	50,466,461

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

Nawaf S. Al-Sabah
Deputy Chairman & CEO

Bader E. Al-Attar
MD – Planning & Finance

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait



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

مؤسسة البترول الكويتية
Kuwait Petroleum Corporation

	Notes	2023 KD'000	2022 KD'000
Revenues			
Sales of crude oil, gas, refined products and petrochemicals		41,930,458	31,777,474
Revenues from other operations		274,416	184,878
	26	42,204,874	31,962,352
Cost of revenues			
Cost of sales of crude oil, gas, refined products and petrochemicals		(38,193,667)	(29,456,029)
Cost of other operations		(247,234)	(219,914)
		(38,440,901)	(29,675,943)
Gross profit		3,763,973	2,286,409
Depreciation and amortisation	5,7,8&9	(629,064)	(586,916)
General and administrative expenses		(410,989)	(507,220)
(Provision for) / reversal of impairment loss on property, plant and equipment, goodwill, and other provisions		(23,454)	18,013
Operating profit		2,700,466	1,210,286
Interest income		61,705	25,504
Interest expense		(289,832)	(216,457)
Net interest expense		(228,127)	(190,953)
Investment income	27	57,853	101,869
Share of profit of equity accounted investees	11	53,335	126,870
Other income (net)	28	586,741	427,248
Directors' remuneration	29	(64)	(64)
Profit before provision for income tax		3,170,204	1,675,256
Income tax expense	15	(422,904)	(220,605)
		2,747,300	1,454,651
Provision for replacement and renewal of property, plant, and equipment	21	(81,000)	(246,000)
Profit for the year		2,666,300	1,208,651
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of defined benefit obligations		79,320	19,920
Net change in fair value of financial assets at fair value through OCI		(228,386)	(16,184)
Other comprehensive (loss) / income for the year		(149,066)	3,736
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences for foreign operations		3,468	(51,029)
Net change in fair value of financial assets at fair value through OCI		-	(145,582)
Other comprehensive income / (loss) for the year		3,468	(196,611)
Total other comprehensive loss for the year		(145,598)	(192,875)
Total comprehensive income for the year		2,520,702	1,015,776
Profit attributable to:			
Equity holder of the Corporation		2,662,650	1,206,929
Non-controlling interests		3,650	1,722
Profit for the year		2,666,300	1,208,651
Total comprehensive income attributable to:			
Equity holder of the Corporation		2,517,052	1,014,054
Non-controlling interests		3,650	1,722
Total comprehensive income for the year		2,520,702	1,015,776

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



مؤسسة البترول الكويتية
Kuwait Petroleum Corporation

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

	Attributable to equity holder of the Corporation										Non-controlling interests	Total equity
	Authorised and paid-up share capital	Statutory reserve	Capital reserve	General reserve	Reserve for replacement and renewal of property, plant and equipment	Reserve for Remeasurement of defined benefit obligation reserve	Cumulative changes in fair values	Foreign currency translation reserve	Proposed dividend	Sub-total		
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Balance at 31 March 2021	2,500,000	1,250,000	232,945	15,962,095	3,724,691	(138,653)	887,509	(214,537)	85,013	24,289,063	78,596	24,367,659
Total comprehensive income / (loss)	-	-	-	1,206,929	-	-	-	-	-	1,206,929	1,722	1,208,651
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive (loss) / income	-	-	-	-	-	19,920	(161,766)	(51,029)	-	(192,875)	-	(192,875)
Total comprehensive income / (loss)	-	-	-	1,206,929	-	19,920	(161,766)	(51,029)	-	1,014,054	1,722	1,015,776
Realised gain transferred to general reserve	-	-	-	132,751	-	-	(132,751)	-	-	-	-	-
Reserve for replacement and renewal of property, plant and equipment (Note 21)	-	-	-	-	246,000	-	-	-	-	246,000	-	246,000
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,885)	(1,885)
Balance at 31 March 2022	2,500,000	1,250,000	232,945	17,301,775	3,970,691	(118,733)	592,992	(265,566)	85,013	25,549,117	78,433	25,627,550

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



مؤسسة البترول الكويتية
Kuwait Petroleum Corporation

Kuwait Petroleum Corporation and Subsidiaries
State of Kuwait

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

	Authorised share capital KD'000	Statutory reserve KD'000	Capital reserve KD'000	General reserve KD'000	Reserve for replacement and renewal of property, plant and equipment KD'000	Remeasurement of defined benefit obligation reserve KD'000	Cumulative changes in fair values KD'000	Foreign currency translation reserve KD'000	Proposed dividend KD'000	Sub-total KD'000	Non- controlling interests KD'000	Total equity KD'000
Balance at 31 March 2022	2,500,000	1,250,000	232,945	17,301,775	3,970,691	(118,733)	592,992	(265,566)	85,013	25,549,117	78,433	25,627,550
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	2,662,650	-	-	-	-	-	2,662,650	3,650	2,666,300
Other comprehensive income / (loss)	-	-	-	-	-	79,320	(228,386)	3,468	-	(145,598)	-	(145,598)
Total comprehensive income / (loss)	-	-	-	2,662,650	-	79,320	(228,386)	3,468	-	2,517,052	3,650	2,520,702
Realised gain transferred to general reserve	-	-	-	-	-	-	(2,376)	-	-	-	-	-
Reserve for replacement and renewal of property, plant and equipment (Note 21)	-	-	-	-	81,000	-	-	-	-	81,000	-	81,000
Proposed dividends	-	-	-	(1,086,236)	-	-	-	-	1,086,236	-	-	-
Net movement in non-controlling interests	-	-	-	18,973	-	-	-	-	-	18,973	(2,728)	16,245
Balance at 31 March 2023	2,500,000	1,250,000	232,945	18,899,538	4,051,691	(39,413)	362,230	(262,098)	1,171,249	28,166,142	79,355	28,245,497

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

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Consolidated statement of cash flows
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	Notes	2023 KD'000	2022 KD'000
Cash flows from operating activities			
Profit for the year		2,666,300	1,208,651
Adjustments for:			
Depreciation and amortisation		667,646	586,916
Provision for replacement and renewal of property, plant and equipment		81,000	246,000
provision / (Reversal) for impairment loss on property, plant and equipment, goodwill and other provisions		12,548	(18,013)
Write-off unsuccessful exploration	7	12,129	6,952
Provision for employees' terminal benefits and pensions		50,824	48,308
Gain on disposal of property, plant and equipment and lease liabilities		(4,819)	(18,542)
Share of profit of equity accounted investees	11	(53,335)	(126,870)
Interest income		(61,705)	(25,504)
Interest expense		289,832	216,457
Income tax expense	15	422,904	220,605
Investment income		(57,853)	(101,869)
		4,025,471	2,243,091
Changes in:			
- Inventories		(52,167)	(635,652)
- trade receivables		235,770	(3,654,651)
- other receivables and prepayments		56,181	75,076
- non-current liabilities		22,321	102,019
- trade payables		(364,847)	452,122
- other payables, accruals and other credit balances		95,490	199,651
- change in amounts due to Ministry of Oil		(737,632)	4,528,090
Cash generated from operations		3,280,587	3,309,746
Interest paid		(286,104)	(213,241)
Taxes paid		(261,039)	(175,981)
Net cash from operating activities		2,733,444	2,920,524
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,385,758)	(1,786,089)
Change in deposits maturing after three months from the date placement		(26,282)	(419,525)
Net movement in financial assets at FVOCI		42,109	122,468
Net movement in financial assets at FVTPL		352	71,707
Net movement in equity accounted investees		(144,548)	84,594
Additions to intangible assets and goodwill		(23,150)	(101,472)
Change in other non-current assets		3,359	43,473
Proceeds from disposal of property, plant and equipment		18,644	44,934
Interest received		61,705	2,194
Net cash used in investing activities		(1,453,569)	(1,937,716)
Cash flows from financing activities			
Net change in long term loans and borrowings		(20,495)	(125,285)
Payment of lease liabilities	8	(390,491)	(454,637)
Other changes in leases		-	2,023
Dividend paid	25	(419,231)	(206,500)
Net movement in non-controlling interests		(2,728)	(163)
Net cash used in financing activities		(832,945)	(784,562)
Net effect of foreign currency translation adjustments		31,391	19,821
Net increase in cash and cash equivalents		478,321	218,067
Cash and cash equivalents at beginning of the year		895,118	677,051
Cash and cash equivalents at end of the year	16	1,373,439	895,118
Short-term deposits maturing after three months from the date of placement	16	72,008	45,726
Bank balances and cash at end of the year	16	1,445,447	940,844

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

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


1. Corporate information

The Kuwait Petroleum Corporation (“the Corporation” or “the Parent” or “KPC”) is wholly-owned by the Government of the State of Kuwait. The Corporation was established by Law Decree No. 6 of 1980 which came into effect on 27 January 1980. The principal activities of the Corporation and its subsidiaries (together referred to as “the Group”) include exploration, drilling, production, storage, refining, processing, transportation, distribution and marketing of crude oil, natural gas, chemical, petrochemical and associated products. The marketing of crude oil and petroleum products produced by subsidiaries in the State of Kuwait is undertaken by the Corporation. The entire Group’s other activities, including the marketing of crude oil and petroleum products produced by subsidiaries outside the State of Kuwait are carried out through its subsidiaries, associates and joint ventures/ operations. The principal subsidiaries, associates and joint ventures/ operations are set out in Note 38. The Group operates principally in the Middle East, Far East, Western Europe, U.S.A, Canada and Australia.

Crude oil produced in the State of Kuwait becomes the property of the Government of the State of Kuwait, which reimburses the production costs of the producing subsidiaries. The Corporation purchases crude oil and natural gas from the Government of the State of Kuwait in accordance with the terms of the applicable Decree issued on 17 January 1981.

The address of the Corporation’s registered office is P.O. Box 26565, Safat 13126, State of Kuwait.

The consolidated financial statements of the Group for the year ended 31 March 2023 were authorised for issue by the Board of Directors on 18 July 2023. These consolidated financial statements are subject to change upon approval of the Supreme Council for Petroleum.

2. Basis of preparation
a) Statement of compliance

The consolidated financial statements have been prepared in accordance with and International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB) and the Law Decree No. 6 of 1980.

b) Basis of measurement

The consolidated financial statements are prepared under the historical cost convention, modified for the measurement at fair value of investments at fair value through profit or loss, investments at fair value through other comprehensive income and derivative financial instruments.

c) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Kuwaiti Dinars, which is the Group’s functional currency. All amounts are rounded to the nearest thousand, unless otherwise indicated.

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d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the 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 and in any future periods affected.

e) Changes in accounting policies

The below amendment to standards and interpretations became effective on 1 April 2023, but it does not have material effect on the Group’s consolidated financial statements:

- Onerous contract – cost of fulfilling a contract – Amendment IAS 37
- Annual Improvements to IFRS standards 2018-2020
- Property, plant and equipment: proceeds before intended to use – Amendment to IAS 16

3. Significant accounting policies

Except for changes explained in Note 2(e), the Group has consistently applied the accounting policies set below to all periods presented in these consolidated financial statements.

a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and its significant subsidiaries. Details of the principal consolidated subsidiaries are included in Note 38.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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.

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The financial statements of subsidiaries are prepared using accounting policies that are consistent with those applied by the Corporation. Adjustments are made to conform any material dissimilar accounting policies that may exist.

Non-controlling interest ("NCI") principally represent the portion of profit or loss and net assets not held by the Corporation directly and are presented separately in the consolidated statement of profit or loss and other comprehensive income and separately from Group's equity within equity in the consolidated statement of financial position.

Intra-group balances and transactions, including intra-group profits and unrealised profits and losses are eliminated on consolidation.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses.

Accounting periods of subsidiaries

The Corporation's financial year was from 1 April 2022 to 31 March 2023. The financial year of the Corporation's significant subsidiaries is the same as the Corporation with the exception of Kuwait Foreign Petroleum Exploration Company K.S.C., Kuwait Gulf Oil Company K.S.C. (Closed), KPC Energy Ventures, Inc. and Kuwait Aromatics Company K.S.C.C., whose financial years were from 1 January 2022 to 31 December 2022. Where such subsidiaries do not prepare financial statements up to the same date as that of the Corporation, adjustments are made for the effects of any significant events or transactions which have occurred in the months following the year end of these subsidiaries.

b) Property, plant and equipment

i. Oil and gas properties

Exploratory wells

The tangible element of exploratory wells is included under drilling, exploration and other assets under construction pending determination of proved reserves. If an exploratory well finds proved reserves, these costs are transferred to wells and surveys under oil and gas properties. If the exploratory well does not find proved reserves the costs are written off as abortive. Costs are considered abortive when they relate to wells, which are permanently abandoned due to the absence of commercially exploitable reserves of crude oil or temporarily abandoned with no plans for re-entry in the foreseeable future.

Costs directly associated with an exploration well are capitalised as exploration and evaluation assets under drilling, exploration and other assets under construction until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials, drilling and contractors' cost.

Geological and geophysical costs are recognised in the consolidated statement of profit or loss and other comprehensive income, as incurred.

Development wells

The cost of development wells is included under oil and gas properties as wells and surveys and is accounted for under the "successful efforts" method of accounting. Under this method, expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells is capitalized within oil and gas properties.

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Oil and gas properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

ii. Other property, plant and equipment

Other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, contractors' costs and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Subsequent costs

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) and is immediately written off. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

Gain or loss on disposal

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in the consolidated statement of profit or loss and other comprehensive income.

iii. Other assets under construction

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.

iv. Depreciation

Depreciation is based on the cost of an asset less its residual value, where applicable. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

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Depreciation is recognized 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 except for oil and gas properties, which are depreciated and depleted on a unit of production basis over the commercial proven and probable reserves ("2P reserves"). Assets under construction and land are not depreciated.

The estimated useful lives for the current and comparative year, in accordance with the instructions of the Corporation, as approved by the Supreme Council for Petroleum, are as follows:

<u>Asset category</u>	<u>Depreciation</u>	
	<u>2022 - 2023</u>	<u>2021 - 2022</u>
	<u>Years</u>	<u>Years</u>
<i>Oil and gas</i>		
	Unit of	Unit of
Oil and gas properties	production	production
Plant and machinery	20 - 25	20 - 25
Tankage, pipelines and jetties	20 - 25	20 - 25
Wells and surveys	10 - 20	10 - 20
Service plant and drilling equipment	4 - 5	4 - 5
Vessels	30 - 35	30 - 35
<i>Other property and equipment</i>		
Buildings and roads	25	25
Furniture, tools and computers	5 - 10	5 - 10
Vehicles, ships and marine craft	5 - 13	5 - 13

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjust if appropriate.

c) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for NCI over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred (bargain purchase), before recognising a gain, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of profit or loss and other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units ("CGUs") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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Where goodwill forms part of a CGU and part of the operation in that unit is disposed off, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed-off in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

d) Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Intangible assets consist of application software, license costs, intellectual property and other agreements etc.

Pre-license costs

Pre-license costs are expensed in the period in which they are incurred.

License and property acquisition costs

Exploration license and leasehold property acquisition costs are capitalised within intangible assets and are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine, that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing.

If no future activity is planned, the carrying value of the license and property acquisition costs is written off through the consolidated statements of profit or loss and other comprehensive income. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties.

Exploration and evaluation costs

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalised as exploration and evaluation intangible asset until the drilling of the well is complete and the results have been evaluated.

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If no potentially commercial hydrocarbons are discovered, the exploration asset is written off as a dry hole. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), are likely to be capable of being commercially developed, the costs continue to be carried as an intangible asset while sufficient/ continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells, where hydrocarbons were not found, are initially capitalised as an exploration and evaluation intangible asset. All such capitalised costs are subject to technical, commercial and management review as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off in the consolidated statement of profit or loss and other comprehensive income.

When proved reserves of oil and natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties. No amortization is charged during the exploration and evaluation phase.

Gain or loss on disposal

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

Amortisation

All intangible assets with finite useful lives are amortised on a straight-line basis over the useful economic life, except for certain intangible assets which are amortised on a unit of production basis, where applicable.

The estimated useful lives for current and comparative period is as follows:

	Years
*License cost	2-30
Application software	5
Reservation right fees	25
Seismic survey and others	More than 10

*Included in license cost, certain assets which are amortised over a thirty year period as the Group considers such costs to be closely associated with the economic life of the land, buildings and facilities which are the subject of the licences.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates prospectively.

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e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

All “regular way” purchases and sales of financial assets are recognised on the trade date, “i.e.,” the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVOCI or FVTPL.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of deposits and due from a related party that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets carried at amortised cost;
- Debt instruments measured at fair value through other comprehensive income (FVOCI) with gains or losses recycled to the statement of profit or loss on de-recognition;
- Equity instruments at FVOCI with no recycling of gains or losses to the consolidated statement of profit or loss on de-recognition; and
- Financial assets carried at fair value through profit or loss (FVTPL).

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables and other receivables and prepayments and cash and cash equivalents.

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 (SPPI test)

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers 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. The Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets ("e.g.," non-recourse asset arrangements); and
- Features that modify consideration of the time value of money "e.g.," periodical reset of interest rates.

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

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Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated statement profit or loss. Any gain or loss on derecognition is recognised in the consolidated statement of profit or loss.

Cash and cash equivalents for the purpose of the consolidated statement of cash flows comprise cash, short-term bank deposits and highly liquid investments with a maturity date not exceeding three months from the date of placement.

Trade receivables and other receivables and prepayments are stated at their cost less expected credit losses. Long term receivables are discounted to their net present value and are stated at amortised cost less expected credit losses.

Equity investments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably its equity investment at FVOCI when they meet the definition of "Equity" under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to the consolidated statement of profit or loss. Dividends are recognised in the consolidated statement of profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair value reserve to general reserve in the consolidated statement of changes in equity.

Debt instruments at FVOCI

The Group applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

Debt instruments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognised in the consolidated statement of profit or loss. Fair value changes are recognised in other comprehensive income and presented in the cumulative changes in fair values as part of equity until the asset is derecognised or reclassified. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated statement of profit or loss.

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Financial asset at FVTPL

The Group classifies financial assets at fair value through profit or loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there evidence of a recent pattern of short-term profit is taking. Held-for trading assets are recorded and measured in the statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Changes in fair values, financing income and dividends are recorded in the consolidated statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

Reclassification of financial assets

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

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

ii) Impairment of financial assets

The Group recognises loss allowances for expected credit ("ECL") loss on financial measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the bank balances and cash for which credit risk "i.e.," the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, and are measured at 12-month ECLs. Loss allowances for trade receivables and other receivables are measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument. Lifetime ECL are recorded on financial assets that is credit-impaired.

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For other non-current financial assets, trade receivables and other receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL. At each reporting date, the Group assesses each customer for lifetime ECL based on Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECL and 12 month ECL are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Group methodology for specific provisions remains largely unchanged.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Group's customer operates.

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Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments from the customer are more than 12 months past due, unless the Group has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet the following criteria are generally not recoverable.

- Information developed internally or obtained from external sources indicates that the customer is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group); or
- A breach of contract by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 12 months past due from customers unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement of ECL

ECL are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represent the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Company estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macro-economic scenarios etc.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets carried at amortised cost.

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iii) 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, lease liabilities, due to related parties, 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.

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 derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

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for the year ended 31 March 2023**f) Investments in equity accounted investees**

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. 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 considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Interests in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The profit or loss reflects the share of the results of operations of the associate or joint venture. Where there has been a change recognised in other comprehensive income of the associate or joint venture, the Group recognises its share of any changes and discloses this, when applicable, in other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss in the consolidated statement of profit or loss and other comprehensive income.

An impairment loss in respect of investment in equity-accounted investees are measured by comparing the recoverable amount of the investments with its carrying amount in accordance with impairment of non-financial assets.

Unrealised gains arising from transactions with the equity accounted investees are eliminated against the investment to the extent of the Group's interest in the associate and joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Distributions received from the associate and joint venture reduce the carrying amount of the investment.

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Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated profit or loss and other comprehensive income.

Some of the equity accounted investees has year-end different from the Group's consolidated financial statements. Accordingly, the adjustments are made for any significant transactions or events happening in the months between the year end of the equity accounted investees and 31 March.

g) Interests in joint operations

A joint operation is a contractual arrangement whereby two or more parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

Interests in joint operations are accounted for using the proportionate consolidation method. The Group combines its share of each of the assets, liabilities, income and expenses of the joint operations with the similar items, line by line, in its consolidated financial statements.

Where applicable, adjustments are made to the joint operations' audited financial statement to bring them inline with the Group's accounting policies.

An impairment loss in respect of investment in equity-accounted investees are measured by comparing the recoverable amount of the investments with its carrying amount in accordance with impairment of non-financial assets.

The joint operations are proportionately consolidated from the date of acquisition of joint control until the date on which the Group ceases to have joint control over the joint operations. All intra-group transactions and balances are eliminated to the extent of the Group's share in the joint operations.

h) Inventories*i) Crude oil and petroleum products*

Crude oil inventory is valued at the lower of weighted average cost and net realisable value at the year end. The cost of crude oil to the Corporation is determined by the Government of Kuwait in accordance with the Decree issued on 17 January 1981. The formula for establishing the cost of crude oil has been revised in accordance with a resolution by the Supreme Council for Petroleum effective 1 July 1997.

Liquefied petroleum gas and finished products are valued at the lower of cost and net realisable value. Cost is determined using the weighted average method on an individual product basis. Costs are those expenses incurred in bringing each product to its present location and condition. This includes cost of crude oil and natural gas supplied plus an allocation of processing costs and overheads to each product based on their relative market values.

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Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal. Quantities loaned to, less borrowed from, exchange partners are included within inventory unless they are settled in cash on a regular basis in which case they are included within other receivables and prepayments or other payables or accruals as appropriate.

ii) Other

Spare parts, intermediate products, materials 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.

i) Deferred expenses

The deferred expenses mainly represent catalysts used in the refining process which are amortised on a straight line basis over their estimated useful lives less impairment losses. Deferred expenses are recognised to the extent that the expenses incurred represent the future economic benefits to flow to the Group.

j) Impairment of non-financial assets

An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset 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. An assessment is made at each reporting date to determine whether there is objective evidence that an asset may be impaired. If such evidence exists, an impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets "i.e.," CGU. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

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.

k) Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the consolidated statement of profit or loss and other comprehensive income using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective assets. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. 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 the temporary investment of amounts is also capitalised and deducted from the total capitalised borrowing cost. 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 period.

m) Foreign currency transactions

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the consolidated statements of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The Group's investments in foreign subsidiaries, associates and joint ventures are translated into Kuwaiti Dinars at the year-end rates of exchange and the results of the subsidiaries, associated companies and joint ventures are translated into Kuwaiti Dinars at the average rates of exchange for the year. Foreign currency differences on the translation of foreign operations are recognised in other comprehensive income. When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

n) Fair values 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or.
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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For investments and derivatives traded in organised financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the reporting date. The fair value of fund investments or similar investment vehicles is based on the last reported net asset values from the fund managers.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by using valuation techniques such as recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, an earnings multiple, or is based on the expected cash flows of the investment discounted at current rates applicable for items with similar terms and risk characteristics. Fair value estimates take into account liquidity constraints and assessment for any impairment.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

o) Taxes on income

Income tax expense represents the sum of tax currently payable and deferred tax relating to individual subsidiaries and their local tax jurisdictions. The tax currently payable is based on taxable profit for the year, calculated using tax rates that have been enacted or substantively enacted by the reporting date. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint venture, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

p) Derivatives

Derivative contracts are used in the management of interest rate risk, foreign exchange risk, commodity price risk, and foreign currency cash balances. Derivatives that are not closely related to the host contract in terms of economic characteristics and risks of which the host contract is not a financial asset, are separated from their host contract and recognised at fair value with the associated gains and losses recognised in income.

Derivatives embedded within contracts that are not already required to be recognised at fair value, and that are not closely related to the host contract in terms of economic characteristics and risks, are separated from their host contract and recognised at fair value; associated gains and losses are recognised in income.

In accordance with IFRS 9, all derivatives are measured at fair value. The fair value of a derivative is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Derivatives with positive market values (unrealised gains) are included in other receivables and prepayments and derivatives with negative market values (unrealised losses) are included in trade and other payables in the consolidated statement of financial position. The resultant gains and losses from derivatives are included in the consolidated income statement.

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The Group also enters into sales and purchase contracts as part of its operations. Where these contracts qualify as a derivative or include an embedded derivative as defined by IFRS 9, they are stated at fair value. Fair value is assessed by applying prevailing market prices directly to the contract or embedded derivative, where possible, or by identifying separate financial instruments which have the same terms and are readily traded in the relevant markets.

q) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the amount to be settled.

r) Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

s) Revenue recognition

Sale of goods

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

For export sales, a portion of 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.

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.

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The Group operates customer loyalty programmes under which part of the consideration received from the sales transactions is allocated to award credits granted, on the basis of their fair value, and recorded in the consolidated statement of financial position item “other liabilities”; such liability is released to the income statement (as a revenue) in the year when award credits are redeemed by customer or rights are cancelled.

Local marketing and distribution network operation

Cost of operating filling stations, gas plant operations and distribution network is reimbursed by the Ministry of Oil 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.

Take or pay and under/over lifts

Revenue from the production of oil, in which the Group has an interest with other producers, is recognised based on the Group's working interest / entitlement and the terms of the relevant production sharing contracts. Where forward sale and purchase contracts for oil or natural gas have been determined to be for trading purposes, the associated sales and purchases are reported net.

The following criteria are also applicable to other specific revenue transactions as “Other revenue”;

For the under/over lifts transactions, the Group follows a commonly used method in the oil and gas industry namely “Adjusting revenue approach” under the “Entitlement method”. Under adjustment revenue approach, the excess of product sold during the period over the participant's ownership share of production from the property is recognised by the over lifting party as a liability at the reporting date spot price or prevailing contract price and corresponding effect is disclosed as “Other revenue”. Conversely, the underlift party would recognise an underlift asset (receivable) at the reporting date spot price or prevailing contract price and report corresponding effect as “Other revenue”.

Under these contracts, the Group makes a long-term supply commitment in return for a commitment from the buyer to pay for minimum quantities, whether or not the customer takes delivery. These commitments contain protective (force majeure) and adjustment provisions. If a buyer has a right to get a “make up” delivery at a later date, revenue recognition is deferred and only recognised when the product is delivered, or the make-up product can no longer be taken. If no such option exists within the contractual terms, revenue is recognised when the take or pay penalty is triggered.

Pipeline tariff

Revenue from pipeline tariff is recognised at the time when hydrocarbons are transported through the pipeline.

Time charter of vessels

Time charter-out revenues and time charter-in costs are recognized in accordance with charter party agreements on a pro-rata basis over the term of the related contracts. Disputed hire revenues and related recoverable claims are recognized as revenue when the final outcome is determined.

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Voyage charter

Revenue from voyage charter is recognized on the percentage of completion method. The percentage of revenue to be recognized is determined by reference to the costs incurred to date as a proportion of the estimated total cost of the voyage.

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.

Dividend income is recognised when the Group's right to receive payment is established.

t) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease “i.e.,” the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies of impairment of non-financial assets.

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ii. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment “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 to be 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.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

u) **Provision for employees’ indemnity***Defined benefit and contribution scheme – Parent and local subsidiaries*

Provision is made for employees’ indemnity in accordance with the Kuwait Labour Law based on employees’ salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits. The provision, which is unfunded, is determined as the amount payable to employees as a result of involuntary termination of employment at the reporting date.

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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 charged to the consolidated statements 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.

Defined benefit scheme – Foreign subsidiaries

The Group’s subsidiaries in the UK, Sweden, Belgium, Germany and Italy (see “Termination allowances” below) provide defined pension schemes for their employees. The funds are valued every period by professionally qualified independent actuaries. The obligations and costs of pension benefits are determined using the projected Unit Credit Method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the consolidated statements profit or loss and other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the consolidated statement of profit or loss and other comprehensive income. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Defined contribution schemes

In addition to the defined schemes described above, the Group’s affiliates in the UK, Belgium and Netherlands sponsor defined contribution plans for employees based on local practices and regulations. The Group’s contributions relating to defined contribution schemes are charged to the consolidated statements of profit or loss and other comprehensive income in the year to which they relate.

Termination allowances

Employees in the Group’s Italian operations are entitled to retirement benefits in the form of termination allowances. These allowances are payable to employees upon retirement or leaving employment according to the amounts provided during the service life of each employee. The allowances may be drawn by employees, in part, during their employment for certain specific purposes. The Group accounts for these arrangements using defined benefit principles.

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v) Emissions rights

The Group's subsidiary is a party to the EU Emissions Allowance Trading Scheme under which EU member states are required to set an emission cap for certain installations. The Group records a liability, at fair value, for any deficits arising under this scheme but does not record an asset for any surpluses arising. Profits from the sale of emissions' surpluses are shown within other income.

w) 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 of the consolidated statement of financial position.

x) New standards and interpretations not yet adopted

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

- Classification of liabilities as current or Non-current (Amendments to IAS 1);
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance contract.
- Deferred tax related to assets and liabilities arising from a single transaction (Amendment to IAS 12);
- Disclosure of accounting policies contract (Amendment to IAS 1);
- Definition of accounting estimates (Amendment to IAS 8).

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.

4. Significant accounting judgement and estimates
Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management makes judgements, estimates, and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported consolidated revenue and expenses. Actual outcomes can differ from the estimates and assumptions used. The accounting judgements and estimates that have a significant impact on the results of the Group are described below and should be read in conjunction with the information provided in the notes to the consolidated financial statements:

Judgements and estimates made in assessing the impact of climate change and the transition to a lower carbon economy

Climate change and the transition to a lower carbon economy were considered in preparing the consolidated statements. These may have significant impacts on the currently reported amounts of the Group's assets and liabilities. The price assumptions used for investments include oil and gas assumptions, which are producer prices and are therefore net of any future carbon prices that the purchaser may be required to pay, and an assumption of a single carbon emissions cost imposed on the producer in respect of operational greenhouse gas emissions.

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Recognition of provisions

The Group is subject to a number of matters which could lead to an outflow of economic benefits. In making an assessment as to whether such matters require either provision or disclosure, management is required to consider, amongst other factors, whether a constructive obligation exists at the reporting date and whether the resulting risk of an outflow of economic benefits is probable (requiring a provision), less than probable but more than remote (requiring disclosure) or remote (requiring neither provision nor disclosure). In the current year, the most significant judgements made by management relating to the above are:

- The extent to which it is probable that a Fundamental Event of Default at a Joint Venture will occur and subsequently, the lender of the Joint Venture will make a demand under the Completion Guarantee;
- The extent to which the Group has constructive obligations in relation to the clean up of environmental exposures in a number of different affiliates and charges for environmental damage;
- The extent to which the Group has constructive obligations at the reporting date in relation to various restructuring programs; and
- The extent to which it is probable that the Group will have to make payments in respect of a number of tax, legal and regulatory disputes.

Further details of amounts for which either provision or disclosure was deemed to be required are given in Notes 22 and 35 respectively.

Joint arrangements

Judgement is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, including the approval of the annual capital and operating expenditure work program and budget for the joint arrangement, and the approval of chosen service providers for any major capital expenditure as required by the joint operating agreements applicable to the entity's joint arrangements. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Performance obligations

The judgments applied in determining what constitutes a performance obligation will impact when control is likely to pass and therefore when revenue is recognised "i.e.," over time or at a point in time. The Group has determined that two performance obligation exists on its international sales "i.e.," products and shipping and handling services. Revenue from sale of products are recognised at a point in time and revenue from shipping and handling services is recognised overtime.

Determining the lease term of contracts with renewal and termination options – Group as lessee

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 has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. 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 or to terminate.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Measurement of provisions

Having concluded that a provision is required for a potential exposure (see above), the amount to be recognised shall be the best estimate of the expenditure required to settle the present obligation at the reporting date, taking into consideration any relevant risks and uncertainties and the time value of money. This requires management to make its best estimates of the likely future outflows, the expected timing of such outflows and the discount rate to be applied to such outflows, taking into account the risks specific to the particular exposure. Further details of the nature of provisions recorded by the Group are provided in Note 22. The majority of these exposures are expected to be settled over a relatively limited number of years which limits the uncertainty in respect of the time value of money.

Reserve and resource estimates

Oil and gas production properties are depreciated on a units of production ("UOP") basis at a rate calculated by reference to total 2P reserves determined using the latest estimates provided by the Group's technical staff, which are based on estimates provided by the field operator. Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the Production-Sharing Agreements. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

As the economic assumptions used may change and as additional geological information is produced during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results which include:

- The carrying value of exploration and evaluation assets, oil and gas properties, property, other fixed assets and goodwill may be affected due to changes in estimated future cash flows;
- Depreciation, depletion and amortisation charges in consolidated statement of income may change where such charges are determined using the units UOP method, or where the useful life of the related assets change;
- Provisions for decommissioning may change - where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities;

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- The recognition and carrying value of deferred income tax assets may change due to changes in the judgments regarding the existence of such assets and in estimates of the likely recovery of such assets.

Exploration and evaluation expenditures

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established.

Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in consolidated statement of income in the period when the new information becomes available.

Units of production depreciation of oil and gas properties

Oil and gas properties are depreciated using the UOP method over 2P reserves. This results in a depreciation, depletion and amortisation charge proportional to the depletion of the anticipated remaining production from the field.

Each items' life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on total 2P reserves, or future capital expenditure estimates changes. Changes to reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect on proved reserves of differences between actual commodity prices and commodity price assumptions; or
- Unforeseen operational issues;
- Changes are accounted for prospectively.

Impairment of oil and gas properties

The Group assesses each asset or CGU at every reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves estimates and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

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Fair value for oil and gas assets is generally determined as the present value of estimated future cash flows arising from the continued use of the assets, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. 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. Management has assessed its CGUs as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets. These calculations require the use of estimates and the input factors most sensitive to change have been disclosed in Note 5.

Impairment of non-current assets, excluding oil and gas properties

Determining whether goodwill, intangible assets or property, plant and equipment, excluding oil and gas properties, are impaired requires an estimation of the fair value less cost of disposal or value in use of the relevant cash-generating units. These calculations require the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. These calculations require the use of estimates and the input factors most sensitive to change have been disclosed in Note 5 and Note 6.

Impairment of investment in equity accounted investees

After application of equity accounted method, the Group determines whether it is necessary to recognise any impairment loss on Group's equity accounted investees at each reporting date based on the existence of any objective evidence that the investment in equity accounted investees is impaired. If any impairment indicators are identified, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognise the impairment loss in the consolidated statement of profit or loss. These calculations require the use of estimates and the input factors most sensitive to change have been disclosed in Note 11.

Remeasurement gains and losses

In calculating the carrying value of its defined benefit schemes, management is required to apply a number of assumptions, the most significant of which are investment growth, future salary growth and discount rate.

Recovery of deferred tax assets

Judgement is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgement is also required in determining whether deferred income tax assets are recognised in the statement of financial position. Deferred income tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred income tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, oil and natural gas prices, reserves, operating costs, decommissioning costs, capital expenditure, dividends and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred income tax assets recorded at the reporting date could be impacted.

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Decommissioning costs

Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required.

Measurement of ECLs

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

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5. Property, plant and equipment

	Oil and gas					Other property and equipment					
	Oil and gas properties KD '000	Plant and machinery KD '000	Tankage, pipelines and jetties KD '000	Wells and surveys KD '000	Service plant and drilling equipment KD '000	Vessels KD '000	Land, buildings and roads KD '000	Furniture, tools and equipment KD '000	Vehicles, ships and marine craft KD '000	Assets under construction KD '000	Total KD '000
Balance at 1 April 2022, net of accumulated depreciation and impairment losses	2,104,032	6,308,718	2,771,583	4,000,191	7,703	455,070	1,522,831	64,144	70,085	14,908,234	32,212,591
Adjustments	-	(4,525)	-	-	-	56	(1,610)	(196)	-	6,275	-
Additions	69,757	10,901	102	-	886	-	4,129	13	6	1,544,603	1,630,397
Disposals and write off-net	(67,366)	(1,780)	(13)	(5)	(3)	(5,848)	(409)	(32)	(6)	(745)	(76,207)
Change in estimate (a)	12,959	-	-	-	-	-	-	-	-	-	12,959
Transfers	32,189	28,058	3,748	-	-	-	12,124	-	61	(54,140)	22,040
Internal transfer-net	-	1,059,946	688,751	1,045,990	1,944	10,996	1,086,533	18,535	1,934	(3,914,629)	-
Foreign currency translation adjustment	26,588	5,277	(449)	2,436	-	-	(1,782)	71	(8)	(833)	31,300
Depreciation for the year	(218,609)	(391,825)	(172,937)	(330,435)	(3,753)	(26,854)	(97,645)	(19,172)	(10,864)	-	(1,272,094)
(b)	(1,638)	-	-	-	-	(7,555)	-	-	-	-	(9,193)
Impairment reversal	-	-	-	-	-	-	-	-	-	-	-
At 31 March 2023	1,957,912	7,014,770	3,290,785	4,718,177	6,777	425,865	2,524,171	63,363	61,208	12,488,765	32,551,793
Property, plant and equipment											
At cost	4,524,221	12,676,269	5,636,610	8,511,597	81,029	853,705	3,573,819	198,573	186,241	12,488,765	48,730,829
Accumulated depreciation and impairment losses	(2,566,309)	(5,661,499)	(2,345,825)	(3,793,420)	(74,252)	(427,840)	(1,049,648)	(135,210)	(125,033)	-	(16,179,036)
Net carrying amount at 31 March 2023	1,957,912	7,014,770	3,290,785	4,718,177	6,777	425,865	2,524,171	63,363	61,208	12,488,765	32,551,793

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5. Property, plant and equipment (continued)

	Oil and gas					Other property and equipment					
	Oil and gas properties KD '000	Plant and machinery KD '000	Tankage, pipelines and jetties KD '000	Wells and surveys KD '000	Service plant and drilling equipment KD '000	Vessels KD '000	Land, buildings and roads KD '000	Furniture, tools and equipment KD '000	Vehicles, ships and marine craft KD '000	Assets under construction KD '000	Total KD '000
Balance at 1 April 2021	2,127,266	5,785,239	2,535,633	4,057,495	9,059	459,667	1,516,174	48,259	63,484	14,966,599	31,568,875
net of accumulated depreciation and impairment losses	95,962	35,346	145	8	-	-	11,308	197	7,853	1,635,270	1,786,089
Additions	(449)	(6,076)	(4,636)	(8)	(2)	-	(1,223)	-	(114)	(13,884)	(26,392)
Disposals and write off-net	17,340	-	-	-	-	-	-	-	-	-	17,340
Change in estimate	34,860	-	-	-	-	-	-	-	-	(665)	34,195
Transfers	-	868,156	403,389	238,525	2,405	31,156	95,223	31,573	7,233	(1,677,660)	-
Internal transfer-net	(6,431)	(15,883)	(1,263)	(794)	-	-	(10,804)	(13)	1,742	(1,426)	(34,872)
Foreign currency translation adjustment	(194,319)	(358,390)	(161,685)	(295,035)	(3,759)	(26,139)	(87,847)	(15,872)	(10,113)	-	(1,153,159)
Depreciation for the year	29,803	326	-	-	-	(9,614)	-	-	-	-	20,515
Impairment loss / (reversal)	2,104,032	6,308,718	2,771,583	4,000,191	7,703	455,070	1,522,831	64,144	70,085	14,908,234	32,212,591
At 31 March 2022											
Property, plant and equipment											
At cost	4,451,732	11,578,392	4,944,471	7,463,176	78,202	856,056	2,474,834	180,182	184,254	14,908,234	47,119,533
Accumulated depreciation and impairment losses	(2,347,700)	(5,269,674)	(2,172,888)	(3,462,985)	(70,499)	(400,986)	(952,003)	(116,038)	(114,169)	-	(14,906,942)
Net carrying amount at 31 March 2022	2,104,032	6,308,718	2,771,583	4,000,191	7,703	455,070	1,522,831	64,144	70,085	14,908,234	32,212,591

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- a. During the current year, changes in estimates of decommissioning costs have changed the carrying value of the related decommissioning assets by an amount of KD 12,959 (2022: KD 17,340) due to the updates on the assumptions used in the prior year estimate.
- b. The depreciation charged to profit or loss is reduced by KD 677 million (2022: KD 621 million) being the amount charged to the Ministry of Oil in respect of the operations of local wholly-owned subsidiaries engaged in exploration activities.

Assets under construction are includes amounts of KD 3,596,782 thousand and KD 83,539 thousand (2022: KD 4,564,538 thousand and KD 140,247 thousand) relating to the Group's new refinery "i.e.," Al-Zour Refinery Project and Clean Fuels Project ("CFP") respectively.

"Land, buildings and roads" and "Plant and machinery" includes certain building, plant and machinery constructed on land leased from the Government of Kuwait for a renewable period of twenty-five years maturing on 25 June 2023 and 2031. The lease agreement naturing on 25 June 2023 was extended subsequently till Feburauy 2025.

During the year, borrowing costs of KD 16.7 million (2022: KD 9 million) were capitalised in assets under construction.

Certain property, plant and equipment arising from one of the Group subsidiaries "KNPC" has been assigned as a security against borrowing (Note 22.2).

Impairment of property, plant and equipment

The Group's subsidiaries performed asset impairment tests on certain CGUs included within oil and gas properties.

Oil and gas properties

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the asset's/CGU's fair value less costs to sell and value in use. Given the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers are in place. Consequently, the recoverable amount is determined using value in use.

The calculation of value in use for the oil and gas properties exploration and production CGUs are most sensitive to discount rates and hydrocarbon prices. Forecast oil and gas prices are based on management's estimates and available market data and consider forward curve pricing over the period for which there is a liquid market (2-3 years), thereafter reverting to a long-term oil price assumption that considers long-term views of global supply and demand in a changing environment, particularly with respect to climate risk, building on past experience of the industry and consistent with external sources. Crude oil prices have been revised to reflect post COVID-19 prices currently prevailing and anticipated for 2023, and revised views of oil prices in the longer term. Estimated production volumes are based on detailed data for the fields and take into account development plans for the fields agreed by management as part of the long-term planning process.

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The future cash flows are discounted to their present value using discount rates ranging from to - 8.02 % to 19.12% (2022: 5.84% to 15.85%) depending on the specific risk characteristics of the respective CGU. Accordingly, the Group recorded impairment loss of KD 1,638 thousand (2022: net reversal of impairment loss of KD 29,803 thousand) is recognised in the consolidated statement of profit or loss and other comprehensive income.

Vessels

The KOTC's management conducted a review of its vessels to determine if there are any indicators of impairment and determined that current and projected level of international fleet rates may not allow KOTC to fully recover its investments in certain vessels during their useful lives. Accordingly, the KOTC's reassessed the recoverable value of certain vessels. The recoverable amount of each vessel (cash generating unit) was estimated, based on higher of fair value less cost to sell and value in use. Based on the above assessment, the recoverable amount of KOTC's 31 (2022: 32) vessels were determined to be KD 428,475 thousand (2022: KD 470,785 thousand) and consequently, a net impairment loss of KD 7,555 thousand (2022: net impairment loss of KD 9,614 thousand) was recognised in the consolidated statement of profit or loss and other comprehensive income.

The Group determined the fair value less cost to sell based on the information provided by the independent brokers, and this information is based on the recent transactions in the market adjusted to reflect the specialised nature of vessels and categorised as level 2 inputs. Value in use is determined by discounting the future cash flows to be generated from the continued use of the vessels during their remaining useful lives and residual value. The key assumptions used in the calculation of value in use are pre- tax discount rate of 5.54 % (2022: 3.91%) and terminal growth rate ranging from 3% to 6% (2022: 3% to 6%).

6. Goodwill

	2023 KD'000	2022 KD'000
Balance at beginning of the year	116,527	125,716
Acquisitions	86	212
Disposals	-	(1,864)
Transfer	-	(1,716)
Foreign currency translation effects	(1,412)	(5,821)
Balance at end of the year	115,201	116,527

The Group management assessed the goodwill for impairment annually or more frequently if events or changes in circumstances indicate the recoverable amount of the group of CGUs to which the goodwill relates should be assessed. This requires an estimation of recoverable amount of the CGU to which goodwill is allocated. The recoverable amount is determined based on the higher of fair value less costs to sell and value in use. The calculations use pre-tax cash flow projections based on five year plans approved by the subsidiary's management. The cash flows are discounted at a pre-tax discount rate ranges from 9% to 11% (2022: 7% to 10%) per annum. The value in use of the cash-generating units to which goodwill has been allocated, as estimated by the subsidiary's management, indicates that there has been no impairment during the year ended 31 March 2023 and 31 March 2022.

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7. Intangible assets

Movements in the net book value of intangible assets were as follows:

	2023 KD'000	2022 KD'000
Balance at beginning of the year	592,186	553,439
Additions during the year	23,371	101,472
Transfer from assets under construction (Note 5)	6,932	665
Transfer to oil and gas properties (Note 5)	(32,189)	(34,860)
Other transfer	79	8,015
Amortisation	(27,067)	(25,977)
Write-off of unsuccessful exploration cost	(12,129)	(6,952)
Foreign currency translation effects	3,549	(3,616)
Balance at end of the year	554,732	592,186

The above primarily consists of licenses in respect of the Group's retail network together with capitalized software development costs and exploration and evaluation assets. At the reporting date, the carrying amount of intangible assets includes KD 308 million (2022: KD 330 million) of exploration and evaluation assets.

The amortisation charged to profit, or loss is reduced by KD 15 million (2022: KD 14 million) being the amount charged to the Ministry of Oil in respect of the operations of local wholly owned subsidiaries engaged in exploration activities.

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8. Right-of-use assets

	Right-of-use of assets				Lease liabilities	
	Rigs KD'000	Land and Building KD'000	Vehicles* KD'000	Property and equipment KD'000		Others KD'000
Balance at 1 April 2022	740,710	151,434	55,027	48,660	11,656	1,007,487
Additions	368,673	17,909	36,023	11,523	1,277	435,405
Terminations	-	-	(1,526)	-	-	(1,526)
Depreciation charge for the year	(117,563)	(27,117)	(24,715)	(17,306)	(3,767)	(190,468)
Depreciation capitalised in assets under construction	(225,084)	-	(2,813)	-	-	(227,897)
Other changes	-	23,285	-	435	810	24,530
Foreign currency translation effects	-	(1,818)	341	19	(1,166)	(2,624)
Interest expense	-	-	-	-	-	-
Interest expense capitalised in assets under construction	-	-	-	-	-	-
Payment of lease liability	-	-	-	-	-	-
Balance at 31 March 2023	766,736	163,693	62,337	43,331	8,810	1,044,907
						(390,491)
						1,214,673

*Vehicles include motor vehicles, aircraft, marine vessels, helicopters etc.

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Furthermore, the Group also advanced long term loans denominated in Swedish Krona to OK-Q8, which carries 6 month STIBOR rate plus 0.5% per annum till 31 December 2018 and thereafter, 3 months STIBOR rate plus 1% till maturity. At the reporting date, the outstanding loan balance receivable from OK-Q8 amounts to US\$ 19 million (2022: US\$ 22 million). The repayment schedule of the outstanding amount is under discussion.

Deferred expenses represents catalysts used in the refining process which are amortised on a straight line basis over their estimated useful lives.

10. Investments

	2023 KD'000	2022 KD'000
<i>Financial assets at fair value through other comprehensive income</i>		
<i>Non-current assets</i>		
Equity securities	1,396,908	1,508,370
Bonds	2,201,246	2,208,912
	<u>3,598,154</u>	<u>3,717,282</u>
<i>Current assets</i>		
Bonds	455,584	551,474
<i>Financial assets at fair value through profit or loss</i>		
Funds	4,585	4,937

Financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss are denominated predominantly in US\$ and Euros and represent investments in high credit quality bonds and equities quoted on international stock markets.

11. Investment in equity accounted investees

	2023 KD'000	2022 KD'000
<i>Carrying values of equity accounted investees</i>		
Significant equity accounted investees	722,792	519,529
In-significant equity accounted investees	213,614	218,994
	<u>936,406</u>	<u>738,523</u>
<i>Share of profit / (loss) of equity accounted investees</i>		
Share of profit of significant equity accounted investees	106,033	94,447
Share of (loss) / profit of in-significant equity accounted investees	(52,698)	32,423
	<u>53,335</u>	<u>126,870</u>

- PIC has a 50% interest in Canada Kuwait Petroleum Corporation ("CKPC" or "General Partner") and Canada Kuwait Petroleum Limited ("CKPLP" or "Project Owner"), together referred to as either "Partnership" or "Joint Venture", which were formed to execute an integrated propane dehydrogenation ("PDH") plant and polypropylene (PP) upgrading facility ("the Project") in Alberta, Canada. Investment in CKPC and CKPLP are owned via KPIC and KPPIC, which are wholly owned subsidiaries of PIC.

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The Joint Venture is subject to various legal proceedings, arbitration and actions arising in the normal course of business as the indefinite suspension plan into effect. Legal and administrative proceedings involving possible losses are complex and there is judgment applied in estimating probable outcomes. At 31 March 2023, the Joint Venture is involved in an arbitration for disputed construction costs. The outcome of this process cannot be predicted with certainty due to the preliminary nature of the claim.

- In 2022 DRPIC carried out an impairment analysis of its project under construction, triggered by increased project costs. This assessment did not result in an impairment. In 2021, DRPIC also carried out an impairment analysis due to the outbreak of the COVID-19 pandemic (impacting the construction period), commodities price volatility and uncertainty. This resulted in an impairment of US\$ 291 million on a 100% basis as the recoverable amount of the CGU was assessed to be lower than its carrying value.
- The shareholder loans provided to DRPIC LLC are non-interest bearing loans and subordinated to senior debt. No conditions apply related to repayment as this is upon the discretion of DRPIC LLC. The shareholder loans are convertible into shares at any time by way of a shareholder resolution. The Company does not plan to settle nor intend to require repayment of these loans in the foreseeable future and considers the loans to be part of the net investment in DRPIC LLC.
- In 2019, due to changes in the outlook especially related to forecasted refinery margins, the Group's 35.1% investment in NSRP LLC was impaired for US\$ 378 million. The impairment is included in the Company's 2018-2019 share of net income in NSRP LLC. The recorded impairment in FY2018/19 continues to be a difference between the share in the net assets based on NSRP's financial statements and the Group's financial statements, and therefore separately presented in the financial year 2022/23.
- The Group's share in the contingent liabilities and contractual commitments of equity accounted investees was KD 402 million (2022: KD 359 million). Equate and TKOC are jointly and severally a guarantor for the credit facilities undertaken by Equate. During the year, the Group received cash dividend of KD 186,497 thousand from equity accounted investees (2022: cash dividend of KD 333,654 thousand).
- At the reporting date, the fair value of certain listed equity accounted investees amounted to KD 25,249 thousand (2022: KD 30,202 thousand) and the valuation input categorized under level 1 of fair value hierarchy.

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11 Investments in equity accounted investees (continued)

The following table provide summarised financial information of significant equity accounted investees of the Group:

2023	Ownership	Total assets KD'000	Total liabilities KD'000	Net assets/ (liabilities) KD'000	Group's share of net assets/ carrying value KD'000	Revenues KD'000	Expenses KD'000	Profit/ (loss) KD'000	Group's share of results KD'000
<i>Associates</i>									
EQUATE	42.5%	2,109,936	1,902,429	207,507	88,190	1,274,709	1,140,996	133,713	56,828
TKOC	42.5%	212,076	37,132	174,944	74,351	187,619	114,555	73,064	31,052
GPIC	33.3%	227,350	10,844	216,506	72,096	184,566	91,799	92,767	30,891
KDC	49%	389,233	293,308	95,925	47,003	105,788	104,314	1,474	722
OULA	24%	129,613	63,883	65,730	15,775	162,030	158,325	3,705	889
SOUR	24%	91,095	20,773	70,322	16,877	155,199	151,314	3,885	932
<i>Joint Ventures</i>									
TKSC	57.5%	108,034	45,714	62,320	35,834	135,573	139,399	(3,826)	(2,200)
OKQ8	50%	468,935	261,091	207,844	103,922	1,481,452	1,468,726	12,726	6,363
NSRP**	35.1%	2,347,920	2,866,781	(518,861)	-	2,335,296	2,499,926	(163,630)	(57,785)
DRPIC	50 %	2,112,075	1,574,587	537,488	268,744	112,131	35,449	76,682	38,341
		8,196,267	7,076,542	1,119,725	722,792	6,134,363	5,904,803	229,560	106,033

** This represents certain adjustments made by the Group in relation to its investment in NSRP of US\$ 167 million (2022: US\$ 167 million) (Note 9).

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2022	Ownership	Total assets KD'000	Total liabilities KD'000	Net assets/ (liabilities) KD'000	Group's share of net assets/ carrying value KD'000	Revenues KD'000	Expenses KD'000	Profit/ (loss) KD'000	Group's share of results KD'000
<i>Associates</i>									
EQUATE	42.5%	2,265,600	2,079,165	186,435	79,235	1,294,951	1,072,191	222,760	94,673
TKOC	42.5%	195,926	22,927	172,999	73,525	217,669	107,534	110,135	46,807
GPIC	33.33%	167,199	10,500	156,699	52,228	155,198	89,618	65,580	21,858
KDC	49%	386,303	289,653	96,650	47,359	105,138	102,133	3,005	1,472
OULA	24%	130,731	59,274	71,457	17,150	145,423	141,742	3,681	883
SOUR	24%	89,310	20,851	68,459	16,430	131,521	128,225	3,296	791
<i>Joint Ventures</i>									
TKSC	57.5%	133,162	45,249	87,913	50,828	185,746	161,954	23,792	13,697
OKQ8	50%	462,171	245,688	218,197	109,099	1,116,959	1,073,639	43,320	21,660
NSRP**	35.1%	2,667,905	3,019,417	(351,512)	-	1,657,492	1,819,162	(161,670)	(56,746)
DRPIC	50%	1,598,960	1,441,533	157,427	73,675	-	101,296	(101,296)	(50,648)
		8,097,267	7,234,257	864,724	519,529	5,010,097	4,797,494	212,603	94,447

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12. Inventories

	2023 KD'000	2022 KD'000
Refined petroleum products	755,844	947,729
Crude oil	159,488	81,120
Liquefied petroleum gas	154,571	265,161
Finished petrochemical products	137,372	2,359
Spare parts, materials and supplies	800,641	659,126
	<u>2,007,916</u>	<u>1,955,495</u>

13. Trade receivables

93% (2022: 96%) of trade receivables relates to the Corporation and one of its major subsidiaries who deal mainly with state owned and international oil companies. The subsidiary is operating mainly in Europe and contributes approximately 9% (2022: 9%) of the consolidated total trade receivables and their receivables relate to a large number of corporate customers in that region. The Group's 12 largest customers account for 64% of outstanding trade receivables at 31 March 2023 (2022: 68%).

Trade receivables are predominantly denominated in Kuwaiti Dinars (KD) and US Dollars .

Trade receivables include KD 2,399 million (2022: KD 2,058 million) receivable from Ministry of Electricity and Water.

14. Other receivables and prepayments

	2023 KD'000	2022 KD'000
Advances to contractors	115,471	214,316
Receivable from exchange and concession partners	117,900	129,534
Prepaid expenses	50,721	42,805
Marine sub-carter	34,339	27,363
Employee receivables	68,704	61,776
Others	705,451	676,144
	<u>1,092,586</u>	<u>1,151,938</u>

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15. Deferred tax assets and liabilities

Components of deferred tax assets/ (liabilities) are as follows:

i. Income taxes

	2023 KD'000	2022 KD'000
Statement of profit or loss		
Current year expense	(342,643)	(55,792)
Deferred tax expense	(80,261)	(164,813)
	<u>(422,904)</u>	<u>(220,605)</u>

Statement of financial position

Deferred tax assets	20,426	15,624
Deferred tax liabilities (Note 22)	(134,812)	(81,566)
	<u>(114,386)</u>	<u>(65,942)</u>

Income tax credit mainly resulted due to temporary tax legislative changes enacted in certain geography. These tax legislative changes are primarily related to accelerated tax depreciations and accelerated uplift utilization in addition to the ability to claim a refund of the current year tax losses.

ii. Taxes receivable/ (payable)

Taxes receivable	5,219	2,048
Taxes payable	(374,924)	(213,059)
	<u>(369,705)</u>	<u>(211,011)</u>

Taxes receivable mainly comprise corporate income tax and related refund claims filed by one of the Group's foreign subsidiaries. Taxes payables are predominantly on account of VAT and similar tax liabilities payable by a foreign subsidiary.

16. Cash and cash equivalent

	2023 KD'000	2022 KD'000
Cash and current accounts at banks	812,279	401,733
Short-term bank deposits maturing within three months	561,160	493,385
Cash and cash equivalents	1,373,439	895,118
Short-term bank deposits maturing after three months	72,008	45,726
	<u>1,445,447</u>	<u>940,844</u>

The interest rate on short-term deposits ranges from 4% to 6.4% (2022: interest rate ranges from 0.65% to 1.77%) per annum.

Certain bank balances and term deposits arising from on of the Group subsidiaries "KNPC" are placed as security for project financing (Note 22.2)

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for the year ended 31 March 2023**17. Assets held for sale**

Following KNPC's Board of Directors resolution dated 21 March 2017, KNPC shut down Shuiaba Refinery ("SHU") operations with effect from 31 March 2017. Consequently, KNPC transferred certain assets to other refineries and decided to dispose off the remaining assets. Subsequent to above, the management classified the transaction 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 of time is required for dismantling and disposing these assets to the potential buyer, after conclusion of the sales transaction.

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

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

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

18. Statutory reserve

In accordance with Article 12 of Law Decree No. 6 of 1980, the Corporation has resolved to discontinue the annual transfer to statutory reserve since the reserve would exceed 50% of the authorised and paid-up capital.

19. Capital reserve

The capital reserve mainly represents the difference between the Corporation's cost of acquisition of its original subsidiaries, which were transferred by the Government of the State of Kuwait, and their net asset values at 31 December 1979. No transfer to capital reserve has been made for the current year (2022: KD Nil).

20. General reserve

In accordance with Article 12 of Law Decree No. 6 of 1980, 10% of the profit for the year attributable to equity holders of the Corporation is to be transferred to the general reserve, the percentage of which may be changed in accordance with a resolution of the Supreme Council for Petroleum (Note 25).

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for the year ended 31 March 2023**21. Reserve for replacement and renewal of property, plant and equipment**

Article 10 of Law Decree No. 6 of 1980 states that the Corporation may provide part from its profits to meet the costs of replacement and renewal of the Corporation's and its subsidiaries' property, plant and equipment, after approval of the Supreme Council for Petroleum. The reserve is based on the difference between depreciation, calculated on the historical cost of the property, plant and equipment of the Corporation and its Kuwaiti subsidiaries, and depreciation calculated on the replacement cost of assets using their insured (generally replacement) values. The management has proposed to transfer KD 81 million to the reserve as at 31 March 2023 (2022: KD 246 million), which is subject to approval of the Supreme Council for Petroleum.

22. Non-current liabilities

	2023 KD'000	2022 KD'000
Profit available for distribution (Note 25)	5,856,607	6,284,286
Employees' terminal benefits (Note 22.1)	1,595,006	1,537,884
Pension fund liabilities (Note 22.1)	30,274	36,572
Long-term loans (Note 22.2)	3,504,555	3,521,383
Deferred tax liabilities (Note 15i)	134,812	81,566
Provisions (Note 22.3)	45,976	47,066
Lease liabilities (Note 8)	762,207	795,591
Others (Note 22.4)	297,121	328,046
	<u>12,226,558</u>	<u>12,632,394</u>

22.1. Employees' terminal benefits and Pension fund liabilities

The principal defined benefit funds schemes relating to KPC- Aruba, a wholly owned subsidiary of the Corporation, operate in the United Kingdom, Germany, Belgium and Italy. Provisions for pension obligations are established for benefits payable in the form of retirement, disability and surviving dependent pensions. The benefits offered vary according to the legal, fiscal and economic conditions of each country. Benefits are dependent on years of service and the respective employees' compensation.

Further details in respect of these schemes are given below

The latest actuarial valuations took place on 31 March 2023, and these showed that the funds and schemes in the United Kingdom, Belgium, Germany and Italy had a net deficit. The main assumptions used in the actuarial valuation were a rate of pension increase ranging from 2% to 9.2% (2022: 1.9% to 3.3%) per annum, an annual salary increase ranging from 0% to 5.5% (2022: 0% to 4 %) per annum, a discount rate ranges from 3.6% to 4.7% (2022: 1.6% to 2.1%) per annum and inflation rate assumed ranging from 3.1% to 9.2% (2022: 2% to 3.4%) per annum.

The plan assets are invested in quoted equity securities, quoted fixed income financial instruments, quoted investment funds and other and cash.

Sensitivity analysis

A 0.25% increase/ decrease in the rate of pension increase, discount rate, annual salary and inflation assumed at 31 March 2023 would not have any significant effect on the pension fund liabilities as of that date.

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for the year ended 31 March 2023**22.2. Long-term loans**

	2023 KD'000	2022 KD'000
KPC – Aruba	51,424	67,994
KUFPEC	-	95,056
KNPC	1,272,243	1,613,429
KOTC	74,732	93,380
KIPIC	577,311	651,524
KPC	1,528,845	1,000,000
	<u>3,504,555</u>	<u>3,521,383</u>

The long-term loans mainly represent borrowings by KPC-Aruba, KNPC, KOTC, KIPIC and KPC.

KPC-Aruba

The outstanding long-term loans payable consists mainly of loan facilities for the joint operation at the Milazzo refinery of US\$ 77.6 million, for Kuwait Petroleum Belgium with a value of US\$ 54.6 million and a long term facility for Kuwait Petroleum Espana of US\$ 20.2 million.

Details of loan facility for the joint operation at the Milazzo refinery:

- The Group's share of the amount outstanding is US\$ 77.6 million as of 31 March 2023.
- This loan bears interest at 6 monthly EURIBOR plus 0.85%
- Expected to be fully repaid in 2026/27

Details of loan facility for Kuwait Petroleum Belgium:

- Initial value of Euro 75 million which has been completely drawn
- Repayment started in 2022/23 and will finish in 2027/2028
- The loan bears interest of 1.22%

Details of loan facility for Kuwait Petroleum Espana:

- Initial value of Euro 43 million which has been completely drawn
- The repayment period is seven years (due date 25th of July 2026)
- The loan bears interest of Euribor +1.05% per annum.

KUFPEC

During prior year, KUFPEC had an unsecured loan facility with principal amounts of US\$ 1,100 million, equivalent to KD 334 million with an average interest rate of 1.94% (2021: 0.86%) per annum. The loan will be repaid during 2023.

KNPC

On 28 April 2016, the Company entered into a long term loan agreement ("Facility") of KD 1.2 billion with a consortium of banks. The Facility consists of conventional and Islamic financing and is repayable in semi-annual installments of KD 80 million from April 2019 till 28 April 2026. The Facility carries an interest rate of 1% (2022: 1%) per annum over and above the Central Bank of Kuwait discount rate and is unsecured. The funds were specifically borrowed to finance the CFP. At the reporting date, the Company fully utilised Islamic and conventional facility of KD 710 million and KD 490 million, respectively

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for the year ended 31 March 2023*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 5 & note 16).

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

KOTC

On 15 March 2018, the KOTC entered into a Murabaha agreement with three participating local banks to finance the construction of 8 new vessels comprising of 3 gas tankers, 4 product tankers and 1 oil tanker. The total approved facility is KD 140 million. The Murabaha carries a profit rate of 4.7% per annum (2022: 2.2% per annum) and is repayable in equal semi-annual installments of KD 9,324 thousand starting from 15 March 2021 to 15 September 2027 with a final installment amounting to KD 9,464 thousand payable on 15 March 2028.

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On 31 August 2018, the KIPIC signed a USD 1.3 billion long term loan agreement with Export Credit Agencies (the "ECA Financing"). As per terms of the ECA Financing, the principal is repayable in 20 semi-annual instalments of USD 65 million each starting either 6 months after 1 August 2021 or 6 months after the commencement of LNGI operations (date stated in the Provisional Acceptance Certificate (as defined in the EPCC Contract), whichever falls earlier, and maturity is expected by 2031. The interest on this loan is payable on biannual basis and carries variable interest rate of 6 months LIBOR plus margin that ranges from 0.80% to 0.94% per annum. At the reporting date, the KIPIC fully utilised the ECA Financing.

Long term Conventional and Islamic finances

On 11 June 2018, the KIPIC entered into long term loan agreement ("Long term loans") of KD 390 million with a consortium of local banks. The Long-term loans consists of both conventional and Islamic financing. The principal amount is repayable in 21 semiannual instalments of KD 18,571 thousand each from the date falling 36 months after the agreement signing date, and maturity is expected by 2031. The interest on these loans is payable on biannual basis and carries variable interest rate of "0.750%" per annum over and above the Central Bank of Kuwait discount rate. At the reporting date, the Company fully utilised the Long term loans.

ECA Financing, which is denominated in US Dollars and are guaranteed by the Parent Corporation, and Long term loans, denominated in Kuwaiti Dinar, are specifically borrowed only to finance Liquefied Natural Gas Import project ("LNGI Project"). ECA Financing and Long term loans carry covenants which are tested on annual basis. These covenants include leverage covenant and tangible net worth. At the reporting date, the KIPIC is in compliance with above said customary covenants.

KPC

On 1 October 2019, the Corporation entered into an agreement for a Kuwaiti Dinar revolving credit facility of KD 350 million with a consortium of local banks. The dual tranche facility consists of a conventional facility and a Murabaha facility with a 5-year tenor and is unsecured. The facility carries an interest rate comprised of a margin over and above the Central Bank of Kuwait discount rate payable quarterly. The proceeds of the facility will be used for general corporate purposes (Working capital – OPEX). At the reporting date, the Corporation fully utilized this facility and repaid total amount of KD 50 million for the accordion tranche as of 31 March 2023.

Further, on 12 December 2019, the Corporation entered into an agreement for a USD revolving credit facility of US\$ 1 billion with a consortium of global banks. The facility is a conventional, 5-year unsecured facility. The facility carries an interest rate comprised of the aggregate of the facility margin and 6 month LIBOR rate payable semi-annually. The proceeds of the facility will be used for general corporate purposes (working capital – OPEX). At the reporting date, the Corporation fully utilized this facility and repaid total amount of USD 50 million as at 31 March 2023.

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On 16 September 2020, the Corporation entered into a long-term agreement for a Kuwaiti Dinar term facility ("the Facility") of KD 1 billion with a consortium of local banks. The dual tranche facility consists of a KD 600 million conventional facility and a KD 400 million commodity Murabaha facility with a 15-year tenor and is unsecured. The Facility is repayable over 24 semi-annual instalments based on a pre-agreed amortization structure commencing 42 months from the signing date of the Facility. The Facility carries an interest rate comprised of a margin over and above the Central Bank of Kuwait discount rate and is payable quarterly.

On 17 June 2021, the Corporation entered into a financing agreement for a USD Sace – covered facility ("the Facility") with total amount of USD 1 billion with a consortium of foreign banks. During the year ended 31 March 2023, the Corporation made a withdrawal with total amount of USD 975,448 thousand. The Facility carries an interest of LIBOR 6 month (equal in length to the interest period of the Facility) and margin of 0.90%.

On 15 June 2022, the Corporation entered into a financing agreement for a USD NEXI - covered facility ("the Facility") with total amount of USD 1 billion with a consortium of foreign banks. During the year ended 31 March 2023, the Corporation made a withdrawal with total amount of USD 754,517 thousand. The facility carries an interest of SOFR (secured overnight financing rate administered by the Federal Reserve Bank of New York) and margin of 0.89%.

22.3. Provisions

Provisions relate to one of the Corporation's subsidiaries in Europe mainly represents environmental provisions in connection with closure of a refinery and relocation of certain of the subsidiary's management together with restructuring of operations in France, Belgium, Italy and Germany.

	2023 KD'000	2022 KD'000
Environmental (Note i)	41,992	45,924
Restructuring (Note ii)	3,984	1,142
	<u>45,976</u>	<u>47,066</u>

i. Environmental

The Group has accrued for costs associated with environmental clean-up, principally relating to Belgium and Italy. In Belgium, costs are expected to be incurred in the next one to three years and which has now started, progresses. Costs related to clean up of depot facilities at Naples have been adjusted for inflation and discounted at 10% (2022: 10%) as these are not expected to be incurred until at least 2028. Remediation costs to logistics facilities at Silone in Italy were released following the sale of the Silone depot. There is a related non-current government receivable which relates to a fiscal reimbursement in Italy. In Belgium, costs are expected to be incurred in the next one to three years and have not been discounted as the net effect of interest and inflation is not considered to be material.

Kuwait Petroleum Corporation and Subsidiaries
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for the year ended 31 March 2023**ii. Restructuring**

The Group had accrued for costs associated with business restructuring of the operations in Belgium and Spain. These provisions have not been discounted as the net effect of interest and inflation is not considered to be material.

22.4. Others

As at 31 March 2023, non-current liabilities include an amount of KD 254,563 thousand (2022: KD 269,601 thousand) which represents provision for decommissioning costs related to KUFPEC.

The KUFPEC recognises provision for the future cost of decommissioning oil production facilities and pipelines on a discounted basis on the installation of those facilities. The decommissioning provision represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred when the producing oil and gas properties are approaching the end of their economic lives. The economic life and the timing of the decommissioning provision depends on government legislation, commodity prices and the future production profiles of the respective assets. These provisions have been estimated based on the Group's internal estimates using operators' estimates and external valuers that are subject to inflationary and deflationary pressures where applicable. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions.

The discount rate used in the calculation of the provision ranges from 3.29% to 4% (2021: 1.5% to 4%).

23. Other payables and accruals

	2023 KD'000	2022 KD'000
Borrowings	1,613,637	1,617,304
Retention payable	477,798	540,978
Payable to contractors	50,368	60,140
Liquidated damages	512,067	458,929
Marine payables	109,683	6,213
Accruals	284,577	199,665
Provision for annual leave and accrued compensation	170,239	220,232
Other credit balances	622,470	645,555
	<u>3,840,839</u>	<u>3,749,016</u>

Borrowings represents short-term loans, including bank overdrafts, and current portion of long term loans (Note 22.2). Short-term loans are unsecured and bear interest at prevailing market rates.

KPC-Aruba

The outstanding bank loans mainly consist of loan facilities used by Kuwait Petroleum International Treasury Services B.V. (US\$ 748 million), Kuwait Petroleum Europe B.V. (US\$ 675 million) and Kuwait Petroleum Italia S.p.a. (US\$ 447 million). Interest rates are floating and vary between 2.42% and 6.47%

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Other credit balances include funds recovered from former employees, against whom one of the subsidiary companies has initiated legal proceedings for financial irregularities, together with accumulated interest. (Notes 16 and 35).

24. Amounts due to Ministry of Oil

Amounts due to the Ministry of Oil represent net amounts payable for purchases of crude oil and natural gas net of amounts receivable for certain services provided by the Corporation and its subsidiaries on behalf of the Ministry of Oil.

These services primarily relate to the exploration for and production of crude oil and natural gas in the State of Kuwait and the local marketing (within the State of Kuwait) of refined products and liquefied petroleum gas. The costs of the wholly owned subsidiaries, Kuwait Oil Company K.S.C. and Kuwait Gulf Oil Company K.S.C., are charged to this account.

25. Profit available for distribution

In accordance with Article 12 of Law Decree No. 6 of 1980, the profit for the year, after transfer to reserves, is payable to the Government of the State of Kuwait.

On 4 April 2022, KPC signed an agreement with the Ministry of Finance ("MoF") and Kuwait Investment Authority ("KIA") with respect to payment of profit available for distribution relating to years 2007-2008, 2008-2009, 2013-2014, 2016-2017, 2017-2018, 2018-2019 and 2019-2020. The profit available for distribution of aforementioned years was KD 9,550,242 thousand, out of which the Corporation transferred KD 1,800,000 thousand to MoF in the prior years. According to the terms of the agreement, the Corporation will settle the outstanding amount of profit available for distribution to KIA in 60 equal quarterly instalments of KD 137,543 thousand each starting from 30 June 2021 and maturing by 31 March 2036. KPC determined this transaction as transaction with shareholder of the Corporation. Accordingly, KPC determined the present value of profit available for distribution using incremental borrowing rate and recorded the difference between the carrying value and the present value of KD 615,544 thousand in the consolidated statement of changes in equity during the previous year ended 31 March 2021.

During the year, the Council of Ministers issued Law No.186/2022 and approved dividend distribution for the year ended 31 March 2022 of KD 1,171,249 thousand (2021:KD 85,013 thousand). The proposed dividend is subject to approval by National Assembly of State of Kuwait.

The current and non-current classification of profit available for distribution is as follows:

	2023 KD'000	2022 KD'000
Current portion	427,679	419,231
Non-current portion (Note 22)	<u>5,856,607</u>	<u>6,284,286</u>
	<u>6,284,286</u>	<u>6,703,517</u>

During the year ended 31 March 2023, the Corporation has settled instalments of profit available for distribution of KD 550,170 thousand (2022: KD 550,170 thousand) comprising of principal amount of KD 419,231 thousand (2022: KD 410,950 thousand) and finance cost of KD 130,939 thousand (2022: KD 139,220 thousand) which is recognised in the consolidated statement of profit and loss. The settlement of the first and second instalment of the profit available for distribution was made against financial assets at fair value through profit or loss with fair value of KD 280,252 thousand after deducting transaction fee of KD 500 thousand and the difference of KD 5,167 thousand was received subsequently in month of October 2022.

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Kuwait Petroleum Corporation**26. Revenues**

The Group's revenue is derived from contracts with customers and is disaggregated by major products and timing of revenue recognition was disclosed as follows:

	2023 KD'000	2022 KD'000
Crude oil	20,068,950	17,028,225
Refined petroleum products	17,772,626	11,305,849
LPG and lean gases	3,560,586	2,990,261
Petrochemical products	528,296	453,138
Revenue from marketing and distribution activities	97,483	86,878
Marine	94,456	40,207
Other revenue	82,477	57,794
	<u>42,204,874</u>	<u>31,962,352</u>
<i>Point in time</i>		
Crude oil	16,086,510	16,888,358
Refined petroleum products	17,856,235	11,224,415
LPG and lean gases	3,610,366	2,981,171
Petrochemical products	528,296	446,529
Other revenue	82,476	57,794
	<u>38,163,883</u>	<u>31,598,267</u>
<i>Over the time</i>		
Revenue from marketing and distribution activities	97,483	86,878
Marine	94,456	40,207
Shipping and handling services	3,849,052	237,000
	<u>4,040,991</u>	<u>364,085</u>
	<u>42,204,874</u>	<u>31,962,352</u>

27. Investment income

Investment income mainly represents interest income on bonds, released gain or loss on sale of bonds, dividend income from equity securities and realised / unreleased gain or loss from investments classified as fair value through profit or loss.

28. Other income (net)

	2023 KD'000	2022 KD'000
financial cost recovery	544,157	372,824
Foreign currency exchange loss	(18,897)	(29,146)
Gain on disposal of property, plant and equipment	5,036	18,542
UN compensation received	-	12,276
Miscellaneous income- net	56,445	52,752
	<u>586,741</u>	<u>427,248</u>

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Kuwait Petroleum Corporation**29. Directors' remuneration**

The directors' remuneration represents the remuneration relating to the Board of Directors of the Corporation, which are subject to approval of the Supreme Council for Petroleum.

30. Staff costs

Total staff costs for the year amounting to KD 1,602,793 thousand (2022: KD 1,635,706 thousand) are included in cost of revenues and general and administrative expenses shown on the consolidated statement of profit or loss. Of the staff costs for the year, KD 1,192,720 thousand (2022: KD 1,181,058 thousand) and KD 410,458 thousand (2022: KD 454,648 thousand) is related to cost of revenues and general and administrative expenses respectively.

The staff costs charged to profit or loss is reduced by KD 1,305 million (2022: KD 877 million) being the amount charged to the Ministry of Oil in respect of the operations of local wholly owned subsidiaries engaged in exploration and local marketing activities.

Staff costs, including the amount charged to the Ministry of Oil, consist of the following:

	2023 KD'000	2022 KD'000
Salaries, wages and other benefits	1,584,192	1,614,498
Pension and other retirement benefit expenses:		
- defined contribution	8,374	8,837
- defined benefit	2,529	3,667
Compensation of key management personnel (Note 32):		
- short-term benefits	5,386	6,418
- termination benefits	2,312	2,286
	<u>1,602,793</u>	<u>1,635,706</u>

31. Fair value information

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date. Fair values are determined from quoted prices in active markets for identical financial assets or financial liabilities where these are available. Where the market for a financial instrument is not active, fair value is established using a valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data. Investment securities classified as FVOCI are stated at fair values except for certain investments carried at cost. For other financial asset and liabilities carried at cost less impairment or amortized cost, the carrying value is not significantly different from their fair values as most of these assets and liabilities are of short term maturity or re-priced immediately based on market movement in interest rates.

The Group, mainly through a wholly owned foreign subsidiary, uses derivative financial instruments for managing risks arising from changes in crude oil and petroleum product prices, exchange rates and interest rates. The Group does not use derivatives for speculative purposes.

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All foreign currency derivative instruments are marked to market at the end of each month. At year end the gross contract amounts of such contracts, none of which extended beyond 12 months, were as follows:

	2023 USD'000	2022 USD'000	2023 KD'000	2022 KD'000
Foreign exchange contracts	1,045,729	1,009,040	320,411	306,647

The net fair value of these contracts was asset of KD 30 thousand (2022: KD 699 thousand), level 2 inputs. The above amount is included in foreign currency exchange gain in the consolidated statement of profit or loss and other comprehensive income.

Determination of fair value and fair value hierarchy:

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: quoted prices in active market for the same instrument;
- Level 2: quoted prices in active market for similar instruments or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: valuation techniques for which any significant input is not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 KD'000	Level 2 KD'000	Total KD'000
2023			
Financial assets at fair value through other comprehensive income	3,939,838	113,900	4,053,738
Financial assets at fair value through profit or loss	-	4,585	4,585
2022			
Financial assets at fair value through other comprehensive income	4,053,497	215,259	4,268,756
Financial assets at fair value through profit or loss	-	4,937	4,937

There have been no transfers between fair value levels during the year ended 31 March 2023.

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32. Related parties

Related parties represent associates, joint ventures, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions are carried out on terms approved by the Group's management.

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

	Associates and joint ventures KD'000	Other related parties KD'000	Total 2023 KD'000	Total 2022 KD'000
Purchases	55,655	-	55,655	72,672
Sales	2,390,922	-	2,390,922	1,719,509
Cost of production	29,824	-	29,824	29,634
Marketing fees received	1,009	-	1,009	3,176
Compensation of key management personnel (Note 30)	-	7,698	7,698	8,704

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

	Associates and joint ventures KD'000	Other related parties KD'000	Total 2023 KD'000	Total 2022 KD'000
Non-current receivables from joint venture	65,811	-	65,811	68,269
Due from related parties	8,207	9	8,216	6,624
Trade receivables and prepayments	32,117	-	32,117	36,152
Due to related parties	10,994	-	10,994	5,022

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33. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Chief Executive Officer has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The Risk Management Committee reports regularly to the Board of Directors on its activities.

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 the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit 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. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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 Group's receivables from customers and investment securities. The Group has estimated and gathered all factors relating to the exposure of credit risk.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 64% (2022: 68%) of the Group's outstanding trade receivables is attributable to 12 customers (Note 13). However, geographically there is no significant concentration of credit risk.

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The Pricing Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer particularly for long term sales contracts, which represents the maximum open amount without requiring approval from the Pricing Committee.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

Exposure to credit risk

At the reporting date, the carrying amount of the following financial assets represents the maximum credit exposure:

	2023 KD'000	2022 KD'000
Other non-current assets (other than deferred expenses)	55,816	57,135
Financial assets fair value through other comprehensive income	2,656,830	2,776,902
Trade and other receivables	8,004,914	8,165,065
Bank balances and cash	1,445,447	940,844
	<u>12,163,007</u>	<u>11,939,946</u>

The maximum exposure to credit risk net of impairment losses for trade receivables and other non-current assets (other than deferred expenses) at the reporting date by geographic region was:

	2023 KD'000	2022 KD'000
Middle East	2,378,150	2,476,493
Europe (other than United Kingdom)	661,068	688,405
United Kingdom	211,948	220,713
Other regions	3,827,354	3,985,625
	<u>7,078,520</u>	<u>7,371,236</u>

The maximum exposure to credit risk net of impairment losses for trade receivables and other non-current assets (other than deferred expenses) at the reporting date by type of customer was:

	2023 KD'000	2022 KD'000
Government	3,790,187	3,946,922
Private sector	3,288,333	3,424,314
	<u>7,078,520</u>	<u>7,371,236</u>

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The aging of trade receivables at the reporting date was as follows:

	2023 KD'000	2022 KD'000
Not past due	4,789,344	5,964,781
Past due not more than one year	2,268,476	1,327,928
Past due more than one year	53,367	54,248
	<u>7,111,187</u>	<u>7,346,957</u>

The movement in the allowance for impairment in respect of trade receivables and other receivables was as follows:

	2023 KD'000	2022 KD'000
Balance at 1 April	32,856	36,821
Provision for expected credit losses	5,616	3,036
Reversal of provision for expected credit losses	(5,152)	(5,349)
Foreign currency translation adjustment	(653)	(1,652)
Balance at 31 March	<u>32,667</u>	<u>32,856</u>

Provision for expected credit losses are included in "provision for impairment loss on property, plant and equipment, goodwill and others" in the consolidated statement of profit or loss.

Expected credit losses

Trade receivables and other receivables

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

Due from related parties balances

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

Bank balances and cash

Impairment on bank balances and cash has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its bank balance and cash have low credit risk based on the external credit ratings of the counterparties.

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Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating of at least A1 from Standard & Poor's and A from Moody's. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Impairment on investments has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its investments have low credit risk based on the external credit ratings of the counterparties.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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.

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The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

2023	Carrying amount KD'000	Contractual maturities KD'000	Within 1 year KD'000	1 - 5 years KD'000	More than 5 years KD'000
Long term loans and borrowings	5,118,192	5,244,357	1,508,400	2,483,784	1,252,173
Trade payables	1,138,524	1,138,524	1,138,524	-	-
Other payables and accruals (excluding borrowings)	2,227,202	2,227,202	2,227,202	-	-
Lease liabilities	1,214,673	1,247,735	381,306	793,800	72,629
Amounts due to Ministry of Oil	4,342,996	4,342,996	4,342,996	-	-
Profit available for distribution	6,284,286	7,152,214	550,170	2,750,852	3,851,192
	20,325,873	21,353,028	10,148,598	6,028,436	5,175,994

2022	Carrying amount KD'000	Contractual maturities KD'000	Within 1 year KD'000	1 - 5 years KD'000	More than 5 years KD'000
Long term loans and borrowings	5,138,687	5,190,074	1,665,823	2,690,265	833,986
Trade payables	1,503,371	1,503,371	1,503,371	-	-
Other payables and accruals (excluding borrowings)	2,131,712	2,131,712	2,131,712	-	-
Lease liabilities	1,118,387	1,262,811	340,596	790,912	131,303
Amounts due to Ministry of Oil	5,999,044	5,999,044	5,999,044	-	-
Profit available for distribution	6,703,517	7,702,385	550,170	2,750,850	4,401,365
	22,594,718	23,789,397	12,190,716	6,232,027	5,366,654

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Market risk

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

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, the Euro, USD and Pound Sterling (GBP). The Group's exposure to the risk of changes in foreign exchange rates relates primarily to such operating activities and the Group's net investments in foreign subsidiaries. The currencies in which these transactions primarily are denominated are Euro, USD, GBP, Australian Dollar (AUD), Japanese Yen (JPY) and Bahraini Dinar (BHD).

The Group's net significant exposure to foreign currency risk was as follows based on notional amounts.

	2023 Equivalent position long/(short) KD'000	2022 Equivalent position long/(short) KD'000
EURO	1,001,355	(24,541)
USD	28,158,600	3,999,419
GBP	(332,759)	36,180
JPY	(4,620)	60,928
BHD	-	(1,099)
Others	7,321	692,565

Sensitivity analysis

A five percent strengthening of the KD against the following currencies at 31 March 2023 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2022.

Effect in thousands of Kuwaiti Dinars 2023	Equity	Profit or (loss)
EURO	-	50,068
USD	202,687	1,205,243
GBP	-	(16,638)
JPY	-	(231)
Others	-	366
	202,687	1,238,808

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Effect in thousands of Kuwaiti Dinars

2022

	Equity	Profit or (loss)
EURO	(1,227)	(4,791)
USD	199,971	168,082
GBP	1,809	48
JPY	3,046	20
BHD	(55)	(55)
Others	34,628	426
	<u>238,172</u>	<u>163,730</u>

Interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2023 KD'000	2022 KD'000
<i>Variable rate instruments</i>		
Financial assets	2,881,420	3,316,013
Financial liabilities	(5,195,110)	(5,138,687)
Net exposure	<u>(2,313,690)</u>	<u>(1,822,674)</u>

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased or decreased profit before taxation by KD 23,137 thousand (2022: KD 18,226 thousand).

Other market price risk

Equity price risk arises from financial assets carried at FVOCI equity securities. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices.

The primary goal of the Group's investment strategy is to maximise investment returns.

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not settled net.

Sensitivity analysis

For the majority of the Group's equity investments, quoted market prices are readily available. For such financial assets carried at FVOCI, a 3% increase or decrease in stock prices at the reporting date would have increased or decreased equity by KD 41,907 thousand (2022: an increase or decrease of KD 45,251 thousand). The analysis is performed on the same basis for the year ended 31 March 2022.

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Capital management

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net profit divided by average capital employed. There were no changes in the Group's approach to capital management during the year.

The Corporation is not subject to any externally imposed capital requirements.

34. Expenditure commitments

• Operating lease commitments

The minimum rental commitments under operating leases fall due as follows:

	2023 KD'000	2022 KD'000
Within 1 year	7,858	8,268
Between 1 to 5 years	27,639	30,492
After 5 years	14,766	19,883
	<u>50,263</u>	<u>58,643</u>

• Other commitments

	2023 KD'000	2022 KD'000
Estimated contracted capital expenditure	2,145,008	1,372,313
Supply commitments	410,278	866,661

The Group's foreign subsidiary fuel marketing operations in Belgium and Netherlands have entered into third-party supply deals which require certain contractual volume uplifts. Such binding commitments are lower than existing operational needs and the monetary value of these commitments will rise and fall in line with the market price of the products involved.

35. Contingent assets/ liabilities

Contingent assets

KOTC

a) Legal cases

A new management that was formed in 1992 at one of the subsidiary companies discovered certain fraud cases and financial irregularities in the subsidiary company's contracts and bank accounts, therefore, the subsidiary company's Board of Directors formed a fact-finding committee to investigate those irregularities.

On 6 January 1993, the subsidiary submitted a report to His Excellency the Attorney General on its suspicion about the occurrence of financial irregularities in previous years, whereby the Public Prosecution conducted the necessary investigations and prepared the indictment sheet in December 1993 and its regulation against five of the accused parties.

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The accused, Abdul-Fatah Al-Badr, absconded before submitting the notification to His Excellency the Attorney General. Hassan Qabazard admitted the facts before the Attorney General, and made payment of US Dollars 6,200 thousand on allegation that this was the entire amount taken by him. This amount was deposited in a special bank account as a fixed deposit of the subsidiary which amounts to US Dollar 13,157 thousand, equivalent to KD 3,754 thousand including interest.

The case was deliberated before different Kuwaiti courts, culminating in a final and conclusive cessation verdict on 21 July 2013.

Mandated by the former Minister of Oil, Sheikh Saud Al-Nasser Al-Sabah, the Company sent a letter to the Attorney General on 14 December 1998. The Attorney General considered this letter as a notification and transferred the same to the Investigating Committee concerned with court actions against Ministers, which, in its first formation, considered it as a notification and, subsequently, undertook the investigation procedures. The subsidiary provided the committee with 40 documents including those deliberated to the English courts with respect to the certain amounts embezzled by the accused parties or other parties. Subsequently this committee resigned and a new committee was formed on 29 April 2000. On 16 May 2001, the committee considered that the case was not fully complete, without discussions with any witness.

On 29 May 2001 the former Minster of Oil Adel AI-Subaih sent a notification to this committee against the five defendants. The defendants include the former Minister of Oil. On 19 May 2003, the committee considered the action as serious and heard statements of witnesses. On 30 October 2007, a resolution was issued from the Investigating Committee concerned with court actions to suspend the notification submitted against Sheikh Ali AI Khalifa due to the lack of evidence. On 26 December 2007, His Excellency the Minster of Oil by proxy submitted a grievance complaint from the suspension decision to the court of ministers and on 27 December 2007 the attorney of the subsidiary submitted another grievance complaint. The judgment was challenged before the court of Cessation, on 17 February 2009, the court ruled to dismiss the appeal.

In parallel steps, the subsidiary has initiated civil cases in the United Kingdom, Switzerland, and other countries, and with the efforts of those working on the case, it won the case filed in the United Kingdom and obtained a judgment against three of the defendants for an amount of US Dollars 136,000 thousand excluding interest. In addition to this, the case ended with the rejection by the UK House of Lords on 10 December 2000 of the appeal submitted by Abdul Fatah AI-Bader. An amount of US Dollars 85,351 thousand has been collected till 7 May 2006. This collected amount was invested in deposits. The collected amounts along with interest till 7 May 2006 amounted to US Dollars 92,757 thousand (which has been subsequently distributed) plus an amount of US Dollars 6,200 thousand transferred by the Public Prosecution from the accused Hassan Qabazard and received by the subsidiary in Kuwait, which was invested in a deposit renewable with its interest thereon pending a decision on crime No. 93/275. The deposit of USD 6,200 thousand along with accumulated interest reached US Dollars 13,157 thousand till 31 March 2016 (31 March 2015: US Dollars 13,157 thousand). Legal measures are being carried out to collect the remaining balance. However, the uncollected amounts of US Dollars 151,709 thousand pending in the liability of the accused parties comprise of the balance remaining from the total amounts awarded in favour of the subsidiary according to the verdict from London, and inclusive of interest till August 2005 amounting to US Dollars 123,559 thousand plus such amounts, being the difference between the amounts claimed before London Court and those mentioned in the Public Prosecution Charge Report in connection with crime No.275/93 amounting to US Dollars 25,000 thousand, for which a civil case was filed where a final and conclusive verdict was announced in the session dated 7 March 2011 by rejecting the appeal, plus an amount of US Dollars 3,150 thousand (Chesapeake- selling debris of Surf City Vessel) for which a case was filed where a final and inclusive verdict was announced in hearing dated on 18 February 2014 in the appeal No. 9/commercial 2000/976 by rejecting the appeal. In 18 March 2014, appeal in cassation was filed against the rule and no hearing scheduled.

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A committee was formed comprising of representatives of the subsidiary and Parent Corporation to distribute the amounts collected from the accused parties to the entitled parties, after deducting the expenses of the lawsuits from inception to date. Subsequently, the Audit Committee of Parent Corporation's Board of Directors approved on 7 May 2006 the report submitted by the Company on the method of distributing the amounts collected from the accused parties, net of the expenses of the lawsuit from 1992-1993 till 2005-2006, as 54% to the Company and 46% to the Parent Corporation. Subsequent to the distributions made in 2006, the remaining distributable amount was US Dollars 61,607 thousand. The Parent Corporation's share amounting to US Dollars 28,339 thousand was transferred on 24 May 2006.

The subsidiary's share amounting to US Dollars KD 33,267 thousand (KD 9,714 thousand) and the lawsuit expenses of US Dollars 31,150 thousand (KD 9,096 thousand) deducted from the collected amounts, were included in the consolidated statement of income for the year ended 31 March 2007.

The Company recovered another amount of GBP 125,221 till date. The subsidiary also recovered KD 4,571.180 (Kuwaiti Dinars four thousand five hundred seventy one and Fils 180) plus an amount of KD 235,365.587 (Kuwaiti Dinars two hundred thirty five thousand three hundred sixty five and Fils 587) based on Decision No. 18/2017 dated 7 December 2017 issued by the Attorney General with respect to the enforcement of refund punishment adjudicated in the Felonies No. 275/1993 and No. 3589/1994 including cancellation of seizure of funds deposited with National Bank of Kuwait in the name of the accused Hassan Qabazard in two bank accounts, and refund of such amounts to the Company. The said amounts plus the due interests were transferred to the Company's account on 7 December 2017. The Company then received an amount of KD 77,129.456 (Kuwaiti Dinars seventy seven thousand one hundred twenty nine and Fils 456) from the accounts of the accused Hassan Qabazard on 2 January 2018, which represents the amount of interests on the due amounts determined under court judgment in favor of the Company based on the General Attorney's decision No.18/2017. On 19 June 2017, the subsidiary recovered an amount of G BP 3,556,005.40 under the enforcement order passed by the High Court in London and the Royal Court in Jersey related to the property located in London belonging to the late Abdul Fatah Al Bader.

Further, the subsidiary's attorney in Kuwait filed civil cases before the Kuwaiti courts against the accused parties and certain persons who received the embezzled amounts, to claim refund of the funds illegitimately embezzled by the accused parties and others, which are still deliberate in the court. In one of these cases, the attorney of the subsidiary filed civil case No. 2008/3019 (commercial/ civil/ total/ government)/ 8 against four accused parties for a temporary civil compensation amounted to KD 5,001 thousand and one KD. The court decided to refer the case to Sixth Civil Department where the case number was changed to 2009/1321 (civil/total)/6 and a first degree verdict has been issued against the second, third and fourth accused parties to pay an amount of KD 5,001 thousand and one as a compensation. This verdict has been appealed by one of the accused heir. On 19 December 2011, a verdict has been issued by Court of Appeals against the four accused parties to jointly pay an amount of KD 5,001 thousand and one KD and to pay KD 300 as an attorney fees.

Both verdicts was appealed at the Court of Cassation by the heirs of the late Abdul Fatah Al Bader No. 2011/166 and No. 2012/603 cassation v/2 to appeal the verdict issued by Court of Appeals No. 2012/271 commercial /4 at the session dated 28/05/2012 the court has sentenced to refuse a request to cease the enforcement of the verdict. In the hearing dated 24 November 2014, the court verdict first to accept the appeal 166/2011 in terms of formalities and with respect to the subject matter the court rejected it then obligated the appellant to settle the expenses plus KD 20 as attorney fees. Secondly, the court accepted the appeal in cassation No. 2012/603 civil 2 in terms of formalities, with respect to the subject matter the court partially cancelled the verdict appealed in cassation. For the appeal No. 271/2012 civil to the extent of petition of appeal in cassation to amend the appealed verdict to jointly obligate the appellants to settle the compensation each one according to his share of inheritance succession and otherwise affirm the judgment.

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The court obligated the appellants to settle appropriate expenses plus KD 10 for the attorney fees. An amount of Sterling Pounds 120 thousand was received on 11 October 2006, and invested in a deposit renewable with interest thereon. This amount plus interest amounted to Sterling Pounds 143 thousand (KD 64 thousand) at 31 March 2016 (2015: Sterling Pounds 142 thousand (KD 67 thousand), and will be distributed later according to the above agreed distribution share.

With respect to the amount of US Dollars 3,150 thousand (Chesapeake-selling debris of Surf City Vessel) for which a case was filed, a final but not conclusive verdict was announced in hearing dated on 18 February 2014 in the appeal No. 976/2000, commercial/9 by rejecting the appeal. On 14 March 2014, appeal in cassation was filed against the verdict. On 15/10/2017, the Court of Cassation passed verdict accepting the appeal in cassation in terms of formalities. With respect to the subject matter, the Court partially cancelled the challenged verdict in connection with the adjudication to dismiss the action for validity and confirmation of precautionary attachment and ordered the first appellee in cassation to pay expenses and Kuwaiti Dinars twenty towards attorney fees.

With respect to the subject matter of Appeal No. 976 of 2000, Commercial, to the extent of cancelled part of the challenged verdict, the Court cancelled the appealed verdict in connection with the adjudication to dismiss the action for validity and confirmation of attachment. The Court confirmed the validity and confirmation of the precautionary attachment dated 28/2/1999 on the first appellee's funds, which are deposited with the Public Prosecution treasury in relation to the Felony No. 8 of 1993, Investigations - 275 of 1993, Felonies, for the repayment of USD 3,150,000 in enforcement Order No. 464 of 1998 dated 19/9/1998. The Court confirmed the verdict with respect to other demands.

By virtue of the award of the Court of Appeal for the case No. 2228/2003 (commercial/Plenary 23), filed by the subsidiary and the Parent Company against Ms. Noura Ali Al Muzaini and Mr. Abdul Fattah Sulaiman Khaled Al-Bader, based on the judgment of the Court of Appeal dated 31 March 2015 that the defendants shall pay the subsidiary and its Parent Company USD 1,000,000 equals to KD 352,001. The Parent company received its share amounting KD 151,834, and the same was deposited in its account on 9 January 2017. Regarding the amount due to the subsidiary as a result of the same judgment, the formalities are being process for creating a power of attorney to the subsidiary's lawyer to be able to receive the amount of KD 151,834 as per the said judgment. Bearing in mind that the defendant has made a challenge before the cassation court under the registration No. 798/2015 and up to date there is no session determined to review such challenge.

Further, the subsidiary's attorney in Kuwait filed a lawsuit No. 2025/2010 (commercial/ Plenary) before the Kuwaiti courts to claim implementing a foreign verdict pronounced by London court in favor of the Company on 15/12/1998 for the case no. 1212/2004 and its appeals. Also, he requested to annex the verdict in its executive formula pursuant to provision of Article no. (1) of Law no.38 for 2007 concerning amending paragraph one of Article no. (199) of Law of civil & Commercial Procedure issued by Decree by Law no. 38 for 1980.

The court verdict has been issued by the judge to annex the foreign verdict in the executive formula and command its implementation in the State of Kuwait. An appeal of cassation has been petitioned by the accused and appealed to suspend the verdict issued by the Court of Appeal, however on 14 June 2011 the Court of Cassation ruled to refuse the request of suspension of the verdict.

A hearing session was scheduled on 8 March 2012 as the first hearing for the appealed of cassation to the verdict No. 3273/2010 to commercial appeal / 5 and case under No. 133/2011 appeal of cassation, Commercial 4. On 12 April 2012 the court ruled to accept the two appeals in its form and regarding its merits the court referred the challenged verdict to court of cassation and obligate the first appellee (respondent) in both appeal cases to settle the expenses in addition to KD twenty as attorneys' fees. Secondly regarding the merits of 2 appeal cases No. 3273 and 3287 of 2010 commercial, the court resolved annulment of the appealed sentence and inadmissibility of the proceedings since it was previously ruled by the case No. 246 of 2002 commercial total and obligated the appellee in the 2 appeal cases to settle expenses for 2 degrees plus KD 20 for attorneys' fees.

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Further, he filed a law suit No.3560/2010 (commercial/total) before the Kuwait courts to claim implementing a foreign verdict pronounced by London court in favor of subsidiary and SITKA on 17 October 2008. Also, he requested to annex the verdict in the executive formula. However, the law suit is still pending at the Kuwaiti courts. A first degree court verdict has been issued on 15 January 2012 to dismiss that proceedings which became final sentence.

Also the subsidiary attorney assigned to file a lawsuit before Kuwaiti courts under No. 1527/2012 civil total / 12 against the heirs of Abdul Fattah Al-Bader and others to claim the final compensation which includes the reported in the sentence in crime No.3589/94 felonies, public money jurisdiction 94/245 Investigation department as well as the amounts subject to the judgment issued in London that the Court of Cassation rejected to annex in the executive formula since the case was deliberated by the Court of First Instance and on 4 December 2014 the Court sentenced to reject the case and the verdict has been appealed and registered under No. civil 5261/2014 civil. In 9 June 2015, the court amended the appealed judgment by dismissing the lawsuit on as is basis and confirmed other rulings. The subsidiary has filed appeal of cassation against the appealed judgement and registered under No. 1322/2015. Opponent also filed appeal of cassation enrolled under No. 1339/2015 and on 22 October 2018, the appeal was rejected.

b) Dry Cargo (358/94 crimes)

- This case has been filed against five indictees. This case was referred to the Criminal Court on 2 April 2006 for charges of embezzling funds, illegal profits and forgery. The value of the amounts claimed in the Public Prosecution's report amounted to approximately US\$ 10,000 thousand.

In the hearing on 17 June 2006, the court ruled for the imprisonment of indictees for five years with labour and execution, to dismiss them from their jobs, oblige them to refund the embezzled funds, and fine each of them an amount equivalent to that embezzled by him, as well as to deport the third, fourth and fifth accused parties from the country after serving the said penalty, and to refer the civil case to the competent civil court. The fourth indictee, Jakan T. G. Thomas ,challenged the verdict passed against him. In the hearing on 16 September 2006, the court ruled to dismiss the objection and upheld the challenged verdict, which was appealed by the second and fourth indictees. On 24 July 2007, a verdict was issued by the court of appeal condemning the accused and partially amending the judgment through deducting the equivalent of the present value in US dollars of an amount of KD 300 thousand paid by the second party of the adjudged fine and by refunding penalties as well as clearing the fourth indictee from crimes attributed to him. The appealed judgment was challenged before the Court of Cassation. On 13 May 2008, the court ruled to dismiss the appeal.

- On 2 August 1990, Iraq invaded the State of Kuwait and disrupted the Group's Kuwait operations including those of its subsidiaries. Facilities and equipment were damaged or destroyed and inventories and other assets were stolen. The related carrying amounts of assets damaged or stolen and other expenses related to the invasion have been reflected as extraordinary items in the consolidated statement of income of prior years.

The Company is pursuing approved claims against Iraq for the recovery of losses suffered during the Iraqi invasion on behalf of the Group. The total amount of the compensation claim approved by the United Nations is KD 4,683 thousand. Up to 31 March 2023, the Company has recovered KD 4,573 thousand (2022: KD 4,573 thousand) out of the total amounts approved.

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Contingent liabilities

The Group had contingent liabilities principally relate to a variety of tax, legal and regulatory disputes, all of which are being vigorously contested by one of the subsidiaries of the Group.

KPC Aruba

A) Italy

During 2013-2015 there was an accusation in Italy that a subsidiary and its management failed to comply with environmental laws and regulations. As a precaution the local Public Prosecutor has ordered the seizure of certain company assets (for a value of some EUR 220 million) which may not be disposed pending resolution of the case. Management believes that it has always complied with the laws and regulations and is now defending itself from these charges before the competent Court through the most appropriate legal actions. Evidence and other defence arguments will be presented to the Court in the current trial phase but the timing of such proceedings remains uncertain. Last hearings of the trial phase took place on 11 September 2020, 2 October 2020, and 29 January 2021 with the examination of some witnesses and the objection of time prescription moved by KP Italy, the latter unfortunately rejected by the Court. At the hearings scheduled on 10 September, 10 December 2021, and 4 February 2022 Public Prosecutor and lawyers examined the Prosecutor expert while the hearing scheduled on 1 October 2021 was cancelled by the Court. Hearings also took place on 18 May 2022, 15 June 2022 and 14 April 2023 at the Naples Court. Focus of these hearings was on the prosecution of the examination of the expert appointed by the prosecutor. This examination is expected to continue at the next hearing scheduled on 6 October 2023.

At this early stage it is not possible to reliably estimate the potential liabilities. There is a long outstanding claim for compensation relating to the sale of assets and equipment of the former Naples refinery. A legal ruling issued by an Arbitrator, subject to appeal, states that the buyers have to reimburse the Group. Buyers appealed against the ruling and the hearing scheduled on 24 March 2022 before the Court of Appeal of Rome has been postponed to 24 June, 2023. No asset is recognised.

b) DRPIC

Kuwait Petroleum Europe B.V (“KPE”), has provided a Completion Guarantee in proportion to its shareholding (50%) in DRPIC, whereby KPE has undertaken to (i) pay debt service not otherwise paid by DRPIC and (ii) to repay the Secured Credit Facilities then outstanding, if the Actual Completion Date is not achieved within two years of the Scheduled Completion Date. The obligations of KPE under the Completion Guarantee are guaranteed by the Sponsor Backstop Guarantee provided by KPC.

c) NSRP

NSRP is experiencing financial difficulties, the reasons for which are several and varied. To overcome these difficulties, NSRP engaged a well-recognised financial advisor to develop a comprehensive financial solution. This solution will have to be approved and supported by all of NSRP's Shareholders and the requisite majority of NSRP's Lenders.

NSRP's project financing documents (each a “Finance Document”) provide that NSRP should have reached Financial Completion (“FC”) by 27 May 2021 (the “Sunset Date”) at the latest. The FC represents a significant milestone for NSRP and was intended to signify the transition to a fully functional refinery that is operating sustainably with steady state financials. FC can occur any time prior to the Sunset Date provided that NSRP satisfies various preconditions that are either qualitative or quantitative.

If NSRP fails to achieve FC by the Sunset Date, a Fundamental Event of Default (a “FEOD”) will occur under the Finance Documents, namely the Common Terms Agreement (the “CTA”). Following the occurrence of an FEOD, Mizuho Corporate Bank, as the Lenders' Agent, can take enforcement action on behalf of the Lenders and call on guarantees provided by, amongst others, KPC, the Company and KPE. Specifically, the Completion Guarantee provided by KPE and the Backstop Guarantee provided by KPC could be drawn either to pay scheduled debt service that is not paid by NSRP on its due date or for the repayment of loans that have been accelerated following the occurrence of the FEOD.

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On 27 May 2022 each Sponsor received a demand pursuant to the Completion Guarantee (the “Demand”) to pay to the Intercreditor Agent (the “ICA”) in cash an amount equal to its Percentage Interest of the unpaid Senior Loan amounts of US\$ 284,313,187.82 (the “May Amounts”). KPE and 2 other Sponsors made the payment of its own pro-rata share of such May Amounts to the ICA within five calendar days of the date of the Demand in order to avoid the occurrence of a non-payment FEOD under the CTA. However, an FEOD occurred on 1 June 2022 as one Sponsor had not paid its pro-rata share of the May Amounts within five calendar days of the receipt of the Demand. Subsequently, on 10 June 2022, this Sponsor paid, and on 13 June 2022 the ICA confirmed that all of the Sponsors had paid their pro-rata shares pursuant to the Demand and, accordingly, the May Amounts were paid and the FEOD cured.

On 6 July 2022, the Lenders consented to waive the application of certain loan covenants retrospectively from 27 May 2021 until 27 November 2022, including the occurrence of any Defaults (including an FEOD) due to the Financial Completion Date not having occurred (“the Sunset Date Additional waiver”). On 25 November 2022, NSRP obtained the ICA's consent to extend such Sunset Date Additional waiver until the earlier of 27 May 2023 and the date of any Event of Default occurring pursuant to Clause 25.1 (Non-payment) of the CTA.

On 31 May 2023, each Sponsor received a demand pursuant to the Completion Guarantee (the “Demand”) to pay to the Intercreditor Agent (the “ICA”) in cash an amount equal to its Percentage Interest of the unpaid Senior Loan amounts of US\$ 375,221,195.30 (the “May Amounts”). KPE and 2 other Sponsors made the payment of its own pro-rata share of such May Amounts to the ICA within five calendar days of the date of the Demand in order to avoid the occurrence of a non-payment Fundamental Event of Default (an “FEOD”) under the CTA.

However, an FEOD occurred on 4 June 2023, as one Sponsor had not paid its pro-rata share of the May Amounts within five calendar days of the receipt of the Demand. Subsequently, on 8 June 2023, this Sponsor paid.

NSRP has been implementing operational transformation initiatives and its investors (including the Group) have been providing financial support schemes to mitigate the liquidity pressure and to improve NSRP's financial position. In December 2022, NSRP's investors approved extension of the Receivables Purchase Agreement (“RPA”) and Early Payment scheme (“EP”) until 30 November 2023.

In September 2022, the shareholders represented in NSRP's Company's Members' Council (“MC”) were aligned on a number of restructuring points regarding corporate governance, operational transformation and long-term financial restructuring for NSRP's overall restructuring.

Nevertheless, such alignment is still subject to negotiation with various parties, including Lenders, and shall be subject to the MC's unanimous approval and the receipt by each Sponsor of their respective internal corporate approvals, if any is required. If any point within the entire restructuring package is not approved by the MC, the agreement in principle of the MC Members to this entire package shall not be valid.

NSRP has been negotiating with its investors (including the Group) and the Lenders financial restructuring terms and plans. There are pre-conditions set by certain investors for the financial restructuring. The conditions stated may cast doubt on NSRP's ability to continue as a going concern and, therefore, NSRP may not be able to realise its assets and discharge its liabilities, including those to the Group, in the normal course of business. The negotiations are still ongoing to-date.

For NSRP to continue its operations in the next 14 months, subject to continuity of the current support schemes by the investors (including the Group) and obtain a waiver of certain loan covenants that NSRP could not comply with (including the extension of the Sunset Date Waiver after 27 May 2023), NSRP' latest cashflow forecasts show that NSRP needs to obtain significant additional funding during the next 14 months to meet its obligations.

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KPE's (and KPC's and KPI's) exposure arises primarily from the following:

- (a) the Completion Guarantee, under which KPE guarantees NSRP's obligations under the Finance Documents (including the Facility Agreements and Sponsor Working Capital Facility Agreement (the "SWCFA")) proportional to KPE's interest in NSRP;
- (b) the KPC Backstop Guarantee, under which KPC guarantees KPE's obligations under the Completion Guarantee;
- (c) the Sponsor Support Agreement (the "SSA") and the SWCFA under which the Sponsors provide a working capital facility to NSRP proportional to each such Sponsor's own interest in NSRP; and
- (d) the KPC Holdings (Aruba) AEC ("KPI") Guarantee of the Sponsor Working Capital Facility, under which KPI guarantees KPE's performance under the SSA and SWCFA.

On 1 February 2019, the EPC contractor ("the Contractor") initiated arbitration proceedings in Singapore by filing a Notice of Arbitration against NSRP which is amended on 21 February 2019 ("the Amended Notice of Arbitration"). The Contractor has advanced a number of monetary claims against NSRP in the Amended Notice of Arbitration, which includes alleged false representation made by NSRP, extension of time, other compensation claims, wrongful demand claims etc. The arbitral tribunal has directed those issues of liability must be resolved in a separate first phase of the arbitration and that issues of quantum will not be addressed until a subsequent second phase of the arbitration, if required, in light of the award on liability. Consequently, the monetary amounts of the contractor's claims have not yet been quantified and it is not possible to provide a precise figure for the total of the monetary claims made by the Contractor in the arbitration. On 21 February 2020, NSRP filed its full statement of defense and counterclaim, seeking orders of dismissing contractor's claim, require the Contractor to pay liquidated damages in respect of delay in mechanical completion and initial acceptance, compensation for defective work, a declaration to pay that NSRP is entitled to a reduction of US\$ 36.6 million in the contract price under determination of agreement No.8 and compensate NSRP for legal and other costs incurred in respect of this arbitration.

The Contractor filed its Statement of reply and defence to counterclaims on 22 June 2020. The Contractor (i) generally maintained the claims set out in its statement of claim save for the dredging disposal site and pipeline dewatering claims which have been dropped, (ii) introduced a new claim for fraudulent misrepresentation and (iii) supplemented the claimed relief by seeking an order dismissing NSRP's counterclaims.

On 14 September 2020, NSRP filed its statement of rejoinder, maintaining its existing defences and counterclaims and adding additional counterclaims in respect of further defective works.

Evidentiary hearings took place over three weeks in June July 2022 and two weeks in September 2022. A third evidentiary hearing took place in April 2023 and final week of hearing is scheduled in June 2023. The tribunal will then issue an award on Liability – the timing for the award is unknown. The value of monetary claims made by the NSRP, and the Contractors may change in arbitration.

d) Bitumen cartel

On the 15 June 2020, the subsidiary Kuwait Petroleum Nederland BV received a writ of summons from the State of The Netherlands, formally claiming damages suffered as a consequence of the existence of a Bitumen Cartel in The Netherlands between 1997 and 2002, as it was evidenced by the Decision of the European Commission of 13 September 2006. The writ of summons includes a claim of 32 million Euro to be increased with statutory legal interests, which may amount to another 30 million Euro. Together with KP Nederland BV, the lawsuit is also addressed to two other former cartel members, on joint and several bases. The first court hearing took place on 1 June 2022. The court decided to investigate whether (a body of) the State had been informed by the EC about the existence (size and duration) of the bitumen cartel. As a result, on 29 March 2023 the court's ruling indicated which questions will be posed to the EC. It is currently unclear when feedback from the EC is expected. The management believes, also based on legal analysis, that it is very unlikely that the court will award the claim (in full). In case the claim would be partially awarded, there is the possibility that also the other cartel members that have not been sued, would be made "(co- liable)" as well.

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36. Investment in joint operations

Kuwait Gulf Oil Company K.S.C.C, a subsidiary, has participation in two joint operations for exploration, drilling, and production of oil and gas, which are as follows;

- Al Khaffi Joint Petroleum Operation ("KJO"); and
- Wafra Joint Operation ("WJO").

The consolidated financial statements include the following items that represent the Group's 50% interest in joint operations:

	KJO		WJO	
	31 December 2022 KD'000	31 December 2021 KD'000	31 December 2022 KD'000	31 December 2021 KD'000
Statement of financial position				
Total assets	853,826	845,104	275,282	305,697
Total liabilities	(248,845)	(229,739)	(120,110)	(118,937)
Net assets	604,981	615,365	155,172	186,760
Proportionate share in joint operation capital commitment	221,080	212,533	163,130	353,546

In December 2019, the State of Kuwait and Kingdom of Saudi Arabia signed a Memorandum of Understanding on procedures to restate the production at KJO and WJO. The crude oil production at KJO and WJO was resumed in February 2020 and July 2020 respectively.

Both KJO and WJO are expected to continue their business, as their managements have been instructed to continue with all drilling, maintenance operations and capital investment activities. Furthermore, both the KJO and WJO Joint Participants have been funding the activities based on cash calls.

Raffineria di Milazzo S.p.A.

The Group allocates revenues and expenses of its joint operation, Raffineria di Milazzo S.p.A., on the basis of the relative performance of each party to the joint arrangement and the parties have agreed to share the profit or loss relating to the arrangement on the basis of a specified proportion. The expected financial performance of the joint operation is designed to operate at break-even, or to generate losses that will be funded by the parties in the joint operation. The substantial part of the output produced at Raffineria di Milazzo S.p.A, is purchased by the parties in this joint arrangement.

The investment in Raffineria di Milazzo S.p.A is accounted for using the proportional consolidation method. As at 31 March 2023, the ownership remained unchanged. The consolidation method for revenues and expenses is made on the basis of the relative performance of each party to the joint arrangement.

The financial statements of Raffineria di Milazzo S.p.A are not presented since its not material for the Group.

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37. Oil and gas reserves of a local subsidiary with foreign operation (unaudited)

	2022 (mmboe)	2021 (mmboe)
Proved and probable reserves at beginning of year		
-Fields in production	388.55	413.75
-Projects under development	-	6.14
	<u>388.55</u>	<u>419.89</u>
Changes during the year		
-Revision of previous estimates	15.38	4.24
-Production (from on-going projects)	(35.86)	(35.58)
	<u>(20.48)</u>	<u>(31.34)</u>
Proved and probable reserves at end of year		
-Fields in production	368.07	388.55
	<u>368.07</u>	<u>388.55</u>

Proven reserves are the quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

Probable reserves are those additional reserves which are not yet proven but together with proven reserves are estimated to have a 50% or better chance of being technically and economically producible.

Oil reserves include the oil equivalent of natural gas. Oil and gas reserves cannot be measured exactly since estimation of reserves involves subjective judgment and arbitrary determinations. Therefore, all estimates are subject to periodic revision. The above oil and gas reserves belong to one of the group companies and relate to the Group's reserves outside Kuwait.

Reserves, reserves volumes and reserves related information and disclosures are referred to as "unaudited" as a means of clarifying that this information is not covered by the audit opinion of the independent auditor that has audited and reported on the Group's consolidated financial statements.

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38. Subsidiaries, associates and joint ventures

a. Principal subsidiaries registered in the State of Kuwait:

Directly held

Name of company	Proportion held	Principal activities
Kuwait Oil Company K.S.C. ("KOC")	100%	Exploration for and production of crude oil and natural gas in the State of Kuwait.
Kuwait National Petroleum Company K.S.C. ("KNPC")	100%	Refining, LPG manufacturing, and local marketing of refined products.
Kuwait Integrated Petroleum Industries Company K.S.C.C. ("KIPIC")	100%	Refining, LPG manufacturing, and local marketing of refined products.
Kuwait Oil Tanker Company S.A.K. ("KOTC")	100%	Operation of a fleet of crude oil tankers and liquefied petroleum gas and oil product carriers.
Petrochemical Industries Company K.S.C. ("PIC")	100%	Production of petrochemical products and their distribution and marketing.
Kuwait Foreign Petroleum Exploration Company K.S.C. ("KUFPEC")	100%	Exploration for and development of oil and gas outside the State of Kuwait.
Kuwait Gulf Oil Company K.S.C. (Closed) ("KGOC")	100%	Exploration for and production of crude oil and natural gas.
Oil Sector Service Company K.S.C. (Closed) ("OSSCO")	100%	Liaison, public services and oil sector supporting services.
Kuwait Petroleum Corporation (FAR EAST) K.S.C.C. ("FAR EAST")	100%	Trading in crude oil and all kind of petroleum products.

Indirectly held

Name of company	Proportion held	Principal activities
Kuwait Aromatics Company K.S.C.C. ("KARO")	80%	Producing and selling perfume products and other derivatives.
Kuwait Aviation Fuelling Company K.S.C. ("KAFCO")	100%	Supply of aviation fuel.

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b. Principal directly and wholly-owned subsidiaries registered outside the State of Kuwait:

Name of company	Country of incorporation	Principal activities
KPC Holdings (Aruba) AEC ("KPC-Aruba")	Aruba	Refining, and marketing of refined products.
KPC Energy Ventures, Inc. ("KPC EV")	British West Indies	Investment in new energy technologies.

c. Principal associates

Name of company	Country of incorporation	Proportion held	Principal activities
Kuwait Drilling Company K.S.C. ("KDC")	Kuwait	49%	Contract drilling
Equate Petrochemical Company K.S.C. ("EQUATE")	Kuwait	42.5%	Petrochemicals
Gulf Petrochemical Industries Company B.S.C. ("GPIC")	Bahrain	33.33%	Petrochemicals
Kuwait Olefins Company K.S.C.C. ("TKOC")	Kuwait	42.5%	Petrochemicals
Al-Oula Local Fuel Marketing Company K.S.C. ("OULA")	Kuwait	24%	Fuel marketing
Al-Sour Fuel Marketing Company K.S.C. ("SOUR")	Kuwait	24%	Fuel marketing
Equate Marketing Company E.C. ("EMC")	Bahrain	49.9%	Fuel marketing
SK PIC Global Company Ltd.	South Korea	49%	Petrochemicals

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d. Principal joint ventures

Name of company	Country of incorporation	Proportion held	Principal activities
The Kuwait Styrene Company K.S.C.C. ("TKSC")	Kuwait	57.5%	Petrochemicals
OKQ8 AB ("OKQ8")	Sweden	50%	Fuel marketing
Nghi Son Refinery Product ("NSRP")	Vietnam	35.1%	Refining, LPG manufacturing, and local marketing of refined products.
Duqm Refinery and Petrochemical Industries Company L.L.C. ("DRPIC")	Oman	50%	Refining, LPG manufacturing, and local marketing of refined products.

e. Principal joint operations

Name of company	Country of incorporation	Effective ownership	Principal activities
Raffineria di Milazzo S.p.A.	Italy	50%	Refinery operations
Al Khafji Joint Petroleum Operation ("KJO")	Kuwait	50%	Exploration for and production of crude oil and natural gas.
Wafra Joint Operation ("WJO")	Kuwait	50%	Exploration for and production of crude oil and natural gas.



