Annual performance report

for the year ended March 31, 2022

Achievements on the way to full commissioning

KIPIC
البترولية المتكاملة

Content

Kuwait’s

Emir

His Highness the Amir sheikh

Nawaf Al-Ahmad Al-Jaber Al-Sabah

Kuwait's
Crown Prince

His Highness the Crown Prince Sheikh

Meshal Al-Ahmad Al-Jaber Al-Sabah

CEO Message

Dear colleagues

Kuwait Integrated Petroleum Industries Company (KIPIC) continues to reap successes at all levels this fiscal year 2021-2022, especially with regard to the completion of Al-Zour oil complex projects, thanks to the efforts of the workers to achieve the maximum possible to push the wheel of Kuwait towards growth and prosperity. KIPIC has taken important steps to ensure the continuation of the construction of its strategic projects in light of the global challenges due to the emerging Corona pandemic (Covid-19), as it was a year full of achievements and successes at all levels.

We are proud that the permanent facilities project to import liquefied natural gas has been fully and safely operated, as the port has received nearly 50 tankers loaded with liquefied natural gas so far, according to the schedule set for the completion of the project to meet the requirements of power stations with clean fuel, which improves the air quality in Kuwait.

Thanks to the escalation of work, the construction of the Al-Zour Refinery project was completed, as KIPIC succeeded in operating the first phase of the project units and testing the operational units of the refinery to ensure safe and optimal operation soon. As for the completion of the integrated petrochemical project, the practice of the construction contract for the company›s building in Al-Ahmadi area was presented in the official newspaper Al-Kuwait Al-Youm. This project has an estimated capacity of 2,761 ktpa of aromatics and polypropylene and 1,700 ktpa of gasoline.

Successes are reaped in conjunction with the impressive progress in the completion of projects through the completion of the establishment, equipping and furnishing of a number of buildings of the Al-Zour Oil Complex, for example; The administrative building of Al-Zour Refinery, the KIPIC Clinic, the KIPIC Laboratory, which is the largest laboratory in the Middle East in terms of an area of 6000 square kilometers and the capacity for analyzing various petroleum products, in addition to the opening of many other buildings. KIPIC continues to be at the forefront of oil companies in the field of empowering workers, achieving the highest Kuwaitiization rate of its human resources in the Kuwaiti oil sector, as it seeks to become the preferred work destination by providing profitable job opportunities that attract the best graduates and experienced people to work in its projects and contribute to shaping the future of the oil sector In addition to creating a stimulating and fruitful work environment characterized by constructive cooperation between employees and encouraging innovation and creativity, in implementation of its career engagement strategy.

The company is also committed to applying the highest standards of health, safety, security and the environment to achieve sustainability for its projects, whether in the internal work environment or surrounding its operations by reducing the level of carbon emissions, which represents the biggest challenge facing the energy sector today, as well as adopting initiatives that would instill a culture of health, safety, security and environment in the souls of employees and contractors. And because KIPIC aims to achieve leadership in the field of energy and petrochemicals, it takes this ambition seriously, and supports everything that would achieve this; KIPIC applies advanced solutions and technologies to ensure the continuation of the process of completing the largest integrated oil complex projects in the Al-Zour region, achieving operational efficiency and creating an innovative and creative work environment in all the company's sites; The company succeeded in inventing a set of modern technical applications and projects that enhance digital transformation and the flexibility of its business, and it was one of the first companies to implement cloud technology in the oil sector.

In the context of KIPIC's endeavor to make more possible and enhance its social responsibility, it is keen to consolidate all its capabilities to support and develop the community by sharing its concerns and aspirations in a way that enhances its reputation and image to ensure the continuity and success of its operations. Hosting student delegations to introduce their strategic projects and their importance to Kuwait. It also provided training opportunities for university students and the Public Authority for Applied Education and Training. I took the initiative to continue cooperating with the Kuwaiti Ministry of Health to confront the Corona pandemic (Covid-19) by establishing and equipping the largest vaccination center and the first of its kind in Kuwait; Jaber Bridge Vaccination Center for Car Service.

In conclusion, we are overwhelmed with optimism that we will continue to achieve achievements and complete the full operation close to the Al-Zour refinery project to chart a prosperous future for the company and our beloved Kuwait. What we have achieved this year in the company is a reflection of the employees' will and determination to make more possible with professionalism and high efficiency despite the challenges we are going through. I take the opportunity to express, on my own behalf and on behalf of the members of the senior management board, my deepest appreciation and gratitude to them, wishing the continuation of this giving.

You made us proud

Waleed Khaled Al Bader

A/Chief Executive Officer

Board Members

Ahmed Al-Habeeb
Chairman of the Board

Saad Al-Azemi
Deputy Chairman of the Board

Waleed Al-Bader
Board Member and
Acting Chief Executive Officer

Hatem Al-Awadhi
Board Member

Bader Burashid
Board Member

Khaled Al-Otaibi
Board Member

Hamad Al-Subaie
Board Member

Top Management

Waleed Khaled Al-Bader
Acting Chief Executive Officer

Abdullah Fahhad Al Ajmi
DCEO (Al-Zour Petrochemical & LNGI)
Acting DCEO (Finance & Admin Affairs)

Khalid Anwer Al-Awadhi
DCEO (Al-Zour Refinery)

Our vision

To be a leader in integrated refining, LNG and petrochemical operations that increase shareholder value, achieve operational excellence, and are committed to developing our employees and contributing to the development of the local economy.

Our goal

Operating an integrated complex that manufactures refined petroleum products, petrochemicals and re-converted LNG supplies in a reliable, efficient, safe and environmentally responsible manner while increasing profits, developing a professional and competent workforce as well as enabling the participation of the Kuwaiti private sector in the oil industry.

Our Values

Integrity

Dealing openly on the basis of trust, respect, justice, transparency and honesty, with commitment to the highest work ethics, professionalism and responsibility.

Innovation

Develop and apply innovative concepts and methods of work to meet challenges and create added value.

Excellence

By achieving a high level of performance, operational excellence, continuous development, providing high quality products and services, and paying attention to meeting customer needs.

One team

Ensuring concerted and harmonious efforts to achieve the interests of the company and the objectives of the oil sector and the Country .

Partnership

Building and maintaining long-term, value-added partnerships to support growth and enhance operational excellence.

Caring for People

Promote a culture of providing opportunities and develop functional capabilities and motivation to contribute to the success of others.

Commitment to HSSE

By protecting the environment, providing a safe and healthy workplace, and adhering to social responsibility in the State of Kuwait and other communities surrounding our operations.

Pride

Enhance employee satisfaction at the individual level and a sense of belonging and loyalty to the company.

Operational performance during the year 2021-2022

Al-Zour refinery project

Permanent facilities for importing LNG

Integrated Petrochemical Complex Project (PRIZe)

Al Zour Refinery

Commissioning the first phase and achieving a total completion rate of

99.42%

Permanent facilities for importing LNG

Commissioning the first and second phases of the project and achieving a completion rate of

99.97%

Integrated Petrochemical Complex Project

The project is in the design phase, with a total completion rate of

58.10%


KIPIC

Inauguration of the administrative building of Al-Zour refinery

The Kuwait Integrated Petroleum Industries Company (KIPIC) inaugurated the administrative building of Al-Zour Refinery, under the patronage and presence of His Highness the Prime Minister Sheikh Sabah Khaled Al-Hamad Al-Sabah, on the sidelines of the extraordinary meeting of the Council of Ministers chaired by His Highness, which was held on Thursday, September 9, 2021 in the administrative building of Al-Zour Refinery.

The administrative building of Al-Zour Refinery is considered a distinctive architectural masterpiece in the heart of Al-Zour Oil Complex. KIPIC was keen to take into account all environmental requirements in the design of the building to comply with the requirements of green buildings, in addition to the implementation of the (Zero Water Waste) project to recycle all used water in order to preserve the environment. It is worth noting that the main administration building of the Al-Zour Refinery has obtained a two-star evaluation certificate in the category of new buildings under construction, after the building successfully passed the requirements of the Global Sustainability Assessment System (GSAS) from the Gulf Organization for Research and Development (GORD).

Opening of the KIPIC Laboratory

It is one of the largest oil laboratories in the Middle East, whether in terms of an area of 6000 square kilometers or the capacity to analyze various petroleum products. The laboratory also contains many modern and advanced devices that comply with standard specifications to ensure product quality. The laboratory consists of four departments:

1. Water and Analysis Laboratory
2. Oil Laboratory
3. Gas Laboratory
4. Certification Laboratory

Opening of the KIPIC Clinic in Al-Zour Refinery and LNGI

To provide medical and ambulance services in the region and to provide the clinic with the necessary medical equipment to receive daily and critical cases from 7 am to 11 pm, easy exits and entrances and close proximity to the refinery, in addition to providing two ambulances and a 24-hour emergency service.

Opening of the maintenance building

The opening of the main control building - Al-Zour refinery

Opening of the main control building - LNG project

Opening of new fire stations

The project «Construction of a building for KIPIC in Ahmadi» was approved by the Project Review Committee and senior management, in addition to the project›s classification by the Capital Projects Classification Committee.

Our field of work

We are working with all our energy to push the wheel of Kuwait towards growth and prosperity

Making more possible for Kuwait

We operate according to the philosophy of “making more possible” for our beloved country, Kuwait, so we are committed to continuous investment in order to provide a healthy workplace for a safer environment and a safer world. We pride ourselves on conducting our business to the highest standards, and in incorporating these principles into all areas of safety, health and environmental responsibility. Our operations approach is designed to secure and generate a source of clean energy and environmentally friendly products by reducing the emission of pollutants. The operations of KIPIC are concentrated in the Al-Zour Complex located in the south of Kuwait, and it consists of the following:

1. Al-Zour refinery
2. Permanent LNG import facilities
3. Integrated Petrochemical Complex (PRIZe)

Our strategy

We are working to maximize the value of the country›s hydrocarbon resources, using our industrial expertise over the years to raise the efficiency of the performance of our integrated industrial facilities and make more possible for Kuwait, its residents and its local economy.

Al-Zour refinery

Overview

Promising beginnings with the beginning of the new year 2022, full of optimism and ambition, as the initial operation of the Al-Zour refinery project was launched and the operational units of the refinery were tested to achieve safe and optimal operation. The Al-Zour refinery project is one of the strategic vital projects of the State of Kuwait, which KIPIC is building and operating with national resources, to refine 615,000 barrels per day of crude oil. According to the strategic plan of the company to provide energy in the State of Kuwait, the refinery is indispensable in filling part of the increasing needs of fuel for the Ministry of Electricity and Water. It is the world›s largest single-phase refinery. After the petrochemical projects are completed and attached to the refinery, the «Al-Zour Oil» complex will become one of the largest integrated oil complexes in the world, which includes a refinery, permanent facilities for importing liquefied natural gas and a petrochemical complex.

Performance and achievements:

- Operation of acid gas burner unit No. 92

The first unit to be operated on December 30, 2021 in the sulfur complex was designed to receive all gas lines with high hydrogen sulfide content from the sulfur complex units and burn them at an altitude of 165 meters to ensure that all emissions comply with environmental conditions. The unit contains two lines for the treatment of acid gases, and the operating capacity of each line is 72,600 kilograms of acid gas per hour.

- Operating the hydrogen production unit at Al-Zour refinery

The refinery consists of 4 hydrogen production units with a production capacity of 145 million cubic feet per day. The units are distinguished by their net hydrogen production of 99.8% needed to operate the other refinery units by distributing the hydrogen gas produced to the industrial units in the refinery. The units also contain four of the largest reactors in the world. Despite the challenges, the work teams succeeded in launching the safe operation of the units, as the project faced many challenges, which are the challenge of building the units, preparing and preparing the working cadres to operate the units, in addition to the spread of the Covid-19 epidemic and its impact on the availability of the necessary labor for operation. In an effort to achieve the optimal and safe operation of the hydrogen production units, where hydrogen helps prepare the other refinery units and operate the reactors in all units of the refinery.

- Receiving the first tanker to operate Al-Zour refinery

An important historical achievement with the start of the first operations to operate the Al-Zour Refinery, as Al-Jazeera Industry for the Al-Zour Refinery received the first shipment of naphtha on board the tanker Al-Sour 2, a tonnage of 49,000 tons of naphtha, the basic material for operating the refinery expected next March, on Tuesday, January 18, 2022. In addition to a number of other achievements:

- All steam cleaning work (IP/LP/MP/HP) for Main Contractor 55A›s first mini refinery has been completed.
- Completion of drying works for Sulfur Recovery Unit U43-01 for Main Contractor 55B.
- Filling 100% of ULSD diesel in tank 208.
- Inspection and receipt of the helipad at Unit U-98 Small Boat Harbor and Unit U-93 Industrial Island in the presence of representatives from civil aviation to complete the necessary approvals, and the main contractor 45.
- Completion of the process of filling the tanks with the hydrocarbon materials necessary for the initial operation, which were imported from the Mina Abdullah Refinery.
- The success of the first closure of the refinery for the purpose of maintaining the support units, and then safely restarting those systems.

- Completion of the process of filling the reactors with catalysts for the U-25 unit (KHT).
- Completing the comprehensive maintenance work of the maintenance group during the shutdown period of the boilers and its facilities according to the schedule: from March 6 to March 15, 2022, 16 hours before the deadline and without any accidents.
- Operation of the first line to treat the acid water unit (Unit No. 35).
- Study of «Heavy Crude Processing» to determine the mixing ratios of the crude oil to be refined in the refinery after the completion of safe operations.
- Completing the inspection and issuance of certificates for shipments of raw materials (naphtha and diesel).
- The study of refining new heavy oils at Al-Zour Refinery was completed and the results of the study were sent to the Kuwait Petroleum Corporation.
- Signing the Refinery Chemicals Management for Al-Zour Refinery Contract
- Awarding a tender for the supply of chemicals to Al-Zour Refinery for a period of three years, with a total amount of 853,200/- Kuwaiti Dinars.

Permanent facilities for importing LNG

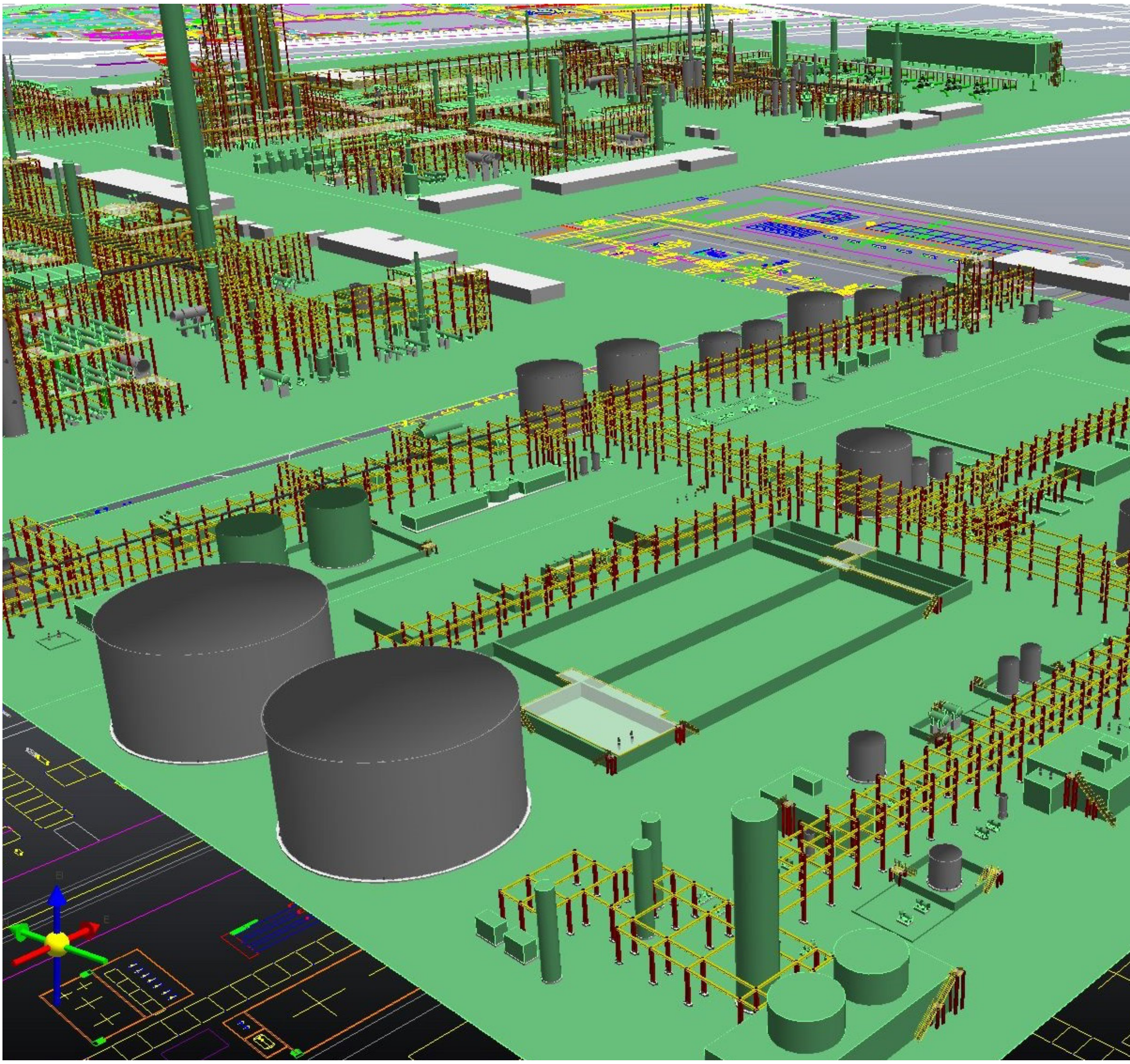
Overview

The company succeeded brilliantly in operating the entire project, as the second phase was successfully completed in January 2022, by receiving the largest tankers loaded with liquefied natural gas (methane gas as a main component) and imported from global markets, liquefied natural gas, safely, and filling the tanks as well as supplying the Ministry of Electricity and Water with its clean fuel needs.

The facility can accommodate 22 million tons of liquefied natural gas, and the daily production capacity of the facility is 3000 billion British thermal units, equivalent to the consumption of 540 thousand barrels of crude oil per day to produce the same amount of energy. The project works to provide the optimum mixture of natural gas and environmentally friendly fuel oil from the Al-Zour Refinery to meet the needs of electric power stations, which contributes to the provision of additional quantities of crude oil and gas oil for sale in different markets, ensuring optimal exploitation and maximizing the value of the oil wealth.

Performance and achievements:

- Receiving 50 LNG carriers until March 31, 2022.
- Completion of the training program for the second phase of the project.
- Obtaining the approval of the High Purchasing Committee (HPC) to contract mooring and jetties services for the LNG import port.
- The inaugural meeting was held on February 16, 2022 with M/s Company. Phillip Townsend Associates ltd, UK (Juran Benchmarking) specializes in benchmarking consulting services and assessing operational performance.

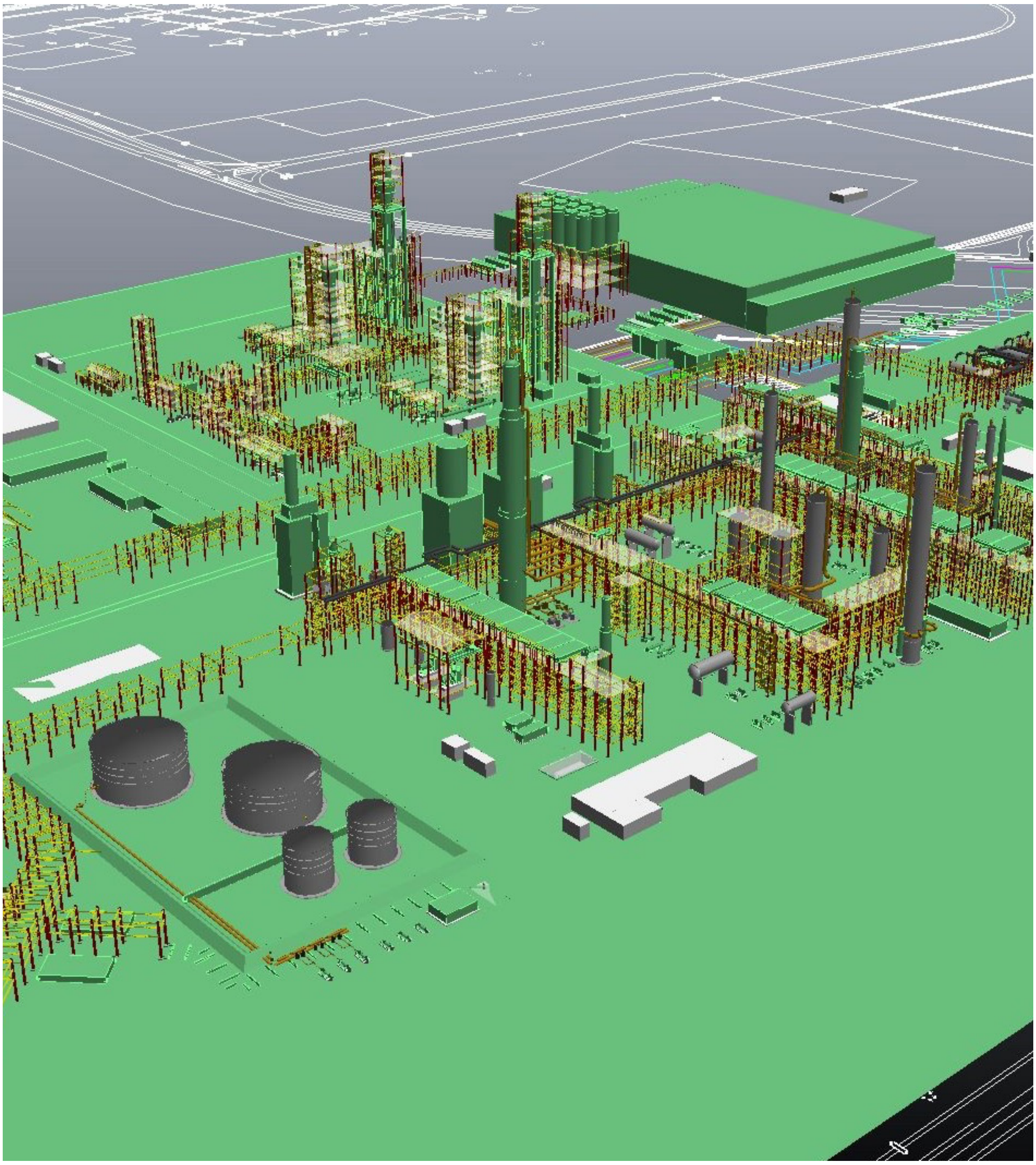


Integrated Petrochemical Complex (PRIZe)

Overview

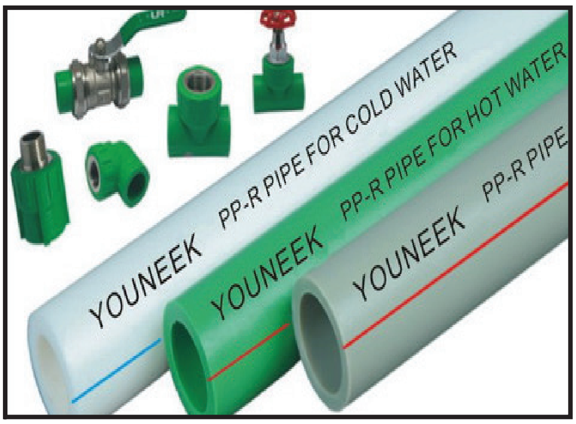
Special study work has been completed to improve the designs of private buildings in the PRIZe project to comply with the requirements of sustainable and environmentally friendly green buildings and a draft final report has been submitted for review by the project consultant and team for comments or approval.

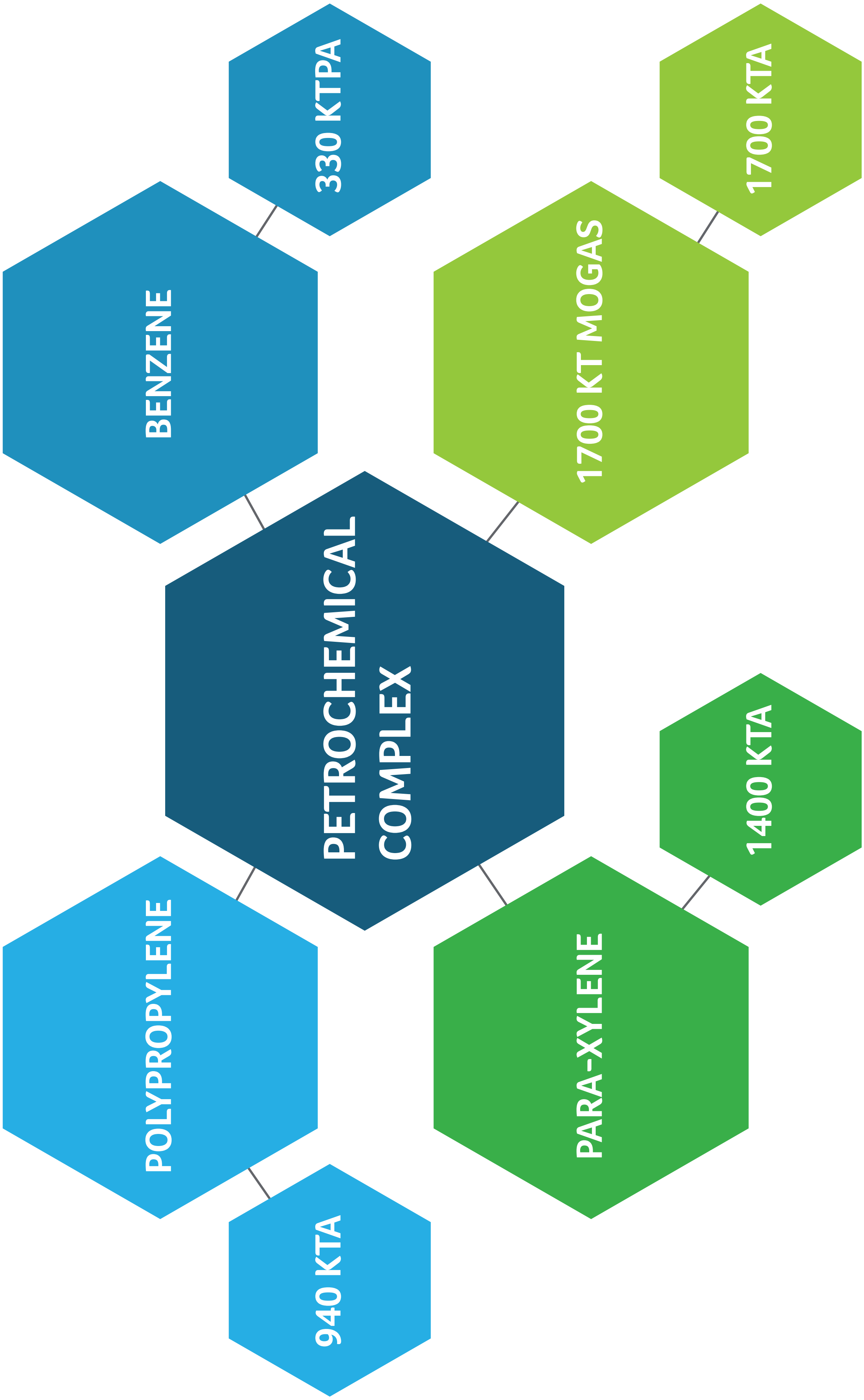
The estimated capacity of the project is 2,761 ktpa of aromatic compounds and poly-propylene and 1,700 ktpa of gasoline. It consists of the third olefins plant, the second aromatics plant and the catalyst cracking unit, in order to produce high-quality products such as paraxylene, polypropylene, gasoline and car fuel to meet the increasing demand for car fuel in the local market and other products for export to global markets. The project also provides opportunities to develop more manufacturing industries. Subsequently by entrepreneurs at the local level.



Performance and achievements:

Introducing the practice of the construction contract for the company's building in Al-Ahmadi area in the official Al-Kuwait Al-Youm newspaper




330 KTPA
BENZENE
1700 KTA
1700 KT MOGAS
PETROCHEMICAL COMPLEX
1400 KTA
POLYPROPYLENE
PARA-XYLENE
940 KTA

Support services and social activities

We are committed to continually investing in a safe workplace for a safer environment and a safer world

Promote human capacity building

KIPIC places the safety of employees, their families and contractor›s labor at the top of its priorities. It also provides its employees with a comprehensive range of training programs and career development opportunities, encourages innovation and professional development, as well as a commitment to empowering young people and supporting their initiatives to harness them to their advantage and the benefit of the company. KIPIC is proud of achieving a high Kuwaitiization rate of 95.36%, and 12 newly graduated workers were appointed, in addition to reducing the vacancy rate to less than 10% of the total workforce budget.

The company is also keen to follow and implement regulations that would provide opportunities for advancement among job competencies, as the procedures for implementing the technical and professional positions ladder (TPL) system for the engineering and project jobs group were decided upon, and the first interview committee was held to enter the technical and professional jobs ladder (TPL) in the company for the group Manufacturing engineering jobs in February 2022. In addition to the development of a system in Oracle for job descriptions that allows workers to easily access job descriptions to complete the necessary procedures, each according to his specialization, while giving the worker an opportunity to express an opinion regarding his job description, and the approval of the job family by the concerned executive vice president for it In the Oracle system to provide the opportunity for employees to see the career path and opportunities for promotion from the level of manager and team leader (66 jobs).

KIPIC Training Academy

The academy is the first of its kind in the oil sector in terms of size, quality and smart technologies used. It is located in the heart of the administrative buildings complex in Al-Zour Complex and is characterized by its modern architectural design and the numerous training rooms where modern technologies are available for effective training. It hosted a number of specialized and technical training programs with KIPIC's partners to upgrade the technical capabilities of workers to ensure their qualification and refinement with the skills necessary to achieve operational excellence for projects.

Resumption of training programs

In conjunction with the full return to normal life, the company resumed holding personal training courses for workers at KIPIC by organizing a training course to develop competencies:

1. Emerson Competency Enhancement Training Program for Maintenance Engineers
2. Complete the specialized training program for manufacturing technology for operators

Health, Safety, Security and Environment

The safety of employees, buildings and the environment surrounding the operations of KIPIC is a top priority that prompts it to identify risks proactively. Therefore, the company was keen to apply the highest standards of health, safety, security and the environment and spread awareness by launching awareness campaigns on safety procedures for manual and electrical equipment, safe drilling and safe driving, holding social initiatives in February 2022 for 30 contractor workers in the major projects group for importing LNG and operations group. Importing LNG and Al-Zour Refinery Package No. 4.

KIPIC is committed to complying with safety requirements and conducting its business safely, as well as enhancing cooperation with external parties in this regard. The firefighting team participated in an exercise (Shamil 7) on January 20, 2022 organized by the Public Fire Force. The company also hosted senior officials of the Kuwaiti National Guard in February 17, 2022 and included a full visit to all facilities of the Al-Zour Refinery and LNG.

CEO›s Health, Safety, Security and Environment Award

Kuwait Integrated Petroleum Industries Company (KIPIC) is keen to instill a culture of concern for health, safety, security and environment issues in the hearts of employees, their children and contractors, in a manner that benefits performance within the company and the surrounding environment.

Digital transformation and business resilience

Because KIPIC seeks leadership in the field of energy and petrochemicals, adopts the application of advanced technical solutions to ensure the continuation of the process of completing the largest integrated oil complex projects in the Al-Zour region, achieving operational efficiency and creating an innovative and creative work environment in all the company's sites; The company has succeeded in creating a range of modern technical applications and projects that enhance the digital transformation of its business. In this regard, it has achieved a set of achievements and launched a number of applications:

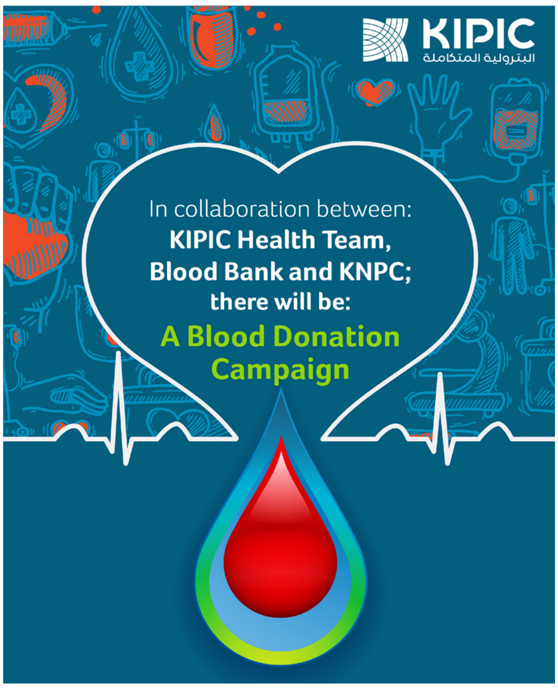
- (KONNECT KIPIC) application for smartphones
- Project roadmap for the digital strategy of KIPIC
- KIPIC digital transformation application scorecard
- Advanced cloud technology
- Citizen Developer
- Advanced Information Technology (Next Generation Network) is based on Software Defined and uses artificial intelligence

KIPIC is also proud to establish the site for the first KIPIC Conference on Process Technology, where the site served in the registration process more than 600 participants and 27 speakers from more than 20 different local and international companies.

Establishing social responsibility

At KIPIC, we work according to the philosophy of “make more possible” for our beloved country, Kuwait. Therefore, we are committed to consolidating our social responsibility through integrating into society and sharing its concerns and concerns in order to advance society and protect the environment. The year 2021 witnessed many social activities carried out by KIPIC, represented in:

1. Organizing campaigns to clean Al-Khiran Beach and broadcasting video awareness messages to clean the land.
2. Organizing blood donation campaigns and vaccination campaigns against seasonal influenza.
3. Launching a fasting breakfast campaign during the holy month of Ramadan to distribute iftar meals in residential areas in Kuwait and distribute food baskets to needy families in cooperation with charitable committees.



Caring to the internal and external audience

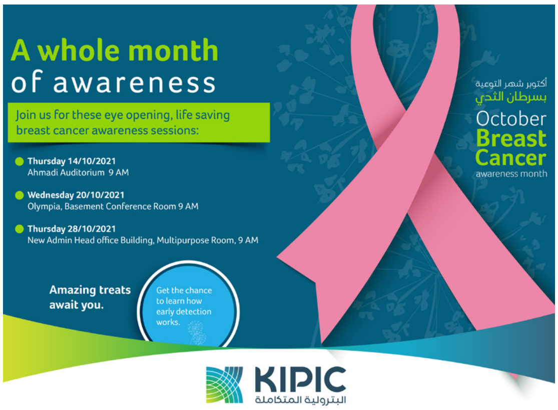
In the context of KIPIC's quest to make more possible, the company is keen to build bridges of communication between employees among themselves to achieve job satisfaction and connection to the work environment and with members of the external community to introduce the company's strategic projects in a manner that enhances its reputation and image to ensure the continuity and success of its operations. It has adopted a number of initiatives in this regard,

Internally:

1. Holding the first paddle tournament
2. Launching a campaign to raise awareness of childhood cancer in cooperation with the National Bank of Kuwait Hospital during the month of September
3. Launching a breast cancer awareness campaign in cooperation with Ahmadi Hospital during the month of October
4. Launching a Men›s Health Awareness Campaign in November
5. Organizing a walking event on the occasion of World Diabetes Day
6. The Hala KIPIC Festival will be held on the occasion of the celebration of national holidays during the month of February

Externally:

1. Hosting a student delegation from the Australian University
2. Holding a lecture for Australian University students to introduce the company›s projects and the mechanism of applying for job vacancies
3. An initiative to introduce the company›s projects to the pioneers of Al-Khairan area
4. Training the students of the Public Authority for Applied Education and Training at KIPIC Training Center in preparation for their joining the work family
5. Implementation of the "ما تسوى عليك" initiative for the second year in a row, which aims to educate sea-goers about the dangers of sailing near LNG installations and facilities to protect them and their safety.



Vaccination is a national duty

Kuwait Integrated Petroleum Industries Company (KIPIC) and equipping the largest vaccination center and the first of its kind in Kuwait

Jaber Bridge Vaccination Center for Car Service

The center in brief

The center is one of the largest vaccination centers and the first of its kind through car service in Kuwait, with an approximate area of 30,000 square meters, and a capacity to receive 5,000 people per day. To complement the strenuous efforts made by the oil sector and to trust its capabilities, the Cabinet issued a decision assigning the Kuwait Petroleum Corporation (KPC), represented by Kuwait Integrated Petroleum Industries Company (KIPIC) and the Kuwait Oil Company (KOC), to work under the supervision of the Ministry of Health to prepare the necessary medical equipment to establish a center for vaccination against the Corona virus through car service on the South Island at Sheikh Jaber Al-Ahmad Al-Sabah Bridge, which connects the cities of Kuwait and Subiya, 4 km from the port of Shuwaikh, in April 2021 with the aim of strengthening community immunity and accelerating the pace of vaccinations, which contributes to the return of normal life.

National hands

Immediately after receiving the assignment, KIPIC quickly formed an emergency work team that included an elite group of Kuwaiti workers to work on implementing and establishing the center and preparing it with the necessary medical equipment, under the supervision and follow-up of the Kuwaiti Ministry of Health, and in coordination with all relevant state agencies. The team members are: Fayez Al-Mazkour, Manager of the communication Group, Nabil Al-Badr, Manager of the General Services Group, Vice President, and members: Adel Abbas, Sheikha Al-Toura, Suhaib Al-Qaoud, Abdullatif Bouaidan, Sherida Al-Sharida, Muhammad Al-Ahmad, Ali Abdullah Al-Failakawi, Ibrahim Al-Kandari, Thamer Al-Kandari

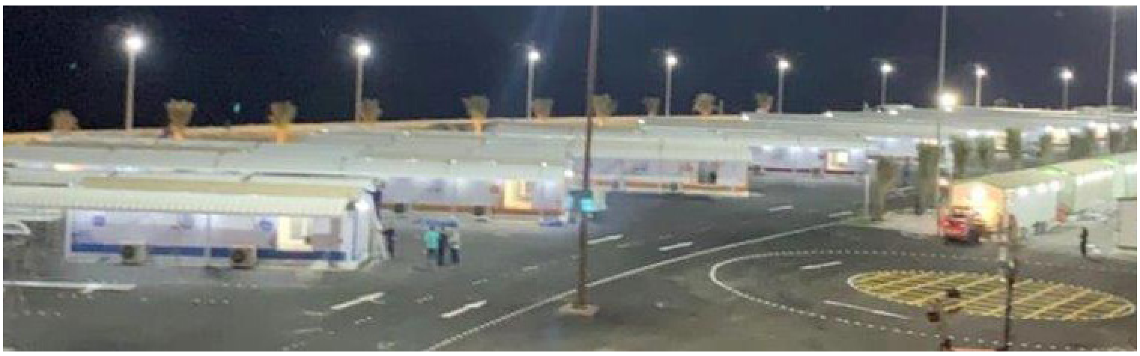
Speed up the work

KIPIC, in cooperation with the Kuwait Oil Company (KOC) and the concerned state authorities, including the Ministry of Health, the Ministry of Interior, the Ministry of Interior of public works, Public Authority for Roads & Transportation and Kuwait Fire Force, succeeded in completing and equipping the center and handing it over to the Ministry of Health within a record time of nearly a month since the start of work in April 2021, when the Ministry launched the actual operation on May 30, 2021.

Center facilities

Cabinets: They contain clinics, emergency rooms, and vaccination booths, in addition to booths dedicated to storing medicines, pharmacy, support services, and others for ministries and institutions operating in the place. The center also includes 10 lanes designated for car owners wishing to be vaccinated, and each point contains two vaccination cabins with a total of 20 cabins accommodating 80 cars at one time.

Parking lot: A parking lot has been prepared for vehicles near the temporary petrol station to be extra in anticipation of any congestion, as the center receives within minutes of 80 vaccination vehicles and 46 others to wait inside, where each cabin can vaccinate drivers of 4 vehicles at the same time.



Optimum Operation

KIPIC, in cooperation with Kuwait Oil (KOC), was keen to provide the center with full services and infrastructure, including electricity, water, air conditioning and sanitation. The Ministry of Health has provided and equipped the center with all medical equipment and tools to ensure that the service is provided in accordance with the necessary quality and safety, including the provision of vaccines, medical and pharmaceutical equipment, in addition to ensuring the training of the nursing sector and administrators in the center.

working cadres

The Ministry of Health provided 200 medical, technical, nursing and administrative staff in the center.

smooth movement

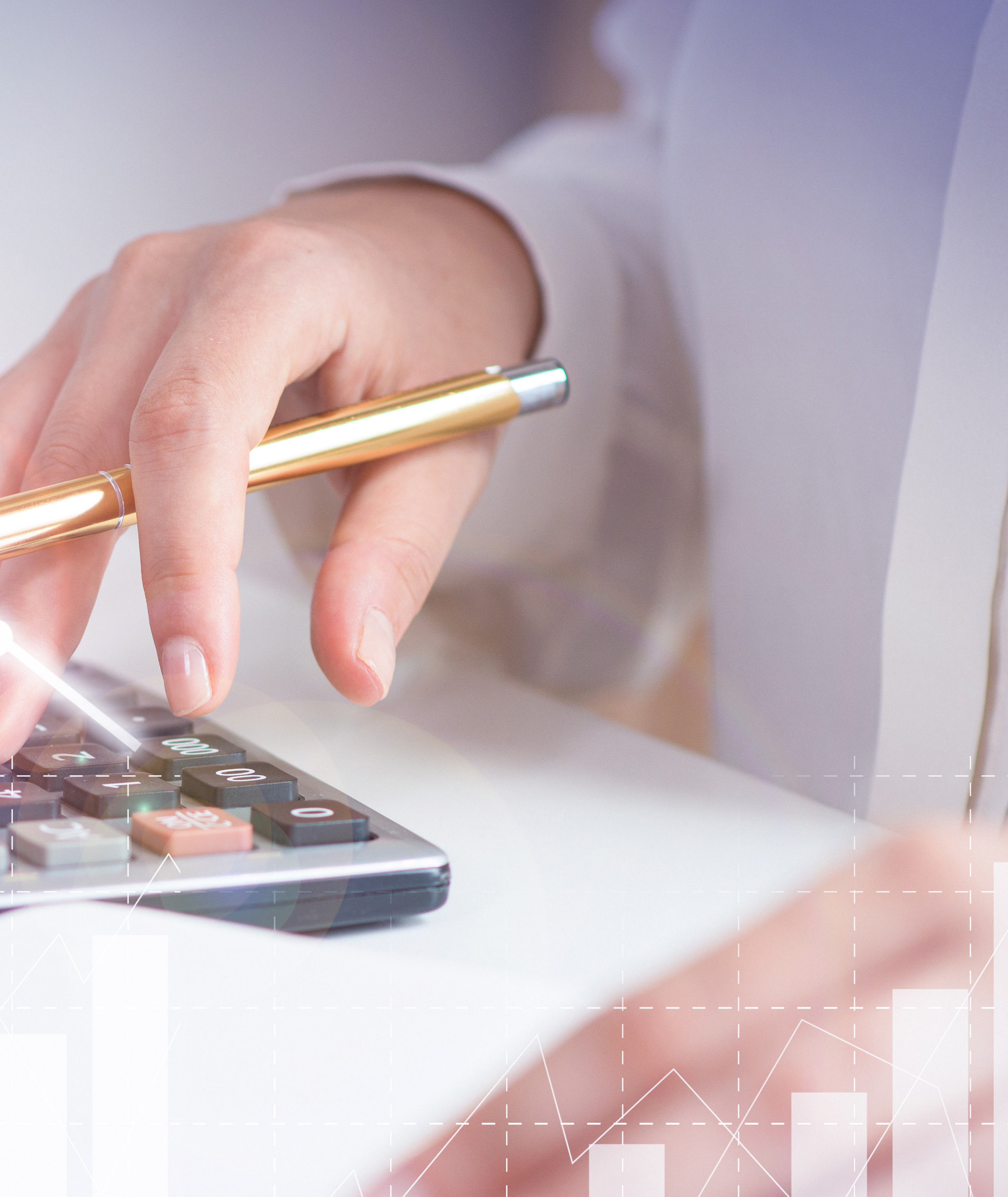
The paths and ways for cars to enter the vaccination booths were defined in a smooth manner, and colored paths for vehicles were drawn on the floors according to the direction and the color of the booth, containing the colors “orange, red, violet, blue”, while the green color was specified for the services of government agencies and the teams participating in the organization. In addition to placing indicative signs over the bridge, which indicate the locations of entry and exit from it to speed up the pace of vaccination, and to facilitate those wishing to receive the vaccine, and to ensure the vaccination procedures easily and smoothly. The Ministry of Interior has also established two security points to supervise the organization.

The efforts of the Red Crescent and the National Bank

A team from the Red Crescent is present to provide logistical support to more than 200 administrative, technical and medical employees who are present daily to serve the restaurants, as well as civil defense, public firefighting and medical emergencies. It provides golf cars to transport cadres inside the center, which is located on a large area of the island, in addition to supporting the National Bank of the cabins by providing special refrigerators for drinking water.

Green spaces

KIPIC and Kuwait Oil (KOC) were keen to add green spaces through the natural agriculture surrounding the center, starting with palms with approximately 100 palm trees distributed on the sides of the roads and allocating an entire agricultural area at the entrance, in a move that contributes to increasing the green area and adding an aesthetic touch to the site that can be used in the future.



Financial performance report

independent auditor's report and financial statements

For the year ending 31 March 2022

Financial results:

- Achieving other revenues of 58,398,758 Kuwaiti dinars in return for recovering the administrative fees represented by 5% of the value of services provided by the Kuwait Petroleum Company after amending the cooperation protocol between the two companies.
- Approximately 67,998 dinars were saved by avoiding duplicate costs after considering the request submitted by the contractor for one of the engineering, procurement and construction contracts for Al-Zour Refinery “EPC2-030” to use the reserve amounts to support the operation of units 33 and 61.
- The interests of the loan were paid on time, and the first installment of the principal repayment of the loan was paid to foreign banks.
- The Compliance Certificate - No Funding Shortfall was submitted on time to the company´s global creditors.
- Signing an agreement with “Aspen Tech” directly, which enabled us to save 3% after a round of negotiations, in addition to improving the terms and conditions in favor of the company compared to the previous contract.
- Signing an agreement with “Philip Town Sanad” company directly, which enabled us to save 5% after a round of negotiations.

Kuwait Integrated Petroleum Industries Company K.S.C. (Closed)
State of Kuwait

Content **Page**

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Independent auditor's report

The Shareholders
Kuwait Integrated Petroleum Industries Company K.S.C. (Closed).
State of Kuwait

Opinion

We have audited the financial statements of Kuwait Integrated Petroleum Industries Company K.S.C. (Closed) ("the Company"), which comprise the statement of financial position as at 31 March 2022, the 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 financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

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

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

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

KPMG

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Kuwait: 28 April 2022

Kuwait Integrated Petroleum Industries Company K.S.C. (Closed)
State of Kuwait

Statement of financial position
as at 31 March 2022

	Notes	2022 KD '000	2021 KD '000
Assets			
Property, plant and equipment	*4*	5,587,634	5,420,411
Deferred expenses	*12*	13,757	14,988
Right-of-use assets	*5*	7,411	6,421
Non-current assets		5,608,802	5,441,820
Other receivables	*6*	69,837	19,927
Inventories	*7*	41,563	19,211
Due from related parties	*8*	61,746	38
Term deposits held by the Parent Corporation	*8*	82,410	153,981
Cash and cash equivalents	*9*	106,900	200,750
Current assets		362,456	393,907
Total assets		5,971,258	5,835,727
Equity			
Share capital	*10*	1,800,000	1,800,000
Accumulated losses		(391,696)	(336,971)
Total equity		1,408,304	1,463,029
Liabilities			
Employees' end of service benefits	*11*	32,905	25,022
Lease liabilities	*5*	4,282	4,463
Loans and borrowings	*12*	651,524	726,074
Non-current liabilities		688,711	755,559
Other payables and accruals	*13*	216,970	273,948
Financing received from the Parent Corporation	*8*	3,573,857	3,269,242
Lease liabilities	*5*	3,620	2,481
Due to related parties	*8*	3,146	14,527
Loans and borrowings	*12*	76,650	56,841
Current liabilities		3,874,243	3,617,139
Total liabilities		4,562,954	4,372,698
Total equity and liabilities		5,971,258	5,835,727

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

Ahmed Abdullah Al-Habib
Chairman

Waleed Khaled Al-Bader
A/Chief Executive Officer

Kuwait Integrated Petroleum Industries Company K.S.C. (Closed)
State of Kuwait

Statement of profit or loss and other comprehensive income
for the year ended 31 March 2022

	Notes	2022 KD '000	2021 KD '000
Pre-commissioning revenue		100,490	-
Pre-commissioning expenses		(12,605)	(26)
Staff costs		(82,055)	(75,926)
Service and maintenance contract costs		(47,919)	(36,238)
General and administrative expenses	*14*	(5,147)	(4,150)
Depreciation	*4&5*	(4,033)	(3,103)
Interest income		4,549	6,561
Interest expense		(5,742)	(7,374)
Other income		1,156	1,196
Foreign currency exchange (loss) / gain		(3,379)	10,896
Loss for the year before board of directors' remuneration		(54,685)	(108,164)
Board of directors' remuneration	*8*	(40)	(43)
Loss for the year		(54,725)	(108,207)
Other comprehensive income		-	-
Total comprehensive loss for the year		(54,725)	(108,207)

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

Kuwait Integrated Petroleum Industries Company K.S.C. (Closed)
State of Kuwait

Statement of changes in equity
for the year ended 31 March 2022

	Share capital KD '000	Accumulated losses KD '000	Total KD '000
Balance at 1 April 2020	1,800,000	(228,764)	1,571,236
Net loss and total comprehensive loss for the year	-	(108,207)	(108,207)
Balance at 31 March 2021	1,800,000	(336,971)	1,463,029
Balance at 1 April 2021	1,800,000	(336,971)	1,463,029
Net loss and total comprehensive loss for the year	-	(54,725)	(54,725)
Balance at 31 March 2022	1,800,000	(391,696)	1,408,304

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

Kuwait Integrated Petroleum Industries Company K.S.C. (Closed)
State of Kuwait

Statement of cash flows
for the year ended 31 March 2022

	Notes	2022 KD '000	2021 KD '000
Cash flows from operating activities			
Loss for the year		(54,725)	(108,207)
Adjustments for:			
Interest income		(4,549)	(6,561)
Interest expense		5,742	7,374
Provision for employees' end of service benefits	*11*	8,488	8,795
Depreciation	*4&5*	4,033	3,103
Foreign currency exchange loss / (gain)		3,379	(10,896)
Amortisation of deferred expenses		542	622
		(37,090)	(105,770)
Changes in:			
- other receivables		(50,216)	9,589
- inventories		(22,148)	(19,207)
- other payables and accruals		(58,113)	(90,086)
- due from related parties		(61,707)	(38)
- due to related parties		(11,620)	9,772
- End of service benefits paid	*11*	(605)	(1,190)
Net cash flows used in operating activities		(241,499)	(196,930)
Cash flows from investing activities			
Purchase of property, plant and equipment	*4*	(158,778)	(349,028)
Change in term deposits held by the Parent Corporation		76,261	137,264
Interest received		151	497
Net cash flows used in investing activities		(82,366)	(211,267)
Cash flows from financing activities			
Financing received from the Parent Corporation	*8*	303,425	548,592
Payment of lease liabilities	*5*	(3,486)	(2,037)
Payment of borrowings		(56,800)	-
Interest paid		(13,124)	(18,017)
Net cash flows from financing activities		230,015	528,538
Net change in cash and cash equivalents		(93,850)	120,341
Cash and cash equivalents at beginning of the year		200,750	80,409
Cash and cash equivalents at end of the year	*9*	106,900	200,750

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

1. Reporting Entity

Kuwait Integrated Petroleum Industries Company K.S.C (Closed) (the "Company") is a Closed Shareholding Company incorporated in the State of Kuwait on 18 October 2016 having commercial registration no. 16568 dated 10 October 2016. The Company is a wholly owned subsidiary of Kuwait Petroleum Corporation ("the Parent Corporation"), which in turn is wholly owned by the State of Kuwait. The Company's registered office is P.O. Box 26565, Safat 13126, Kuwait.

The objectives of the Company as per the articles of association are as follows:

- Engaging in the business of petroleum products inside or outside Kuwait, including drilling and excavation for oil and gas along with other hydro carbonic substances; the production, liquefaction, refining, manufacturing, transferring and storage of petroleum products and their derivatives; and selling and exporting them;

- Developing the petroleum industry along with its products and derivatives and allied industries;

- Engaging with other similar petroleum companies to facilitate the processes of production, refining, transportation, distribution and marketing and their pricing and developing necessary facilities to achieve such targets;

- Constructing chemical, petroleum and petrochemical manufacturing plants for the production and marketing of chemical fertilisers and petrochemicals; and

- Undertaking all supporting operations for the above.

Subject to approval of the Board of Directors of Kuwait Petroleum Corporation, the Company undertakes above said business activities both within and outside Kuwait as deemed appropriate in their capacity as principal or through agency. The Company, based on the approval of the Board of Directors of Parent Corporation, may have an interest or participate in any way with organisations or companies that carry out similar business activities or that may help the Company to achieve its objectives in Kuwait or abroad. The Company may establish, participate in or buy these organisations or acquire them as subsidiaries.

Based on the above, the Company is now constructing its oil refinery, liquefied natural gas storage and petrochemical manufacturing facilities in Kuwait. Before the incorporation of the Company, Kuwait National Petroleum Company K.S.C., the wholly owned subsidiary of the Parent Corporation, initiated the construction of oil refinery and liquefied natural gas storage facility, respectively. Subsequent to incorporation of the Company, the Parent Corporation transferred the above said projects to the Company.

The accompanying financial statements were approved and authorised for issuance by the board of directors on 17 April 2022 and are subject to the approval of the shareholders of the Company at the annual general assembly, which has the power to amend these financial statements after issuance.

2. Basis of preparation

a) <u>Statement of compliance</u>

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

b) Basis of measurement

The financial statements have been prepared on the historical cost or amortised cost basis.

c) Functional and presentation currency

The financial statements are presented in Kuwaiti Dinars ("KD"), which is the Company's functional currency. All financial information presented in KD has been rounded to the nearest thousand unless otherwise stated.

d) Use of estimates and judgments

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

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

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

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

e) Changes in accounting policies

A number of amendments to standards and interpretations are effective for annual periods beginning on 1 April 2021 as below, but they do not have material effect on the Company's financial statements:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16); and
- Interest Rate Benchmark Reform-Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

f) Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 April 2022 with earlier application permitted as below:

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements to IFRS Standards 2018-2020;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);

- Reference to the Conceptual Framework (Amendments to IFRS 3);
- Classification of liabilities as current or non-current (Amendments to IAS 1);
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12).

The new standards and amendments are not expected to have a material impact on the Company's financial statements in the period of initial application. The Company has not early adopted any of the forthcoming new or amended standards in preparing this financial statements, except for the below amendment to the standard for which early adoption is permitted.

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in statement of profit or loss and other comprehensive income. This amendment applies for annual reporting periods beginning on or after 1 January 2022, with earlier adoption permitted. Consequent to the early adoption of this amendment, the Company recognised a pre-commissioning revenue and pre-commissioning expenses of KD 100,490 thousand and KD 12,605 thousand, respectively for the year ended 31 March 2022. The pre-commissioning revenue represents the revenue generated by processing of LNG on four LNG tanks which are mechanically completed during the period and are currently in the commissioning phase. The pre-commissioning expenses represents cost associated with processing of LNG on four LNG tanks amounting to KD 6,752 thousand and purchases of products for consumption in ZOR project amounting to KD 5,853 thousand.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as noted in note 2(e):

a) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any (Note 3 (d)). Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss and other comprehensive income as incurred.

Depreciation is recognised in 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.

The estimated useful lives for the current year is as follows:

Buildings and facilities	25 years
Plant and machinery	25 years
Tankage and pipelines	20 to 25 years
Vehicles	5 years
Furniture and tools	10 years
Computers	5 years

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

Assets in the course of construction are carried at cost, less any recognised impairment loss. Assets under construction are transferred to the related assets under property, plant and equipment when the underlying project is substantially completed and the related asset is brought into use. Depreciation of these assets commences when the assets are ready for their intended use as determined by the management.

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

b) Revenue

Service revenue
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 Company expects to be entitled in exchange for those goods and services. The Company provides services or goods to its customer with variable pricing arrangements. Revenue from such services is determined by referring to the formula agreed with the customer during initiation of the service agreement. Such arrangement determine that a preliminary price is charged to the customer at the time of transfer of the services, while the final price of the services 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 services at an amount representing the expected final amount of consideration that the Company receives. Where the Company 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.

c) Leases

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

The Company 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.

Right-of-use assets

The Company 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 the ownership of the leased asset transfers to the Company 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.

Lease liabilities

At the commencement date of the lease, the Company 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 insubstance 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 Company and payments of penalties for terminating the lease, if the lease term reflects the Company 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 Company 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 or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption that are considered to be low value (i.e., below KD 1,500). 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.

d) Impairment of property, plant and equipment

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

The Company assesses assets or groups of assets, (CGUs), for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or CGU may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the asset's or CGU's recoverable amount. Individual assets are grouped into CGUs for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. A CGU's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount. The impairment loss is recognised in the statement of profit or loss and other comprehensive income.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to the lower of its recoverable amount and the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Impairment reversals are recognised in the statement profit or loss and other comprehensive income. After a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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.

i. Financial assets

Recognition and initial measurement

Financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

Classification and subsequent measurement

On initial recognition, a financial asset is classified and measured at amortised cost, FVOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, at FVOCI or FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "Sell" business model. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (assets held within that business model) and, in particular, the way those risks are managed; and
- How managers of the business are compensated.

The expected frequency, value and timing of sales are also important aspects of the Company's assessment. 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 Company's original expectations, the Company 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.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured.

Solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

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

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;

- prepayment and extension features; and
- Terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

The Company's financial assets at amortised cost includes due from related parties, other receivables, term deposits held by the Parent Corporation and cash and cash equivalents.

Cash and cash equivalents in the statement of financial position comprise cash at banks, and Funds held by the Parent Corporation maturing within three months from date of placement.

Subsequent measurement and gains and losses:

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

ii. *Impairment of financial assets*

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

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the cash and cash equivalents and term deposits, 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 other receivables and due from related parties are measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instruments and are recorded on financial assets that is credit-impaired.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company 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 Company's historical experience and informed credit assessment and including forward-looking information.

Measurement of ECL on other financial assets

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

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

The Company does not recognise ECL on cash and cash equivalents, term deposits held by the Parent Corporation and due from a related party as these financial assets are considered to carry low credit risk and the Company does not expect to incur any credit losses on these instruments.

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

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.

The Company's financial liabilities include trade payables, lease liabilities, due to related parties, loans borrowings and financing received from Parent Corporation which are recognised and measured at amortised cost basis on initial recognition.

Subsequent to initial measurement

After initial recognition, the Company's financial liabilities interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

iv. *Derecognition of financial assets and liabilities*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in statement of profit or loss and other comprehensive income.

v. *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

f) <u>Inventories</u>

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

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

g) <u>Borrowing costs</u>

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 are capitalised as part of the cost of the respective asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

h) Finance income and finance costs

Finance income or expense is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

i) Employees' end of service benefits

Kuwaiti and expatriate employees are entitled to an end of service indemnity payable under the Kuwait Labor Law based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. The expected costs of these benefits are accrued over the period of employment.

Kuwaiti employees

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 Company's share of contributions to this scheme, which is a defined contribution scheme, are charged to the statement of profit or loss and other comprehensive income in the year to which they relate.

j) Foreign currency transactions

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

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the statement of profit and loss and other comprehensive income .

k) Critical accounting judgements and key sources of estimation uncertainty

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

Impairment of property, plant and equipment

The Company has significant investments in property, plant and equipment under construction. Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired, requiring the carrying amount to be written down to its recoverable amount. Evaluating whether an asset is impaired or if an impairment should be reversed requires a high degree of judgement and may to a large extent depend upon the key assumptions about the future.

Impairment provision of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory and the degree of ageing or obsolescence, based on historical experience.

Kuwait Integrated Petroleum Industries Company K.S.C. (Closed)
State of Kuwait

Notes to the financial statements
for the year ended 31 March 2022

4. Property, plant and equipment

	Buildings and facilities KD '000	Plant and machinery KD '000	Tankage and pipelines KD '000	Vehicles KD '000	Furniture and tools KD '000	Computers KD '000	Assets under construction KD '000	Total KD '000
Cost								
Balance at 31 March 2020	8,008	219	76	447	718	73	5,053,864	5,063,405
Additions	-	-	-	-	-	-	358,664	358,664
Transferred from assets under construction	-	-	-	66	1,365	138	(1,569)	-
Balance at 31 March 2021	8,008	219	76	513	2,083	211	5,410,959	5,422,069
Additions	-	-	-	-	-	-	168,097	168,097
Transferred from assets under construction	-	-	-	-	22	405	(427)	-
Balance at 31 March 2022	8,008	219	76	513	2,105	616	5,578,629	5,590,166
Accumulated depreciation								
Balance at 31 March 2020	690	8	4	15	123	9	-	849
Charge for the year	321	9	3	250	154	72	-	809
Balance at 31 March 2021	1,011	17	7	265	277	81	-	1,658
Charge for the year	320	9	4	197	211	133	-	874
Balance at 31 March 2022	1,331	26	11	462	488	214	-	2,532
Carrying amounts								
At 31 March 2022	6,677	193	65	51	1,617	402	5,578,629	5,587,634
At 31 March 2021	6,997	202	69	248	1,806	130	5,410,959	5,420,411

Assets under construction includes the following projects:

	2022 KD '000	2021 KD '000
Al-Zour refinery (AZR)	4,564,538	4,435,704
Liquefied natural gas import (LNGI)	949,552	912,037
Petrochemical complex (PC)	63,598	62,162
Head office	941	1,056
	5,578,629	5,410,959

ALZOR and PC are expected to be operational between the years 2022 and 2028. Four (out of eight) tanks of LNG are mechanically completed during the year and are currently in the commissioning phase. All the eight tanks are expected to be fully commissioned and provisionally accepted by 2022.

During the year, the Company capitalised borrowing costs amounting to KD 8,475 thousand (2021: KD 9,018 thousand) related to loans utilised to fund the above projects.

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

5. Leases

Set out below are the carrying amounts of right-of-use assets and lease liabilities and the movements during the year:

	Right-of-use assets KD '000	Lease liabilities KD '000
As at 1 April 2020	5,253	5,296
Additions during the year	3,622	3,622
Disposals during the year	(160)	(160)
Depreciation of right-of-use assets	(2,294)	-
Finance cost on lease liabilities	-	223
Payment of lease liabilities	-	(2,037)
As at 31 March 2021	6,421	6,944
As at 1 April 2021	6,421	6,944
Additions during the year	4,184	4,184
Disposals during the year	(35)	(35)
Depreciation of right-of-use assets	(3,159)	-
Finance cost on lease liabilities	-	295
Payment of lease liabilities	-	(3,486)
As at 31 March 2022	7,411	7,902

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

	2022 KD '000	2021 KD '000
Non-current	4,282	4,463
Current	3,620	2,481
	7,902	6,944

The Company has discounted its future lease obligations using its incremental borrowing rate which is determined to be 3.5% (2021: 3.5%) per annum as at the reporting date.

6. Other receivables

	2022 KD '000	2021 KD '000
Advance payments	66,360	14,859
Other receivables	3,295	2,813
Accrued interest	182	2,255
	69,837	19,927

7. Inventories

	2022 KD '000	2021 KD '000
Crude oil	18,856	18,607
Intermediate products	21,592	-
Spare parts and other consumables	1,115	604
	41,563	19,211

As at the reporting date, there were no obsolete or slow-moving goods that requires provision to be charged into the statement of profit or loss and other comprehensive income.

8. Related party transactions

Related parties are the Parent Corporation, entities related to Parent Corporation and under common control, subsidiaries of the Parent Corporation, directors and executive officers of the Company and the Parent Corporation, their families and companies of which they are the principal owners or over which they are able to exercise significant influence. Pricing policies and terms of these transactions are approved the Company's management.

Related party balances reflected in the financial position are unsecured and neither bear any interest except for term deposits placed with the Parent Corporation. These balances have no agreed repayment schedule. Accordingly, these balances are considered receivable/payable on demand.

	2022 KD '000	2021 KD '000
Transactions with related parties		
Financing received from the Parent Corporation	303,425	548,592
Pre-commissioning revenue from the Parent Corporation	100,490	-
Interest income	4,549	6,561
General and administrative expenses	3,343	12,508
Additions to property, plant and equipment	1,614	3,937
Finance cost on lease liabilities	1	23
Depreciation of right-of-use assets	67	879
Purchase of crude oil from the Parent Corporation	-	18,626
Purchase of lean gas from the Parent Corporation	6,158	26
Key management Compensation		
Short-term benefits	313	438
End of service benefits	30	210
Board of directors' remuneration	40	43
	383	691

Board of directors' remuneration is subject to approval of the Parent Corporation at the Company's annual general assembly meeting.

	2022 KD '000	2021 KD '000
Balances with related parties		
Funds held by the Parent Corporation maturing within three months from date of placement (Note 9)	97,961	130,114
Terms deposits held by the Parent Corporation	82,410	153,981
Financing received from the Parent Corporation	3,573,857	3,269,242
Accrued interest income from Parent Corporation	182	2,255
Right-of-use assets	-	92
Lease liabilities	-	437
Due from related parties (Parent corporation and entities under common control)		
Kuwait Petroleum Corporation	61,430	-
Kuwait National Petroleum Company K.S.C.	216	-
Petrochemical Industrial Company K.S.C.	35	-
Kuwait Gulf Oil Company (KGOC)	28	-
Kuwait Petroleum International	14	
Kuwait Foreign Petroleum Exploration Company K.S.C.	9	-
Kuwait Oil Tanker Company K.S.C.	14	38
	61,746	38
Due to related parties (entities under common control)		
Kuwait National Petroleum Company K.S.C.	-	681
Kuwait Oil Company K.S.C.	3,146	2,994
Kuwait Petroleum Corporation	-	10,940
Petrochemical Industrial Company K.S.C.	-	12
	3,146	14,627

Term deposits held by the Parent Corporation are maturing in more than 3 months and less than one year. The effective rate of interest on term deposits placed in KD is 2.50% (2021: KD is 2.05%) per annum.

Financing received from the Parent Corporation represent non-interest bearing short-term advances to finance capital projects.

9. Cash and cash equivalents

	2022 KD '000	2021 KD '000
Cash at banks	8,939	70,636
Funds held by the Parent Corporation maturing within three months from date of placement (Note 8)	97,961	130,114
	106,900	200,750

Funds held by the Parent Corporation maturing within three months from date of placement consists of deposits denominated in KD and US dollars. The effective rate of interest on funds held by the Parent Corporation in KD is 2.10% and interest rates on funds held by the Parent Corporation in US dollars 1.10% respectively (2021: KD is 1.75% and US dollars ranges from 0.50% to 1.50%) per annum.

10. Equity

Share capital

The Company's authorised and issued share capital comprises of 1,800 million shares of KD 1 each, equivalent to KD 1,800 million (2021: 1,800 million shares of KD 1 each, equivalent to KD 1,800 million), fully contributed in cash.

Statutory reserve

In accordance with the Companies Law no.1 of 2016, as amended and the Company's Articles of Association, 10% of the profit for the year is required to be transferred to the statutory reserve until the reserve totals 50% of the paid up share capital. Distribution of this reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount. No transfers were made to the statutory reserve as the Company incurred losses during the year.

11. Employees' end of service benefits

	2022 KD '000	2021 KD '000
Balance at beginning of the year	25,022	17,417
Charge for the year	8,488	8,795
Payments made during the year	(605)	(1,190)
Balance at end of the year	32,905	25,022

12. Loans and borrowings

	2022 KD '000	2021 KD '000
Non-current		
Export credit agencies loans	335,810	373,217
Long term loans	315,714	352,857
	651,524	726,074
Current		
Export credit agencies loans	39,507	19,698
Long term loans	37,143	37,143
	76,650	56,841

Export Credit Agencies loans

On 31 August 2018, the Company 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 Company fully utilised the ECA Financing. During the year, the Company repaid ECA loan installment amounting to KD 19,655 thousands.

Long term Conventional and Islamic finances

On 11 June 2018, the Company 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 million 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. During the year, the Company repaid Long term loans installment amounting to KD 37,143 thousands.

At the reporting date, the Company fully utilised the Long term loans. Details of the Long term loans is as follows:

	2022 KD '000	2021 KD '000
Islamic financing	141,143	156,000
Conventional financing	211,714	234,000
	352,857	390,000

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 Company is in compliance with above said customary covenants.

Deferred expenses amounting to KD 13,757 thousands (2021: KD 14,988) represent the cost incurred to obtain the ECA Financing and Long term loans and the balance is amortised over the term of the loan.

13. Other payables and accruals

	2022 KD '000	2021 KD '000
Payables to suppliers	31,768	76,233
Retentions payable	159,776	163,834
Other payables	22,199	30,063
Interest payable	3,227	3,818
	216,970	273,948

14. General and administrative expenses

	2022 KD '000	2021 KD '000
Professional fees	643	699
Other expenses	4,504	3,451
	5,147	4,150

15. Financial risk management

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

- Credit risk;
- Liquidity risk; and
- Market risk.

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The Company, 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 Company's risk oversight committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from due from related parties, funds held by the Parent Corporation, other receivables and bank balances. The Company manages credit risk by placing funds with financial institutions of high credit rating through the Parent Corporation and transacting principal business with counter parties of repute.

Exposure to credit risk

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

	2022	**2021**
	KD '000	**KD '000**
Other receivables	3,477	5,068
Due from related parties	61,746	38
Term deposits held by the Parent Corporation	82,410	153,981
Cash and cash equivalents	106,900	200,750
	254,533	359,837

Due from related parties

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 Company considers that these have low credit risk based on historical experiences, available press information and experienced credit judgment. As on 31 March 2022, these are neither impaired nor due. The lifetime ECL computed on due from related party are not significant.

Cash and cash equivalents, term deposits and funds held by the Parent Corporation

Impairment on cash and cash equivalents, term deposits and funds held by the Parent Corporation has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents, term deposits and funds held by the Parent Corporation have low credit risk based on the external credit ratings of the counterparties. The 12 month ECL computed on the above said finacial instruments is not significant.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company's reputation.

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

The table below analyses the Company's financial liabilities based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows.

	Carrying amounts KD '000	Within 3 months KD '000	3 to 12 months KD '000	1 to 5 years KD '000	More than 5 years KD '000	Total KD '000
2022						
Loans and borrowings	728,174	22,656	67,299	462,265	245,784	798,004
Financing received from the Parent Corporation	3,573,857	-	3,573,857	-	-	3,573,857
Other payables and accruals	216,970	-	216,970	-	-	216,970
Lease liabilities	7,902	1,108	2,722	4,395	-	8,225
Due to related parties	3,146	3,146	-	-	-	3,146
	4,530,049	26,910	3,860,848	466,660	245,784	4,600,202
2021						
Loans and borrowings	782,915	25,034	45,146	448,756	337,592	856,528
Financing received from the Parent Corporation	3,269,242	-	3,269,242	-	-	3,269,242
Other payables and accruals	273,948	-	273,948	-	-	273,948
Lease liabilities	6,944	941	1,942	4,954	-	7,837
Due to a related party	14,627	14,627	-	-	-	14,627
	4,347,676	40,602	3,590,278	453,710	337,592	4,422,182

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 Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company's exposure to market risk arises from:

- Currency risk;
- Interest rate risk; and
- Equity price risk.

Currency risk

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

Currency risk is mainly related to the Company's exposure to the loans and borrowings, cash at bank, funds placed with the Parent Corporation, financing received from the Parent Corporation and due to a related party balance denominated in US Dollars.

	2022	**2021**
	KD '000	**KD '000**
Assets	40,419	43,750
Liabilities	(633,846)	(619,995)
Net (short) / long exposure	(593,427)	(577,798)

The following exchange rates has been applied:

	Average rate		**Year-end spot rate**	
	2022	**2021**	**2022**	**2021**
US Dollars	0.302	0.306	0.304	0.302

Sensitivity analysis

A 5 percent strengthening of the KD against US Dollars at the reporting date would have increased / (decreased) the loss for the year and equity by KD 29,671 thousand (2021: KD 28,890 thousand). This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk

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

Interest rate risk is assessed by measuring the impact of reasonable possible change in interest/profit rate movements. At reporting date, the Company is exposed to interest/profit rate exposure on floating rate loans and borrowings, and term deposits placed with the Parent Corporation.

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss for the year by KD 7,282 thousand (2021: KD 7,829 thousand). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Equity price risk

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

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

16. Fair value of financial instruments

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

In the opinion of the management, the estimated fair value of financial assets and liabilities, for that are not carried at fair value at the reporting date is not materially different from their carrying value due to short to medium term nature of these instruments.

17. Capital management

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

The gearing ratios at the reporting date are as follows:

	2022 KD '000	2021 KD '000
Financing received from the Parent Corporation	3,573,857	3,269,242
Loans and borrowings	728,174	782,915
Less: cash and cash equivalents	(106,900)	(200,750)
Net debt	4,195,131	3,851,407
Total equity	1,408,304	1,463,029
Total capital	5,603,435	5,314,436
Gearing ratio	74.87%	72.47%

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

18. Commitments

	2022 KD '000	2021 KD '000
Contractual commitments		
Property, plant and equipment under construction	111,373	256,955

19. Annual General Assembly

The Shareholders' Annual General Assembly was held on 15 July 2021 and approved the annual audited financial statements of the Company for the year ended 31 March 2021.

20. Covid-19 implications

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

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

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

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

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