Annual Council Report

For the fiscal year ending March 31st, 2023

Energising Kuwait

KIPIC
البترولية المتكاملة

Energizing Kuwait

by making more possible

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For the fiscal year ending
March 31st, 2023

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Kuwait Integrated Petroleum Industries Company (KIPIC) was established on 18th October 2016 as a new Subsidiary to Kuwait Petroleum Corporation (KPC) with a capital of KWD 1.8 billion.

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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 / Mishal Al-Ahmad Al-Jaber Al-Sabah

1

CEO's Message

At many levels, Kuwait Integrated Petroleum Industries Company experienced many significant milestones during the year 20222023/, the most notable of which was achieving operational excellence in managing the Permanent Liquid Natural Gas Import Terminal (LNGI) and Al-Zour Refinery, adding value to the national economy and increasing Kuwait's competitiveness on the world stage.

- In terms of finalising our ongoing and upcoming capital projects, KIPIC has been successful in running the first and second refineries of Al-Zour Refinery and exporting its first cargo of kerosene, petrochemical naphtha, low-Sulphur fuel oil, and ultra-low-Sulphur diesel. By supplying power generation facilities with reliable, stable, and environmentally safe supplies of fuel with low Sulphur content to reduce polluting gases and meet the rising demand for electric power as a result of population growth, KIPIC aims to promote Kuwait's exports of high-quality petroleum products that comply with standard specifications in global markets.
- In tandem with the refinery's completion, the Permanent Liquid Natural Gas Import Terminal (LNGI) is operating in full function, as by March 2023, the 133rd tanker had arrived at the port and had been successfully and securely unloaded.

- Regarding the petrochemicals project, the company finished the analysis of the updated economics and capital cost of the Petrochemical Refinery Integration Al-Zour (PRIZe) project in March 2023, in response to the request of the project's higher steering committee. The project work team aims to get the project's permission from the Supreme Steering Committee and go forward with the project's Final Investment Decision (FID) being approved by the relevant committees and authorities during the fiscal year 2023–2024.
- In line with Kuwait Petroleum Corporation's 2040 strategic orientations, the company is also working swiftly to execute the alternative feedstock project in hydrogen production units in order to establish integration between refining and petrochemical operations inside the State of Kuwait. KIPIC was able to complete the study of engineering designs and obtain the final investment decision for the alternative feedstock project, which will allow the use of imported liquefied natural gas instead of naphtha to produce hydrogen and provide naphtha as feedstock for the PRIZe (Petrochemical Refinery Integration Al-Zour) project, maximising the company's financial rates of return.
- In terms of urban expansion in the company's administrative buildings and the work family, we are racing against time to finish the new administrative building in the Al-Ahmadi region, as we are about to finish the building and begin the furnishing and landscaping stage, with the construction work and associated equipment scheduled to be completed by the end of July 2023. Furthermore, the company maintained its performance in upgrading its distinct, encouraging, and inspiring work environment, as well as the accompanying issuance of procedures for the Kuwaitisation unit, until it became the chosen employment destination for young people. We are happy that the company's Kuwaitisation rate has reached 95.75%.
- We gratefully achieved a new record for safe working hours, after passing the barrier of 52 million safe working hours for workers and contractors without accidents, and the work and information shared between the organisations connected to health, safety, and the environment were digitised to increase the efficiency of response and completion of tasks. This is in addition to the administration receiving a license from the Ministry of Health to establish a permanent facilities clinic for importing liquefied natural gas and legally operating it to offer medical and ambulance services.
- In terms of enhancing work performance, KIPIC was able to obtain a number of quality certificates and international accreditations (ISO), as the company strives to provide high-quality services by adhering to the highest international standards, in addition to achieving its strategic goals of providing petroleum products of the highest quality to its customers and achieving locally and globally recognised operational excellence.
- And, in our never-ending search for added value, we at KIPIC (Kuwait Integrated Petroleum Industries Company) go beyond our vision of sustainability to achieve economic value and tap into our potential to continue to produce value for society as a whole. In this regard, Kuwait Integrated Petroleum Industries Company is aware of the growing environmental and social issues in the minds of the local and global community, prompting it to seek to translate its philosophy of "making more possible" into a tangible reality by consolidating its human and material capabilities to serve the community and the state, which was clearly demonstrated by the company's development and implementation of a plan to promote social responsibility and sustainability.
- Lastly, I would like to express my heartfelt appreciation and gratitude to my colleagues in executive management for their unwavering support, as well as to all employees whose efforts have consolidated and integrated to achieve the safe and effective operation of our strategic projects while adhering to the highest operational standards in order to achieve our common goal of making more possible for the Kuwaiti oil sector and our beloved country Kuwait.

Waleed Khaled Al Bader

Chief Executive Officer

Board of Directors

Ahmad AL Habib
Chairman of the Board

Saad AL Azmi
Deputy Chairman of the Board

Waleed Khalid AL Bader
Board Member and Chief Executive Officer

Hatem AL Awadhi
Board Member

Bader Bu Rashid
Board Member

Khalid AL Otaibi
Board Member

Hamad AL Subaie
Board Member

Top Management

Waleed Khalid AL Bader
Chief Executive Officer

Khalid Anwar Al Awadhi
Deputy CEO Planning and Finance

Abdullah Fahhad Al-Ajmi
Deputy CEO Admin. & Commercial

Our Vision

To be a leader in integrated refining and petrochemical operations and LNG supply that maximizes shareholder value, achieves operational excellence, unlocks the potential of our people and cares for the community.

Our Mission

To operate an integrated complex that manufactures refined petroleum and petrochemical products and supplies Liquefied Natural Gas (LNG) after regasification in a reliable, efficient, safe and environmentally responsible manner while maximizing profit, developing a professional and competent workforce and enabling Kuwaiti private sector's participation in the downstream petroleum industry.

Our Values

Integrity

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

Innovation

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

Excellence

Encouraging strong performance, continuous improvement and a customer focus

One Team

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

Partnership

Building and sustaining relationships that support growth and enhance operational excellence

Caring for People

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

Commitment to HSSE

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

Pride

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

2

The Company’s Updated 2040 Strategy

Overview :

Kuwait Integrated Petroleum Industries Company's strategy has evolved to reflect the crucial role it plays in achieving Kuwait Petroleum Corporation's visionary mission. In addition to its commitment to being a market leader in integrated refining operations, liquefied natural gas, and petrochemicals, KIPIC is focused on increasing shareholder value and achieving operational excellence with its dedication to investing in the growth of its workforce and the local economy by incorporating the Corporation's 2040 strategic directions into all of its operations, the most significant of which are:

- Increasing the maximum capacity for refining, which will reach 1.6 million barrels per day by 2025, at the greatest transformative level while also guaranteeing that heavy Kuwaiti oil is discharged as much as possible in the nearby refineries and that local energy demands are met
- Providing petroleum products that meet the required national and international standards
- Enhancing integration between petrochemical and refinery operations in the state of Kuwait
- Interest in the formation of partnerships in the refining sector to strengthen and increase operational efficiency

These approaches came to represent the fresh external and internal factors influencing the growth of the Kuwaiti oil sector. Four primary goals have been defined by the organisation as its strategic objectives:

- Maximising value for the local refining sector and satisfying the demand for energy both locally and globally
- Achieving the highest possible international standards for operational performance
- Increasing the involvement of Kuwait's private sector in petrochemical and refining activities
- Taking the lead in the major petrochemical products industry

There are a number of strategic initiatives that fall under each of these goals with the aim of achieving Kuwait Petroleum Corporation's updated strategic directions for the year 2040.

In addition to the aforementioned, the company is currently working on a wide range of projects and studies, as well as numerous different social and cultural programs and activities, all of which help it achieve its mission and future vision for both itself and the state of Kuwait's refining, manufacturing, and retail sectors. These initiatives to carry out the purpose and vision will be discussed later, as they are included in the company's updated 2040 strategic plan.

3 The Main Indicators for the Fiscal Year 2022/2023

	2022/2023		2021/2022	2020/2021
	Actual	Plan/budget	Actual	Actual
Financial indicators				
Total sales of the company's products (million KD)	736	3,504.5	-	-
Total revenues from liquefied gas services (million KD)		779	100	-
Net profit/loss of the company (million KD)	(172)	(154)	(55)	(108)
Total operating expenses (million KD)	(186)	(325)	(139)	(119)
Capital expenditures (million KD)	(92)	(232.6)	(168)	(358)
Changes in total fixed assets (million KD)	1,337	(3)	(0.4)	0.7
Financial indicators				
Al-Zour Refinery*	104	382	-	-
Financial indicators				
Total products exported to international markets (thousand tons)**	3,284	13,010	-	-
Fuel for the Ministry of Electricity and Water and Renewable Energy (million liters)***	511.4	4,658	-	-
Financial indicators				
workforce at the end of the fiscal year	1,364	1,389	1,328	1,205

* November 2022 marked the start of Al-Zour's commercial operation, and all of the units of the first mini-refinery successfully completed their inaugural operations by September 2022.

** Beginning in November 2022, all ports on the industrial island were used for the export of petroleum products.

*** In July 2022, 1% low-sulphur fuel oil was transported from the Al-Zour Refinery to the power plant of the Ministry of Electricity and Water and Renewable Energy.

4

Refining and Gas Operations

Crude Oil Refining Rate:

During fiscal year 2022/2023, the refinery's crude refining rate was around 104.04 bpd, which was less than expected by 277.88 bpd and a fall of 72.76 percent due to delays in the project's full operation, as the intended refining rate was set around 381.92 bpd. The initial operation of all the first miniature refinery units was completed in September 2022, and the commercial operation of Al Zour Refinery began in November 2022.

Diagram representing the quantities produced from petroleum products:

The net quantities of petroleum products produced during the fiscal year 2022/2023 amounted to around 4,801.6 thousand metric tons, compared to about 18,360 thousand metric tons, according to the plan's forecasts for this year, which are detailed in the following table:

Product	Annual production during the fiscal year 2022/2023					
	Actual		Plan		Increase (decrease)	
	Ratio%	thousand metric tons	Ratio%	thousand metric tons	Ratio%	thousand metric tons
Naphtha / Gasoline	518.6	9.8	2,199.6	11.1	(1,681.0)	(1.3)
Kerosene / Jet fuel	663.3	12.6	2,826.9	14.3	(2,163.6)	(1.7)
Gas oil / Diesel	793.0	15.0	5,143.7	26.0	(4,350.7)	(11.0)
Low Sulfur Fuel Oil *	1,977.9	37.5	7,467.5	37.8	(5,489.6)	(0.3)
Granular Sulfur	79.4	1.5	511.5	2.6	(432.1)	(1.1)
Heavy Fuel Oil	494.1	9.4	-	-	494.1	9.4
Liquefied Gas	40.4	0.8	210.6	1.1	(170.2)	(0.3)
Other Products	235.0	4.5	-	-	235.0	4.5
Net Total Products	**4,801.6**	**91.0**	**18,359.7**	**92.9**	**(13,558.1)**	**(2.0)**
Consumer / Lost	476.3	9.0	1,394.7	7.1	(918.4)	2.0
Total	**5,278.0**	**100.0**	**19,754.5**	**100.0**	**(14,476.5)**	**0.0**

* Including the production of Low Sulfur Fuel Oil 0.5% and 1% for the actual..

Diagram Representing Local Fuel Sales:

The company's sales of fuel to the Ministry of Electricity and Water and Renewable Energy:

The total sales of heavy fuel oil to the Ministry of Electricity and Water and Renewable Energy during the fiscal year 2022/2023 totalled about 494.1, thousand metric tons, which was less than the amount projected in the plan. And Sales of low-sulfur fuel oil 1% for the Ministry of Electricity and Water and Renewable Energy during the fiscal year 2022-2023 totalled about 16.2 thousand metric tons, which was less than the amount projected in the plan. In contrast to the plan's predictions of 1.1 thousand metric tons, the amounts of ultra-low sulfur fuel oil (0.5%) sold to the Ministry of Electricity and Water and Renewable Energy during the fiscal year 2022-2023 amounted to almost 4,657.6 thousand metric tons:

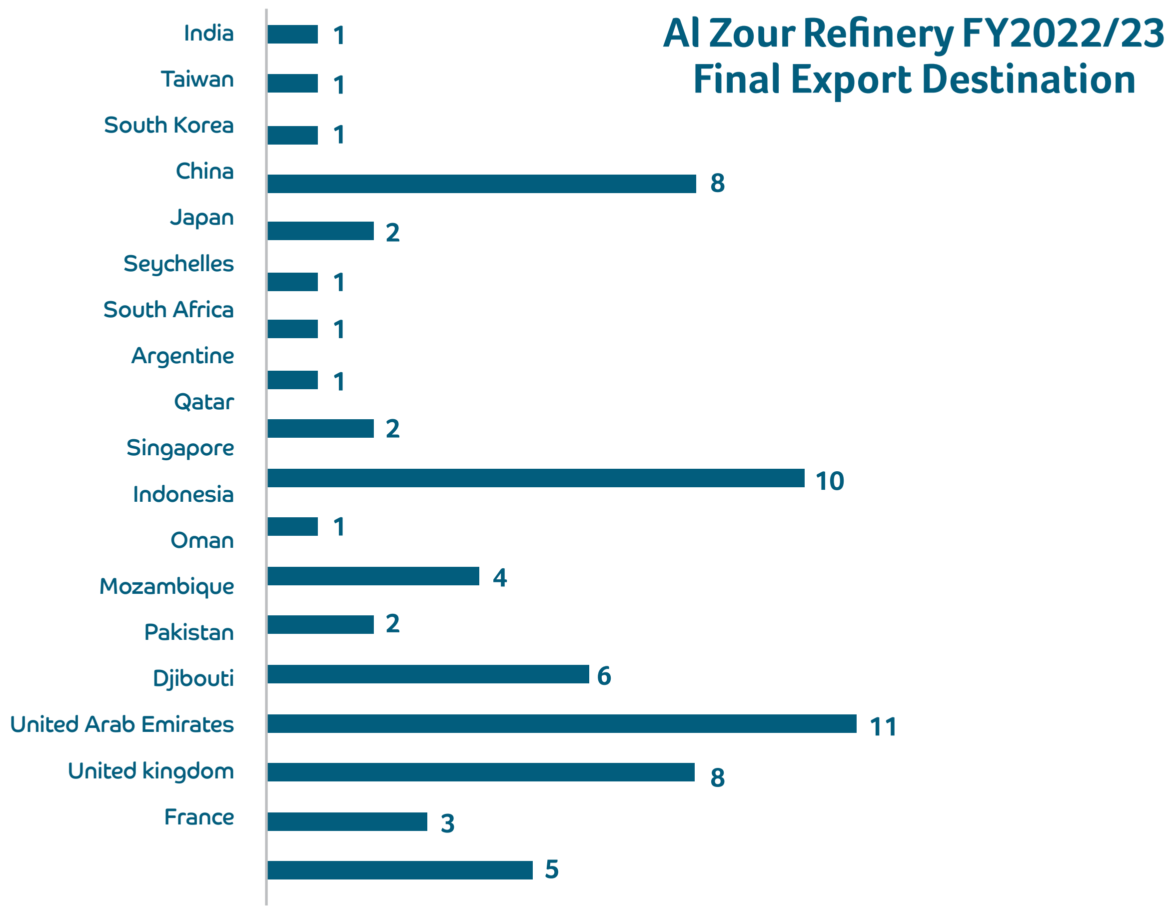
Product	Annual production during the fiscal year 2022/2023		
	Actual	Plan	Increase (decrease)
	Thousand Metric Tons	Thousand Metric Tons	Ratio %
Low Sulphur Fuel Oil 1% for the Ministry of Electricity and Water and Renewable Energy	16.2	-	-
Ultra-low Sulphur Fuel Oil 0.5% for the Ministry of Electricity and Water and Renewable Energy	1.1	4,657.6	(99.9)
Heavy Fuel Oil	494.1	-	-

The company's sales of fuel to the Kuwait National Petroleum Company:

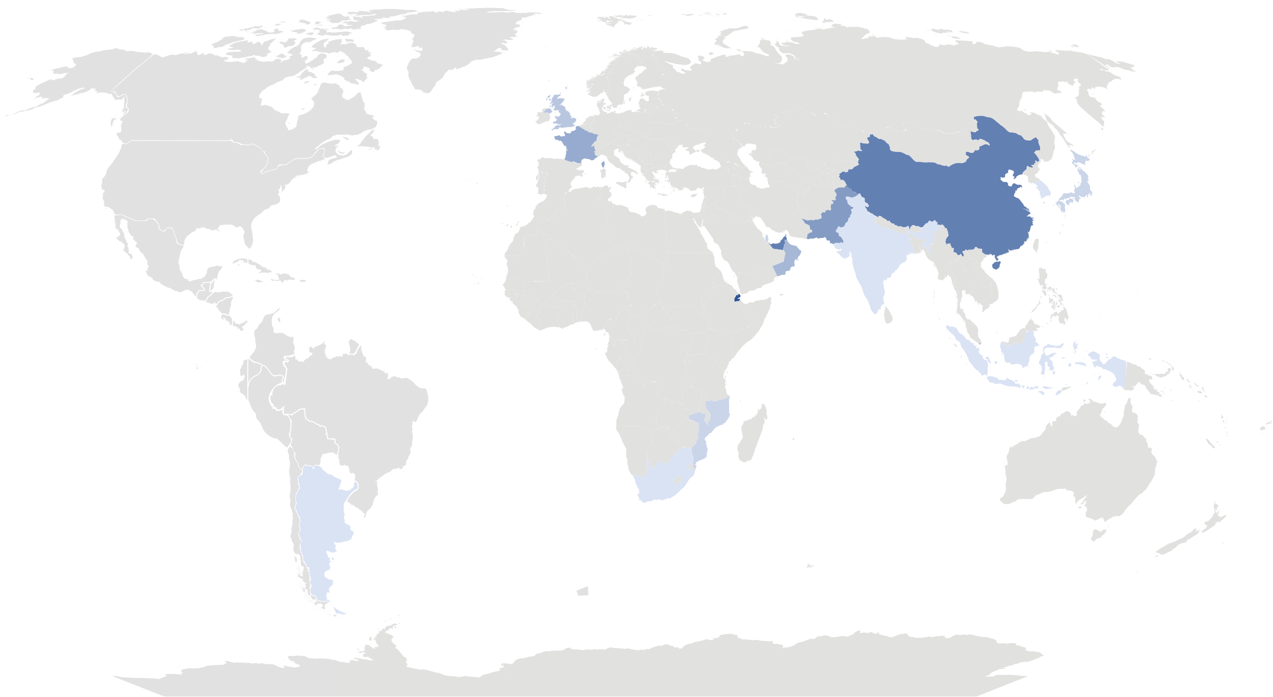
As shown in the corresponding table, the total sales of liquefied gas for the National Petroleum Company amounted to approximately 15.3 thousand metric tons during the fiscal year 2022/2023, as opposed to 210.6 thousand metric tons as predicted in the plan for this year.

Product	Annual production during the fiscal year 2022/2023		
	Actual	Plan	Increase (decrease)
	Thousand Metric Tons	Thousand Metric Tons	Ratio %
Liquefied Gas for the Kuwait National Petroleum Company	15.3	210.60	(92.7)

Importing countries for Al-Zour Refinery products



KIPIC Products have reach 18 Countries through 68 Cargos



Highlights from our 2022/2023 Performance

By the end of March 2023, the Al-Zour refinery project had been finalised with a completion rate of

99.92 %

The second refinery's successful operation raised the refinery's overall output capacity to

410,000

barrels per day

The new Al-Ahmadi building project's completion rate rose by

68.2%

up until the end of March 2023

The liquified natural gas import port successfully received and unloaded

133 tankers

The company's **Kuwaitization** rate reached

95.75 %

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The Company’s Major Capital Projects and Their Progress Review

The Al-Zour Integrated Oil Complex, which consists of the Al-Zour Refinery, the Petrochemicals-Refinery Integration Al-Zour (PRIZe), a port, and the Permanent Liquid Natural Gas Import Terminal (LNGI), is one of the most significant strategic and development projects in the nation that is managed by Kuwait Integrated Petroleum Industries Company in an effort to realise the mission and vision outlined in the updated 2040 strategic plan.

The following is an overview of the key components of these major projects:

Al-Zour Refinery Project

Kuwait Integrated Petroleum Industries Company celebrated the completion and operation of the first and second Al-Zour refineries, as well as the beginning of exporting the first products of the two refineries in accordance with international quality and environmental standards. Al-Zour Refinery is the world's largest single-phase construction project, regarded as a key pillar of Kuwait Petroleum Corporation's 2040 strategic plan and Kuwait's goal of a "new Kuwait" in 2035, with a total cost of 4,871 million Kuwaiti dinars approved by the Kuwait Petroleum Corporation's Board of Directors in July 2015.The main aim of this project is to provide low-sulfur fuel oil (1 percent or less) for the Ministry of Electricity and Water and Renewable Energy's electric power-producing facilities, as well as to produce petroleum derivatives for global marketing.

Al-Zour refinery is distinguished by its versatility in that it can refine various grades of crude oil. As a result, its refining capacity ranges from 615 thousand barrels per day when refining Kuwaiti light export crude (KEC) to 535 thousand barrels per day when refining a mixture of heavy oils from Kuwaiti export crude.

The project's primary goals are cantered on the following points:

- **Achieving local energy self-sufficiency**
- **Reducing Sulphur oxide emissions from power plants**
- **The ability to refine heavy Kuwaiti oil**
- **Producing high-quality petroleum products that fulfill worldwide market requirements**
- **Generating new work opportunities available to Kuwaiti youth**

What has been accomplished so far:

The project's completion rate reached 99.92% by the end of March 2023, and its implementation and functioning progress can be summarised as follows:

- Signing of the first Unit Provisional Turnover certificates for all units of the first mini-refinery in April 2022 and the second mini-refinery in November 2022
- Successful completion of initial works for the first mini-refinery tanks in July 2022
- In July 2022, heavy fuel oil was successfully transferred from Al-Zour Refinery to the power station of the Ministry of Electricity and Water and Renewable Energy.
- Final execution of the Al-Zour Refinery project's road and bridge constructions, despite the difficulties encountered during that time, in cooperation with the relevant authorities in September 2022
- Ensuring the presence of manufacturers and suppliers to offer the necessary technical assistance during the operation phase, as well as the timely supply of all the project's fundamental materials
- Completion of transporting and transferring the first batch of low-Sulphur fuel oil from Al-Zour Refinery to Al-Zour South Station in August 2022.
- The completion of all initial receiving certificates related to the fifth package (export facilities and offshore facilities) in May 2022.
- Transferring ownership of all facilities to their relevant user constituencies
- Light crude oil from the long-term pipeline project Kuwait Oil Company-EF/1669 was supplied to Al-Zour Refinery in October 2022
- Announcing the start of commercial operation of Al-Zour Refinery following the stable completion of the first mini-refinery's operation in November 2022
- Exporting the first shipment of kerosene, petrochemical naphtha, low sulphur fuel oil and ultra-low Sulphur diesel
- Starting the export of petroleum products from all of the industrial island's berths in November 2022.
- Receiving the first ship carrying solid sulfur from Al-Zour plant and exporting the first consignment of solid sulfur in March 2023.
- The third mini refinery is currently undergoing preparations for the pre-operational phase.

Construction of Permanent Liquid Natural Gas Import Terminals (LNGIs):

Despite the significant challenges it faced during the Corona epidemic, Kuwait Integrated Petroleum Industries Company celebrated the achievement of the Permanent Liquid Natural Gas Import Terminals (LNGIs) in the Al-Zour oil complex reaching full operation in February 2022 after completing the operation of the second phase by 100%.

This project is carried out in accordance with the Kuwait Petroleum Corporation's strategic plan, which has been approved, and is directed at "meeting the local demand for fuel" until 2030. This is done by building permanent facilities to receive and re-evaporate liquefied natural gas, which will increase operational flexibility and satisfy peak summertime demand for electric power generation stations. This facility, which was constructed in a single phase and can store 22 million tons of liquefied natural gas a year, is considered to be the first of its kind locally and the largest in the world. A contract for the project's implementation was signed on March 30, 2016, with a consortium consisting of three specialised Korean companies, namely "Hyundai Engineering Company Limited, Hyundai Engineering and Construction Company, and the Korean Gas Authority," for a total approved cost of about US $2.9 billion, or the equivalent of 1.105 million Kuwaiti dinars.

The project's primary goals are targeted in the following areas:

- Establishing Kuwait's first permanent liquified natural gas import facility
- Burying marine waters to form an island with a surface area of 716,000 square meters.
- Construction of eight full containment tanks with a total storage capacity of 1.8 million cubic meters (225 thousand cubic meters per tank), a diameter of 96 meters, a height of around 57 meters, and an outside concrete wall thickness of the tank of 1.2 meters from the bottom.
- Constructing an evaporation area with a daily output capacity of 3,000 billion BTUs, which equates to requiring the use of 540,000 barrels of crude oil to generate the same amount of energy.
- Additionally, the project called for the development of pipes that would link natural gas to the national gas network and then to refineries and power plants.
- The goal of the project was to supply electric power plants with the ideal blend of natural gas and ecologically friendly fuel oil from the Al-Zour refinery in order to cut carbon dioxide emissions by 30%.
- Assisting in the provision of extra crude oil and gas oil for distribution in a variety of markets, ensuring maximum energy efficiency, and maximising the value of oil assets.

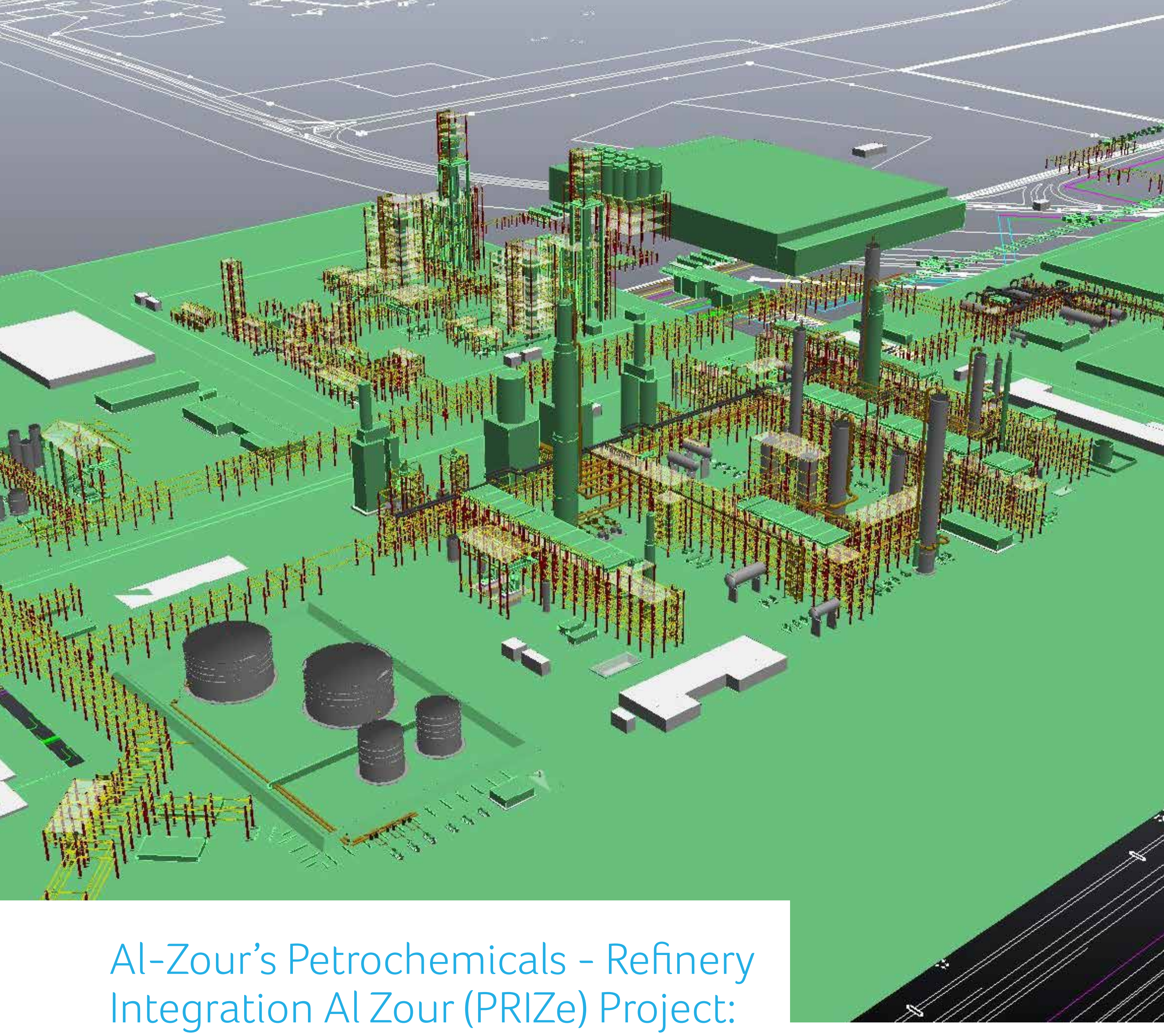
The Project's Major Units:

As previously stated, the project includes full containment tanks for importing liquefied natural gas, a compressor, a number of natural gas vapor compressors, and a fuel compressor; a number of facilities and equipment for pumping and returning sea water; a condenser; a number of high pressure pumps; heat exchange evaporation units; submerged combustion evaporation units; and natural gas flow measurement systems, in addition to a number of connections and pipelines for pumping and connecting natural gas.

Project implementation progress and work development plan:

The following summarises the evolution of project implementation work:

- On January 15, 2015, the preliminary engineering design work was completed.
- Following budget approval on March 31, 2015, the tender and invitation to tender were released, with the contract being granted and signed on March 30, 2016, with project work beginning on May 15, 2016.
- The first phase of operation, which included four tanks, was finished on October 17, 2021.
- The second phase of operation, which included four tanks, was completed on January 18, 2022.
- The project's Provisional Acceptance was obtained on April 12, 2022, following its completion and full operation.
- The final permission for the project will be granted once the remaining work is completed within the guaranteed term of 24 months from the date of the initial approval for the project.



Al-Zour's Petrochemicals - Refinery Integration Al Zour (PRIZe) Project:

The Petrochemicals - Refinery Integration Al Zour (PRIZe) Project comes in keeping with Kuwait Petroleum Corporation's main strategic directions in the petrochemicals field, which calls for "expansion of petrochemical activity (main intermediate petrochemical products) inside and outside the State of Kuwait by building or expanding assets, purchasing assets, and merging operations with the participation of Appropriate international partners (if necessary) in order to achieve a world leadership position," in addition to the general directions of the corporation in the refining and manufacturing fields within the State of Kuwait, which stipulate "maximising the integration between refining and petrochemical operations within the State of Kuwait, providing petroleum products that conform to the required local and international specifications, consider entering into partnerships in the refining industry to enhance and raise operating efficiency, maximise integration between refining and petrochemical operations within the State of Kuwait, and to provide petroleum products that conform to the required local and international specifications."

The project's primary goals are centred on the following points:

- The complex will convert fuel oil from the Al-Zour Refinery into high-value petrochemical compounds, increasing the value of Kuwaiti hydrocarbon products.
- Supplying gasoline (motor fuel) to the local and foreign markets, as the facility's annual production capacity will exceed 1.55 million tons of gasoline per year
- Introducing new products and expanding into new markets for the impact-copolymer polypropylene product
- Kuwait's polypropylene and aromatics output will increase, respectively, by 1000% and 200%, and the facility's annual production capacity will amount to 2.7 million tons of aromatics and polypropylene.
- Filling the present Equate Petrochemical Company gasoline shortfall for the current styrene plant
- Achieving maximum integration with existing refineries
- Presenting chances for local entrepreneurs to develop more subsequent manufacturing industries
- Providing fresh work opportunities for young Kuwaitis

The Project's Major Features:

The project's work has been divided into three main packages: the first of which includes the construction of gasoline units (motor fuel); the second includes the construction of aromatics and olefins units; and the third includes the construction of port and export facilities as well as land and sea pipelines.

Project implementation progress and work development plan:

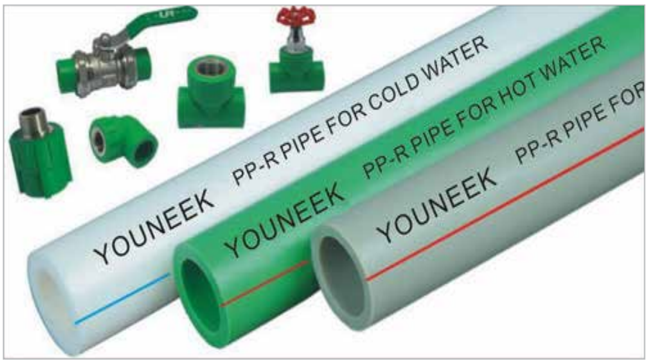
The following summarises the progress of the project implementation work:

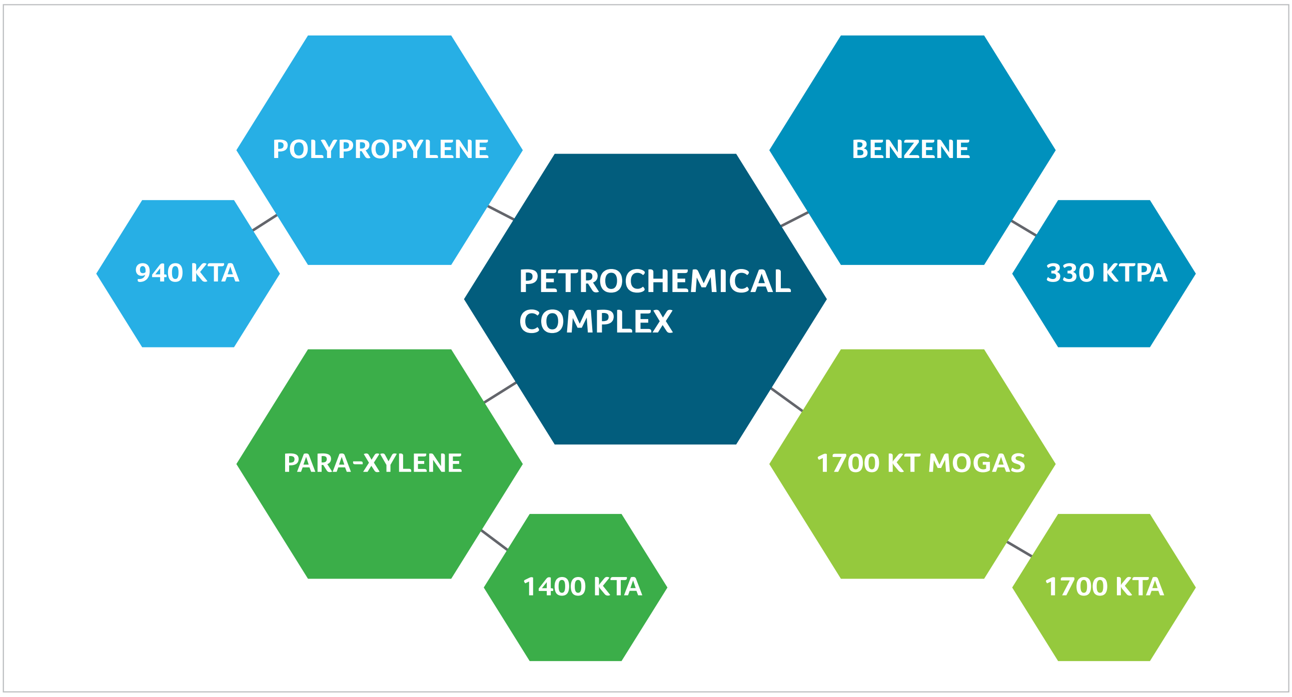
- The Front-End Engineering Design (FEED) work was separated into two stages (1A and 1B), with the first phase (1A) finished in March 2020 and the second phase (1B) awaiting the commencement of the process of issuing engineering, procurement, and construction (EPC) brochures, to be followed by procuring works.
- All Front-End Engineering Design (FEED) work for the updated scope of work was completed by the project's consultant and licensors in March 2020, and the foundation decided in July 2020 to postpone the final investment decision for the project (FID Budget Approval) due to the ramifications of the Corona pandemic on global markets

As a result, in December 2021, a higher steering committee and a working team were established to develop conceptions and solutions to all obstacles and challenges related to obtaining the project's final investment decision, provided that the working team submits its final report to the higher steering committee in preparation for obtaining the necessary approvals for the next steps, given that they include some of the following:

- Developing an updated long-term marketing analysis for global market expectations following the COVID-19 pandemic
- Studying measures to improve integration between the PRIZe (Petrochemical Refinery Integration Al Zour) Complex Project, Al-Zour Refinery, and Kuwait National Petroleum Company refineries.
- Developing proposals to improve the project scope of work in order to encourage possible partners to join, such as lowering the project's carbon footprint by extracting carbon dioxide, recycling, and utilizing renewable energy sources.

- It is worth mentioning that the research to update the economics and capital costs of the Petrochemicals-Refinery Integration Al Zour (PRIZe) project was completed in March 2023, as required by the project's Higher Steering Committee.
- During the fiscal year 2023/2024, the project work team intends to get permission from the Higher Steering Committee for the Petrochemical Complex Project (PRIZe) to proceed with the approval of the project's financial investment design (FID) by the necessary committees and authorities.





Alternative Feedstock Project for the Hydrogen Production Units:

This project came in line with the 2040 strategic directions of Kuwait Petroleum Corporation to achieve integration between refining and petrochemical operations inside the State of Kuwait. In 2017, the company replied to Kuwait Petroleum Corporation's request for a preliminary study of hydrogen production units to replace the present value (Naphtha) with economically feasible alternative feeds (Liquified natural gas and fuel gas) to be used as naphtha feedstock in the petrochemical complex or to be exported. As a result, the Al Zour Refinery project consultant was appointed, and licensors were permitted to begin the front-end engineering design work (FEED) on the major units and supports. Following completion of the preliminary research, the project proposal form was presented to Kuwait Petroleum Corporation in September 2019 for budget approval, and KPC determined that the project should be conducted in two phases:

- The first stage, which relies on liquefied natural gas (LNGI) as an alternative source.
- The second stage, which is based on the use of fuel gas in addition to liquified natural gas (LNGI) as an alternate additive feedstock, must be implemented separately at a later point through a new EPC (Engineering, procurement, and construction) contractor contract Thus, the project was separated into two sections in order to reduce capital expenses.

The project consultant was assigned to re-study the project while keeping in mind what had been done in the first phase of the project, and the ITB (invitation to bid) offering documents for the Engineering, Procurement, and Construction (EPC) contract for the first phase of the project were developed.

The scope of work for the first phase of the project engineering, procurement and construction (EPC) comprises the following:

- Engineering, procurement, and construction of a new U-38 unit for natural gas compression in accordance with the licensee's specifications for the U-33 hydrogen production unit.
- Engineering, procurement, and construction work for feed pipes, connections, and precision machinery in the unit's common spaces, as well as sulfur absorption equipment for each of the hydrogen production lines and other work required to enable the unit to generate using natural gas.
- Engineering, procurement, and construction of two new boilers and modifications to boost the output of the present steam-producing unit, including all associated pipe connections and connecting them to the current unit-60 (steam-generating unit).
- All project-required ties, including 43 Category A ties.

The project's primary goals are cantered on the following points:

- Implementing and maintaining global operational excellence standards in order to establish long-term leadership in the oil and gas sector
- Improving local integration of refinery and petrochemical activities
- Substitution of naphtha as hydrogen production unit feedstock for liquified natural gas/imported fuel gas, resulting in naphtha being available for petrochemicals as well as export

It is important to emphasise the importance of using the liquefied natural gas pricing equation to provide the program with alternative feedstocks, as the program's economics are directly dependent on liquefied natural gas prices.

The Project's Major Units:

The project's scope of work includes the construction and installation of natural gas processing units for the extraction of sulphur and acid gas treatment units, as well as the installation of gas compression equipment to deliver alternative feedstocks to the hydrogen production units, each of which has a capacity of 145 million standard cubic feet of hydrogen (a total of four units).

What has been achieved so far:

- The project was authorised by the Kuwait Petroleum Corporation's Board of Directors at a meeting on August 4, 2022, and then gained permission from the Kuwait Petroleum Corporation's Board of Directors on August 8, 2022.
- On August 22, 2022, the Allocation of Funds to Spend (AFE) form was authorised.
- The internal procurement committee gave its permission for the tender to be issued as a limited tender through the Central Agency for Tenders on November 3, 2022.
- When submitting the application for Foreign Procurement Committee approval, the committee proposed to resubmit the application to issue the contract as a general tender rather than the limited tender with preconditions necessary for bids on November 9, 2022.
- An application to offer the contract as a public tender was resubmitted to the Internal Procurement Committee, and approval was granted on December 22, 2022.
- On December 28, 2022, an application to issue the tender as a public tender was resubmitted to the Foreign Procurement Committee, and authorisation was granted.
- On January 17, 2023, a request to launch a public tender was submitted to the Central Tenders Agency for approval.
- The Central Agency for Public Tenders (CAPT) received queries concerning the materials filed for the invitation to bid on 3/2/2023 and responded on 3/12/2023. As a response, the agency granted conditional authority on 5/2/2023 to present a brochure, "Invitation to Bids (ITB)," after changing some of its conditions and delivering the new form to the agency within two weeks of its date.

Construction of an administrative building in Al Ahmadi for Kuwait Integrated Petroleum Industries Company:

The initiative behind establishing an administrative building for the Kuwait Integrated Petroleum Industries Company in the Al-Ahmadi neighbourhood originated to minimise rent costs and operational expenditures.

The new structure is distinguished by its close proximity to the premises of other oil companies, which will enhance productivity and facilitate communication between employees in various areas, which will benefit the employees of the company who are currently employed in a variety of commercial levels at the Olympia Towers Complex in the Salmiya region and facing the challenges of providing parking spots for the vehicles of employees and visitors in the building.

This has resulted in the company's urgent need to establish an independent administrative building that brings together most of the company's workers and leaders under one roof with an energy-efficient and environmentally friendly design. The total estimated capital cost of the program, according to the FEED (Front End Engineering Design) preliminary engineering design study, was approximately KD 8,000,000 (8 million Kuwaiti dinars).

The Project's Main Objectives:

The company is constructing an administrative facility in Al Ahmadi region to meet the following goals:

- Reducing the company's expenditures by preserving the rental value of the administrative offices now occupied in the Olympia building in the Salmiya region and avoiding paying monthly rentals for the offices based on existing rates
- The building's chosen location is near the sites and departments of the associated oil companies, which facilitates integration, and it also marks a position close to the company's sites between the Al-Zour and Al-Ahmadi areas.
- Addressing the space limits in the Olympia building in order to accommodate all present employees as well as potential staff additions.
- Improving coordination and communication among the company's groups that provide centralised services, as well as their presence in one location.

Key Features of the Project:

The project comprises building M, which houses the offices of the company's executive management and other groups and is separated into two zones (Zones C and D), and building H, which houses the offices of the company's executive management and other groups (Zones A and B). The project's anticipated capacity is more than 550 workers, in addition to the construction of shaded parking lots for more than 450 automobiles, with large green areas available and the option of future extension. It also has auxiliary service buildings (such as the electricity substation building and the security building). An addition of 2260 square meters has been constructed to the first floor of Wing (B) of Building (H) for the offices of the various teams and groups, which may be utilised to handle future increases in new employees.

What has been achieved so far:

The project completion rate reached 68.2 percent until the end of March 2023 and is projected to be completed in June 2023, according to the contractually specified timeframe. In this context, the final thorough evaluation for assessing the environmental and social impact of the construction project has been completed, and the company's main building in Al-Ahmadi region has been submitted for approval by the Environment Public Authority. In addition, all structural and concrete construction for the company's primary building project in Al Ahmadi region has been completed.

All construction, mechanical, and electrical works for the project are currently being finished, as are all interior finishing works assigned to the project contractor, in order for the company to start receiving the building.

6

Performance Enhancing Activities

Project Management and Operational Excellence

To guarantee the safe and successful execution of major projects at the highest operational standards, the company's employees united their resources and coordinated the performance of different groups, which can be summarised as follows:

- Kuwait Integrated Petroleum Industries Company utilised numerous unique practices to help the Al-Zour refinery get up and running. With full backing from the Kuwait Petroleum Corporation, some petroleum products were imported from the Kuwait National Petroleum Company to help accelerate the initial operation. It also carried out the trial operation of the first crude oil distillation unit, which began on May 11, 2022, and processed 2.5 million barrels of crude oil, ensuring an important and major stock of oil derivatives that contributed to the smooth operation of the remaining units.
- For the first time since the announcement of Al-Zour Refinery's commercial operation, all petroleum products from the refinery have been exported through the industrial island in the amounts and quality agreed upon with the Kuwait Petroleum Corporation.
- The functioning of the permanent line to provide low-sulphur fuel oil to the northern power and water plants has been completed in collaboration with both the Kuwait Oil Company and the National Petroleum Company.
- Completing all contractually agreed-upon performance evaluation tests for the Liquified Natural Gas (LNGI) import project
- In March 2023, the second mini refinery commenced stable operation, boosting the refinery's overall production capacity to 410,000 barrels per day.
- Receiving the first solid Sulfur ship in order to transport the first solid Sulfur cargo from Al-Zour refinery
- The performance test of the liquefied gas import facility was successfully completed with the goal of determining the efficiency of operation and the successful collection of all gases produced in the facility after reducing the amount of natural gas below the minimum level approved during the project's engineering phase. This success is the result of collaboration with the Kuwait Petroleum Corporation, which reduced the quantity of natural gas used by pumping natural gas to the main gas network in quantities ranging from 365 to 260 million cubic meters.
- 133 tankers of liquefied natural gas were unloaded with an amount equivalent to 19.4 million cubic meters, and the Kuwait Oil Gas Network was supplied with an amount equivalent to (328,114 MMSCF) of natural gas by March 2023.
- During the fiscal year 2022/2023, the percentage of consumption of imported liquefied natural gas inventories was around 76 percent, exceeding the target of 57 percent established for the fiscal year 2022/2023.




- Within the joint efforts between the Kuwait Integrated Petroleum Industries Company, the Kuwait National Petroleum Company, and Kuwait Oil, both the fourth permanent crude oil line and the permanent liquefied gas line to Mina Al-Ahmadi refinery were successfully operated.
- A measurement and calculation agreement has been signed between Kuwait National Petroleum Company and Kuwait Integrated Petroleum Industries Company for low-sulfur fuel oil intended for Northern Ministry of Electricity stations and liquefied petroleum gas to be sent to the Mina Al-Ahmadi Refinery that will contribute to reducing loss accounts resulting from differences in the operations of receiving and sending quantities for these products, which will have a profitable return for the company.
- Achieving full functioning and maximum refining capacity in the desulphurisation unit from the residual oil, Unit No. 12, and generating 0.5 percent low-sulphur fuel oil that meets requirements and norms.
- Successful completion of the Performance Guarantee Test Runs (PGTR) for the following units of the Al-Zour Refinery's first phase:
  - Light Oil Air Distillation Unit (CDU-01)
  - Diesel Hydrogen Treatment Unit (DHT-03)
  - Kerosene Hydrogen Treatment Unit (KHT-05)
  - Hydrogen Production Unit (HPU-33)
- The Al-Zour Refinery Laboratories building was officially and fully inaugurated in January 2023.

Maximising Profitability and Rationing Expenses:

The company's initiatives to increase profitability and reduce costs are among its top priorities when developing its operational or capital plans as a strategic partner with the enterprise and its subsidiaries. By embracing this transition and attaining its position as a worldwide leader, Kuwait Integrated Petroleum Industries Companu was able to tackle the challenges presented by the shifting conditions in the oil business and translate its strategic objective. The fiscal year 2022/2023 has witnessed several initiatives in this area, such as:

- Success in cutting total operating costs in the fiscal year 2022/2023 by KD 11,968,000.00, without including the depreciation expenses for the liquified natural gas import facilities (LNGI), compared to the approved budget, with a saving rate of 33.1 % compared to the target set by the Kuwait Petroleum Corporation, which would be 10%
- The Al-Zour refinery's buildings and infrastructure insurance has been converted from construction insurance to operational insurance, saving the company roughly 500,000 dinars in insurance differences.

International Certificates and Accreditations:

Kuwait Integrated Petroleum Industries Company consistently aims to deliver high-quality services by adhering to the highest international standards, in addition to meeting the company's strategic goals by providing high-quality oil products to its clients. The International Organisation for Standardisation's (ISO) accreditation in the management of the quality system enables the company to operate its projects to an internationally recognized standard and strengthens its standing both locally and internationally.

The company's efforts during the fiscal year 2022/2023 resulted in the company gaining 9 international quality certificates in the performance enhancement domain, including:

- ISO (9001:2015) Quality Management System Certification
- ISO (14001:2015) Environmental Management System Certification
- ISO (45001:2018) Occupational Health and Safety Management Systems Certification

- ISO (31001:2018) Risk Management Guidelines System Certification
- ISO (50001:2018) Energy Management Systems Certification, in order to produce gasoline, export liquefied natural gas, and refine hydrocarbons while adhering to the highest international requirements for planning, support, and operations for petrochemical products facilities.
- ISO 22301:2019 certification, which is related to the requirements of flexibility and business continuity, reflects the caliber of the technical services, systems, and infrastructure of information technology.
- ISO (27001:2013) Information Security Management Systems Certification, where Kuwait Integrated Petroleum Industries Compsny completed the information security management system's requirements, represents the culmination of the company's information technology group's efforts to provide internal IT infrastructure, systems, and technical services.
- ISO (22000: 2018) certification in food safety management systems for the Al-Zour Oil Complex cafeteria, which attests to the quality and safety of its food preparation and service.
- ISO (56002: 2019) certification for managing innovation systems for the company's success in establishing policies and procedures for developing and putting into practice creative staff initiatives and managing them to create added value and improve the working environment.

Digital Transformation, Development, and Research:

In order to create a digital workplace focused on efficiency, safety, security, and profitability, Kuwait Integrated Petroleum Industries Company pays particular attention to digital information technology and is eager to stay current on the most recent developments in terms of applications and tools for digital transformation mechanisms.

The following are some of the most notable accomplishments in the area of information technology during the fiscal year 2022-2023:

- Obtaining the ISO 27001 Information Security Standard Certificate
- Achieving accreditation for information technology IT Group Services under ISO 22301, the Business Continuity Standard
- The use of digital investigative solutions to safeguard the company's network and prevent ransomware attacks by gathering and evaluating information regarding cybersecurity threats
- Finalising the preparation of the roadmap for setting the company's digital transformation strategy into action
- Using drones to take 3D model pictures and videos as part of the aerial and photographic survey project for liquefied gas facilities
- Website development for the Kuwait Integrated Petroleum Industries Company Conference on "Coronavirus Challenges and Lessons Learned in the Oil and Gas Industry: Production, Safety, and Supply Chain", as the site assisted more than 400 participants, along with 17 speakers and 27 different local and international companies.
- Participation of Kuwait Integrated Petroleum Industries Company at the conference on Kuwait's vision of digital transformation for 2035 that was held on December 2, 2022, under the sponsorship of the Central Agency for Information Technology
- Successful completion of the first stage of the Citisen Developers Program, which gives employees the ability to create custom apps and smart dashboards to boost productivity and automate processes, the company's acting CEO, Mr. Waleed Al-Bader, established the President's Award for Digital Transformation Pioneers under his leadership in the first stage to recognise outstanding individuals. The second stage comprises double training and brainstorming sessions with all corporate groups in order to extract ideas and implement them in a way that serves the groups and quickens the speed of digital transformation.

- Completion of the first stage of the initiative to digitise the hiring and job-leaving procedures in partnership with Microsoft Company, which aims to fully automate and digitise the life cycle of joining and leaving the company in a seamless way and guarantee a differentiated experience. Data gathering and gap analysis were part of the first step, along with brainstorming with the relevant groups. The second stage involved creating a road map for the outcomes, and the third stage involved assigning priorities and bringing the plan into action.
- Introducing new features in the KIPIC Connect application, such as uploading a digital business card and reporting attendance for classes held at the academy.

In terms of research and development, the company intends to foster a supportive work environment for scientists and researchers to build and develop national cadres and capabilities to meet technological and organisational challenges, as well as its desire to work toward leadership in the energy and petrochemical industries.

In accordance with the Kuwait Petroleum Corporation strategy for innovation and technology 2040, the company established the research and technology team in April 2022 with the intention of uplifting the role of innovation, technology, and scientific research in creating conventional solutions in the area of oil refining and processing. In order to support technological research and development and address the company's technical challenges, the newly created team signed a collaboration agreement with the Kuwait Petroleum Research and Technology Company in January 2023. A collaborative study agreement was also formed with Kuwait Petroleum Corporation companies featuring expertise in the refining and petrochemical industries to strengthen collaboration on researching technological difficulties.

In order to share knowledge and advance expertise in the field of research and technology, Kuwait Integrated Petroleum Industries Company's research and technology team plans to take part in and benefit from memorandums of understanding between the company and a number of private universities (the Australian University and the American International University).

KIPIC

Kuwait Integrated Petroleum Industries Company
A Subsidiary of Kuwait Petroleum Corporation

Decision of the Chief Executive Officer
No (3) for the Year 2023

قرار الرئيس التنفيذي
رقم (٣) لسنة ٢٠٢٣

Issued On: 17/1/2023

صادر بتاريخ : ٢٠٢٣/١/١٧

In Pursuance with KIPIC Board of Directors Resolution no. 95 (2022/2023) dated January 17, 2023 approving the updated KIPIC's Organizational structure, KIPIC CEO Resolution no. (3/2023) has been issued as enlisted hereunder.

بناء على ما جاء بموجب قرار مجلس إدارة الشركة الكويتية للصناعات البترولية المتكاملة رقم ٩٥ (٢٠٢٢-٢٠٢٣) المؤرخ ١٧ يناير ٢٠٢٣ بشأن الموافقة على تحديث الهيكل التنظيمي للشركة ، صدر قرار الرئيس التنفيذي رقم (٢٠٢٣/٣) وفقا لما هو وارد أدناه .

Article One:

المادة الأولى

Al-Zour Refinery Directorate shall be renamed to Al-Zour Operations Directorate, Deputy CEO Al-Zour Operations will be specified at later stage, and thereafter shall be responsible for his assigned roles before KIPIC CEO, KIPIC Groups enlisted hereunder shall follow and report to DCEO Al-Zour Operations:

- Operations Group Zour Refinery
- Technical Services Group
- Engineering Services Group
- Operations LNGI Group
- Maintenance Group

Article Two:

المادة الثانية

Petrochemicals & LNGI Directorate shall be renamed to Planning & Finance Directorate, and Mr. Khaled A. Al-Awadhi shall be DCEO Planning & Finance and shall be responsible for his assigned roles before KIPIC CEO , KIPIC Groups enlisted hereunder shall follow and report to DCEO Planning & Finance:

Organizational Changes

The Board of Directors of Kuwait Integrated Petroleum Industries Company issued a decision to update the organisational structure of the company at the start of 2023 in order to keep up with the ongoing developments of the Al-Zour complex projects and to enable greater efficiency in the task performance of the groups. Among these changes are:

- **Changing the name of the Al-Zour Refinery Directorate to Al-Zour Operations, which comprises:**
  - Al-Zour Refinery Operations Group
  - Technical Services Group
  - Engineering Services Group
  - Liquefied Gas Operations Group
  - Maintenance Group
- **Renaming the Petrochemicals and Liquified Natural Gas Directorate to the Planning and Finance Directorate to includes:**
  - Finance Group
  - Corporate Planning Group
  - Al-Zour Projects Group
  - Liquefied Gas Projects Group
  - Petrochemical Projects Group
  - Health, Safety and Environment Group
  - Management Support Group
- **Changing the name of the Directorate of Administrative and Financial Affairs to the Directorate of Administrative and Commercial Affairs, which comprises:**
  - IT group
  - Security and Fire Group
  - HR Group
  - Training and Career Development Group
  - General Services Group
  - Corporate Communication Group
  - Commercial Group
- **Appointment of Waleed Khaled Al-Bader as Chief Executive Officer**

7

Health, Safety, Security and the Environment

Kuwait Integrated Petroleum Industries Company takes every opportunity and devotes a considerable portion of its human and financial resources to ensuring the healthiest working conditions and the highest levels of environmental protection to ensure that company employees have the highest level of security and safety, whether within the company or throughout Kuwait and the environment in general. The most significant of these activities, which came to reaffirm this commitment throughout the course of the last year, are stated below:

- The Kuwait Petroleum Corporation's energy transformation strategy, which was developed between January and March 2022 in collaboration with the oil companies, was approved in August 2022 as the company prepared a plan to carry out the initiatives given to it and began the initial research upon these initiatives. The strategy includes both new projects, such generating the second generation of biofuel locally, as well as measures to improve some of the current efforts, including increasing energy efficiency in the company's facilities and minimising flare-burning pollutants.
- In response to a report of an unknown origin oil spill from the Environment Public Authority on August 5, 2022, in the Sabah Al-Ahmad marine area, the Environment and Social Responsibility team developed a plan to contain the spill with the integrated services contractor for the oil spill and to begin cleaning operations on August 6, 2022. After the cleaning procedures were finished, nearly a ton of polluted waste was collected and securely disposed of. Additionally, the beaches in the Al-Zour and Al-Khairan regions were inspected to make sure no oil leaks were evident.
- Out of the 1,364 total employees of the company, 1,266 attended training sessions and lectures in health, safety, security, and the environment, which represents a rate of roughly 92.81% up until the end of March 2023 compared to the objective established throughout the fiscal year, which was set at around 75%.
- Throughout the fiscal year 2022–2023, 52 million working hours were safely spent at the company's various sites. There were no recorded incidents of accidents interfering with work or fatalities.
- Awards for the best source and port of work permits, the best presentation of near-misses, and the best safety employee for contractors have all been examined, and winners have been announced.
- In order to be ready for the Ministry of Health's licensing procedure, all medical equipment has been installed at the Al-Zour Refinery clinic.
- Only one oil spill, which occurred in November 2022, was ever reported.
- In order to audit all elements of health, safety, security, and the environment at the company's numerous administrative and operational locations, 463 employees at the level of team leader and above participated, exceeding the target of 276 participants established for the fiscal year 2022/2023.
- 156 company employees took part in the cleanup campaign of Khiran Beach on February 23, 2023, as part of KIPIC's commitment to preserving the environment and fostering a sense of social responsibility.
- For the Liquefied Gas Import Units (LNGI) clinic in the Al-Zour area, Kuwait Integrated Petroleum Industries Company successfully obtained a license from the Ministry of Health to formally running the clinic so that it could offer locals medical care and ambulance services.
- On May 25, 2022, under the sponsorship of the Kuwait Petroleum Corporation and with the involvement of a number of associate companies, Kuwait Integrated Petroleum Industries Company took part in the unified exercise for crisis management in the oil sector 2021–2022, titled "a cyber assault on the operations of the oil sector."
- The security team has developed a new traffic management strategy at the Al-Zour Refinery entrance to ensure the orderly and secure movement of all cars, buses, and workers, as well as to improve traffic safety at the start and end of each workday.
- Completion of various environmental awareness initiatives, including those on recycling and sustainability, office waste, and deforestation.

8

Human Resources and Career Development

To achieve its aspirations of leadership in the oil sector, the company makes a special effort to develop and train its human resources. All of the company's personnel are engaged in ongoing training programs to advance their technical, administrative, and specialised skills. The newly appointed are also subject to introductory and qualifying courses that allow them to quickly engage in the tasks and work of the company. The structured on-the-job training program, which combines practical and theoretical training to improve technical and practical knowledge on the job, is open to engineers from all disciplines.

During the fiscal year 2022-2023, Kuwait Integrated Petroleum Industries Company held a number of development training programs, seminars, workshops, and local lectures on a variety of topics related to the company's employees' job requirements in collaboration with local institutions and by activating understanding agreements between the company and academic institutions, universities, and international companies. The company also launched training programs in collaboration with company experts and trainers, including remote operational contract trainers and within the KIPIC Academy Training Centre in Al-Zour Refinery.

The following are some of the most notable achievements in the field of training and career development for fiscal year 2022/2023:

- The KIPIC Academy Training Center was officially opened on Tuesday, October 11, 2022, under the auspices of the company's then acting CEO, Mr. Waleed Al-Bader, and in the presence of deputy chief executives and group managers, in addition to a number of officials from various associate oil companies and Kuwait Petroleum Corporation.
- The training facility is located in Al-Zour Refinery and is part of the Training and Career Development Group, which offers training to the company's emplooyes. The center contains seven training halls, a lecture room, a seminar room, and three halls for training process engineers with a simulation system, as well as an exhibition room with many miniature models and technical figures used for display and the content of training programs, along with two computer training laboratories and a group of administrative offices for the centre's employees.
- The establishment of the company's Training Center (B) in the Al-Zour region, which is a facility built outside the refinery to serve all workers of the company, particularly those who do not have entrance permits to the Al-Zour refinery.
- Approving organisational controls for training programs held at the company's training facilities and disseminating them to all company employees.

- The training center hosted a total of 483 training programs, with 6190 training participants from various technical groups. The programs included intensive courses for refinery operators, qualifying courses on using the Asset Performance Management System (PSM), and training programs in the fields of health, safety, and the environment (HSE) for the company's employees and contractors, as well as some introductory courses for employees on the Kuwaitization contract system and technical courses for qualifying technical personnel.
- In the operations group of the two operating systems, 580 employees were qualified as field operators after 26 training sessions were held.
- Implementation of the first training program for company employees using the experiential learning methodology, specifically designed to utilise technical and illustrative models in the exhibition space of the Kuwait Integrated Petroleum Industries Company's Academy Training Facility, in collaboration with the mechanical maintenance team of the maintenance group Employees from the maintenance group developed and carried out the program, which included the participation of 29 trainees from various departments and covered the methods for loading and unloading catalysts at the atmospheric residue desulfurisation unit (ARDS). It also involved making the required preparations for the trainees to visit the unit site at the Al-Zour Refinery, as well as an introduction lecture backed by an explanation of the specifics of these operations through a miniature model of the unit.
- Based on the levels of satisfaction gathered from the course evaluation forms, the training centre attained a satisfaction rating of 87% from the participants in the training courses offered at the centre during the fiscal year 2022–2023.

In addition, a number of initiatives aimed at creating competent and motivated cadres and streamlining the training process for the company's employees were established, along with a number of courses, lectures, and training programs. These initiatives included the following:

- During the fiscal year 2022–2023, all personal development plan requirements for every employee of the company were fully satisfied, with a rate of 100%.
- Completion of the training for 3,166 participants in the various programs that were run virtually and on-site in collaboration with the Petroleum Training Centre.
- The "Knowledge Gate" page, a remarkable website that was created with material that aids the company's employees in the development and training of a range of abilities, was established and released. This page will serve as a major center for the employees' development and self-improvement, as they can easily access the necessary information related to their work.
- Kuwait Integrated Petroleum Industries Company and the Australian University in Kuwait signed a memorandum of understanding on May 17, 2022, with the intention of fostering collaboration and sharing academic, training, and research experiences.
- On February 16, 2023, Kuwait Integrated Petroleum Industries Company and the American

International University signed a memorandum of understanding with the intention of strengthening their partnership and providing educational opportunities for both university students and company employees.

- The "Reverse Counseling" initiative was initiated in collaboration between the Health, Safety, and Environment Group and the Training and Career Development Group. Ten mentors were chosen, and they held 36 counseling sessions with 28 company employees who were interested in obtaining the necessary experience.
- The training program "Preparation of the Certified Trainer: Developing a Training Curriculum" was created and launched as it finished its contract by instructing the program's employees from the company from October to December, resulting in a total of 33 employees from the company who were approved as trainees.
- KIPIC has equipped a team of qualified mentors (7 employees) to transfer expertise and control training expenses inside the company.

As for future leadership roles within the company, the following has been carried out in order to prepare staff members and create leaders:

- Implementation of the enlightening introductory meeting for team leaders and senior observers in the company, which aims to improve the level of knowledge and supervisory skills for this category by presenting work mechanisms, rules, procedures, and significant systems for various groups in the company.
- For the fiscal year 2022-2023, the job shadowing program was implemented at the company level for the first time, and 40 employees took part in it.
- The execution of the three (3) successful meetings of the series of success stories shared with associate oil companies, as this project focuses on discussing the accomplishments, problems, and obstacles that faced the leaders during their career path.
- Conducting four leadership seminars for a series of participants in collaboration with the Australian University, hosted by the Olympia Complex and Al-Zour's KIPIC Academy.
- Completion of a variety of activities and programs included in the personal training plan for group managers for the first year 2022-2023
- Finalising the implementation of the talent management program's training plan, which consists of a variety of events and programs, for senior supervisors and engineers throughout its first year.
- Completing the job rotation program's implementation for the fiscal year 2022-2023, in which 20 participants from various company groups took part.
- The company has finalised the process of approving the competencies needed for the family of engineering projects and job projects connected to the ladder of technical and professional occupations.

Labor force and employment data:

Kuwait Integrated Petroleum Industries Company is dedicated to enhancing the national human factor as it is the key to excellence and one of the foundations of the oil industry and its revival in the State of Kuwait as one of the most crucial pillars of Kuwait Petroleum Corporation's 2040 plan, which is cantered on the development of Kuwaiti human cadres, providing them with high-level skills, increasing their efficiency, and providing them with chances for innovation, growth, and contribution. Through the establishment of new development initiatives, the company is keen on creating mechanisms that provide career prospects for its members.

In light of the foregoing, 56 new Kuwaiti employees were hired this year, bringing the total operational and non-operational workforce to 1,364, an increase of 36 employees over the previous fiscal year's total workforce. At the conclusion of the fiscal year, the company comprised 1,306 Kuwaiti employees, representing about 95.7 percent of direct employment, an increase of 39 Kuwaiti employees over the previous fiscal year. Until March 2023, the actual employment rate achieved 93.5 percent of the required employment projections. In order to create the greatest number of job opportunities available to Kuwaitis in private company contracts and to encourage the private sector to attract national resources, the company has Kuwaitised approximately 710 jobs, bringing the total number of Kuwaiti employees in the company's contracts to 173 employees, or an equivalent percentage of Kuwaitisation in contractor's contracts of about 7.54%.

Many actions and efforts have been conducted to qualify national cadres linked with contractors and companies throughout the fiscal year 2022/2023, including:

- Drafting a guideline for appointing national employees on vendors' contracts (Kuwaitisation) for contract inspectors to assist with the process of outlining the steps needed to guarantee the appointment is completed in a timely manner
- signing contracts with 27 applicants from the Public Authority for Applied Education for fresh graduate positions on the contracts of Kuwaitisable contractors linked with the company.
- Launching the "Do You Know?" campaign for Kuwaiti contract employees in order to educate them on their rights and responsibilities.
- Enrollment of (67) Kuwaitisation contract employees in English language courses.
- Offering (106) training courses in administrative and technical specialties to Kuwaitisation contract employees using the unified learning management system platform.
- Completing a draft of the unified employee guidebook for the national workforce in vendor contracts in the oil industry, in collaboration with other oil companies.
- Organizing an "Open Day" event for employees in Kuwaitisation contracts in order to increase workplace engagement and create a positive work atmosphere
- Establishment of a petition and grievance commission to handle concerns raised by employees on Kuwaitisation contracts.

The tables below provide an overview of the company's employees by nationality and group, as well as the changes that happened during fiscal year 2022/2023 compared to the plan and the evolution of workforce numbers from 2017/2018 to 2022/2023.

An analysis of the number of company employees and their percentage of the Kuwaiti workforce by directorate

Group	31/03/2022			31/3/2023			
	Number of employees	Kuwaiti manpower (actual)		Number of employees	Kuwaiti manpower (actual)		Number of the group's employees (budget)
		Number	Ratio%		Number	Ratio%	
Office of the CEO and Legal Group	11	11	100.00	10	10	100.00	12
Administrative and Commercial Affairs Directorate	319	308	96.55	317	309	97.48	340
Al-Zour Operations Directorate	771	728	94.42	818	777	94.99	802
Planning and Finance Directorate	227	220	96.92	219	210	95.89	235
Company Total	**1,328**	**1,267**	**95.41**	**1,364**	**1,306**	**95.75**	**1,389**

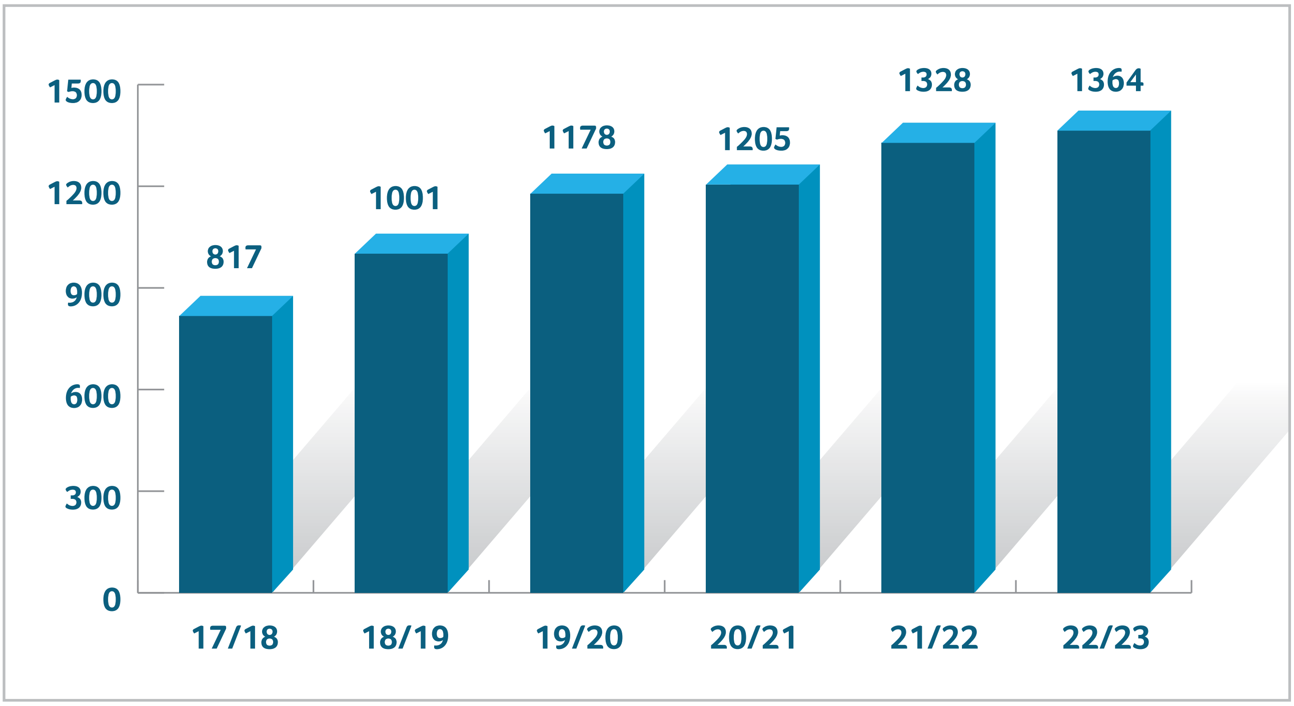
An Analysis of the Company's Employees by Gender

Category	Number of males	Ratio%	Number of females	Ratio%	Total
Higher Management	3	100.00	0	0.00	3
Managers	14	93.33	1	6.67	15
Team Leaders	70	84.34	13	15.66	83
Rest of the company's employees	1,090	86.30	173	13.70	1263
Total company	**1,177**	**86.29**	**187**	**13.71**	**1364**

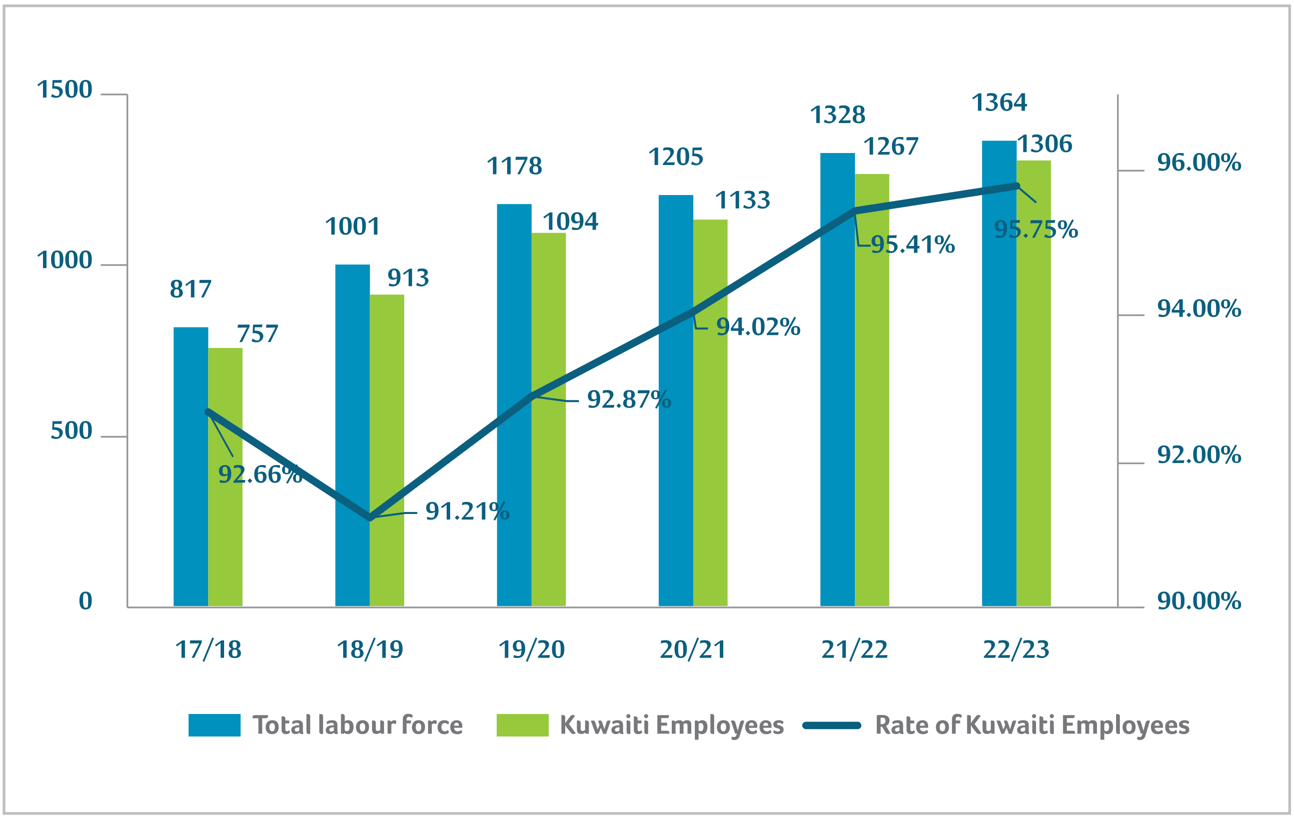
Distribution of Company Employees by Nationality

Nationality	Number of employees			Percentage of Total workforce		Percentage increase or (decrease)
	31/03/2022	31/03/2023	Change	31/03/2022	31/03/2023	
Kuwaitis	1,267	1,306	39	95.41	95.75	2.99
Other Arab nationalities	3	3	0	0.23	0.22	0.00
Subtotal	1,270	1,309	39	95.63	95.97	2.98
Non-Arab nationalities	58	55	-3	4.37	4.03	-5.45
Company Total	**1,328**	**1,364**	**36**	**100.00**	**100.00**	**2.64**

The development of the workforce in the company during the years 2017/2018 - 2022/2023



Kuwait Integrated Petroleum Industries Company's Workforce Statistics



9

Local Content Performance

According to Kuwait Petroleum Corporation's 2040 local content strategy, Kuwait Integrated Petroleum Industries Company aims to increase local content in the national economy by raising the percentage of national products and local services out of the total value of purchases of products and services to 35 percent, particularly in the projects the company implements, in addition to other initiatives aimed at providing direct and indirect work opportunities for the national workforce in the company.

The following explanation states that by the end of March 2023, the company's domestic spending would account for 52.3% of its overall operating and capital expenditures: -

Local Content for the Fiscal Year 2022/2023 Thousand Kuwaiti Dinars	
Local content of operating expenses	37,662
Local content of capital expenditures	34,152
Total Local Content	71,815
Total Operating and Capital Expenses	137,194

10

Corporate Social Responsibility

Kuwait Integrated Petroleum Industries Company views social responsibility as an essential component of its strategy and a pillar of its sustainability and vision for its correlation with society. In this regard, one of the company's most notable achievements during the fiscal year 2022-2023 is the implementation of a number of activities and events, including but not limited to:

- A program to distribute Ramadan meals during April 2022 and March 2023.
- The company planned an awareness campaign for the residents of the Nuwaiseeb, Bnaider and Al-Khairan regions in May 2022, and KIPIC's engineers introduced and explained more about Al-Zour complex and the company's initiatives and goals.
- The medical division of the Health, Safety, and Environment Group conducted a blood donation campaign in October 2022 in conjunction with the Central Blood Bank of Kuwait. The event was held at both the Al-Zour refinery and the company's main offices.
- In November 2022 and January 2023, two initiatives to clean Al-Khairan Beach were launched, and many employees from all levels within the company took part.
- The Australian College of Kuwait students were invited on a field trip to learn more about Kuwait Integrated Petroleum Industries Companys' initiatives and projects.
- In order to acquaint students with the company's strategic initiatives and their significance to Kuwait, student delegations from Kuwait University were hosted throughout the months of September 2022 and February 2023, as well as a visit to the Australian College headquarters that was conducted during the latter month.

11

Stakeholder Engagement Strategy

One of the main goals of the corporate communication strategy orientation for 2040 is to engage internal and external stakeholders. In order to include stakeholders, both internal and external, Kuwait Integrated Petroleum Industries Company employs a pre-planned and strong strategic direction.

By definition, a stakeholder is anyone who, whether as an individual, a group, or a company, is directly or indirectly impacted by Kuwait Integrated Petroleum Industries Company's project. In other words, a "stakeholder" is someone who benefits from or has influence over a project.

Internal stakeholders are individuals who work for the company, whereas external stakeholders are those who have an interest in or influence over the company but are not internal.

Stakeholders might include governmental organizations, communities, people, institutions, national and local governments, neighbouring projects, "non-governmental organisations," and more.

The stakeholder engagement program includes:

Appropriate guidelines for stakeholder participation at each stage of the Al-Zour Oil Complex projects' completion, including the project planning stage, construction stage, operation stage, as well as the decommissioning stage. Annual reviews and updates of the plan's directions and instructions ensure that any new findings from examining the aforementioned experiences and practices are taken into account, which strengthens the engagement of stakeholders with Kuwait Integrated Petroleum Industries Company even further.

The Company's Mission of Engaging Internal and External Stakeholders

Kuwait Integrated Petroleum Industries Company firmly believes that the stakeholder engagement strategy is the outcome of the company's successful integration of economic, environmental, and social considerations into its strategy and operations. This greatly increases and sustains the company's growth and enhances its positive return on all stakeholders, including investors, workers, customers, suppliers, and local community members.

External Stakeholder Engagement Strategy

With recognised stakeholders from both government and non-government organisations, our external stakeholder engagement strategy places a strong emphasis on taking an active approach. This involves adhering to the plan as given, creating guidelines, identifying various target audiences, and using the right methods to include each of the stakeholders mentioned.

In this context, we seek to create a media program at the local level, a leadership thinking program that aims to improve our reputation as a company specialised in the oil and gas sector at the local and international levels, and an analytical program that benefits from the use of external influencers to help shape public opinion about our company.

In order to involve the nearby local communities that might be impacted by the company's operations, Kuwait Integrated Petroleum Industries seeks to ensure direct and ongoing communication with them. This includes granting access to all information related to the company's activity and annual reports related to the activity of its projects, as well as its initiatives to advance and develop the surrounding area.

In accordance with this strategy, the company implements a number of procedures and measures for communication and information sharing with the nearby local communities in order to receive any complaints and inquiries. These include holding in-person meetings with local residents in the areas impacted by the company's operations and maintaining friendly relations with them, encouraging their contact with the company by setting up a phone number and mail dedicated to this in specific areas with a friendly tone, and providing them with information on the company's website and social media accounts.

In addition to making its annual report accessible on the company website, Kuwait Integrated Petroleum Industries Company also sends the report which includes all activities of the previous fiscal year, previous expenses and complaints, and the new annual activities calendar for stakeholder engagement, to all interested external stakeholders.

Local Communities Affected by the Company's Projects

Several local communities in the area of the Kuwait Integrated Petroleum Industries Company's facilities are impacted by the company's operations, and they have been divided into the four groups below based on their most prominent economic characteristics:

1. **Chalet's area (Nuwaiseeb, Bnaider, Al Khairan)**
2. **Residential area (Residential Khiran)**
3. **A residential area under construction (Sabah Al-Ahmad Marine City)**
4. **A commercial area (the huge "Al Khiran Hybrid Outlet" complex that combines shopping and entertainment)**

The communities in the aforementioned impacted regions are transitory and non-permanent, since they are more commonly referred to as seasonal vacation destinations, with the exception of the Al-Khairan residential area and the Sabah Al-Ahmad Marine City. Regarding the Sabah Al-Ahmad Marine City, it is a residential area that is still under construction and will eventually include schools,

homes, clinics, cooperative societies (markets), and other facilities. The company's hotline number (170), which is designated for receiving complaints, as well as a barcode that enables viewing a brief introductory video clip before leading to a form or link to share any questions or concerns, are permanently displayed on identification panels.

By putting these markers in each of the aforementioned affected neighbourhoods, KIPIC will be able to stay in touch with the neighbourhood and collect input continuously.

Kuwait Integrated Petroleum Industries Company is proactively attempting to engage the relevant stakeholders in Sabah Al-Ahmad Sea City by coordinating with the local relations team (General Services Group), which will be followed by a strategy developed to communicate with the city's future population. During the winter, when the population density in the chalet areas (Nuwaiseeb, Bnaider, and Al-Khairan) rises, there is increased communication and interaction with the locals. This enables the company to plan various activities that are appropriate for the area given the temperate winters and enable it to reach the greatest number of people.

Regarding the release of the annual report, KIPIC intends to review the company's annual report in a suitable and noticeable manner in residential and chalet areas, where people frequently stroll, as is the case, for instance, in nearby coops and cafés.

Internal Stakeholder Engagement Strategy

The foundation of this approach is built on improving internal communication within the company, a strategy that also includes working to create new channels of contact with various internal stakeholders, including the trade unions as one of the primary internal stakeholders. The "Ambassador Worker" program is another strategy-initiative that aims to ensure knowledge of and dedication to becoming the greatest possible ambassador of Kuwait Integrated Petroleum Industries Company while instilling pride in their employment at the company. The internal stakeholder engagement plan specifies management's responsibilities for communication, performance evaluation, and coordination with human resource operations on the company's brand as an employer, as well as sustaining the culture and values that KIPIC holds dear. Additionally, this approach encourages the expansion of the use of surveys to include employees more and more in processes for evaluating the effectiveness and performance of internal communication.

12

Financial performance report

independent auditor's report and financial statements

For the year ending 31 March 2023

Financial report

The information presented in this report includes financial data for the fiscal year ending on March 31, 2023, as well as a comparison to financial performance for the year prior to that, which ended on March 31, 2022. The total assets on the balance sheet increased by 121,270,771 Kuwaiti dinars to 6,092,527,990 Kuwaiti dinars from 5,971,257,219 Kuwaiti dinars for the fiscal year that ended on March 31, 2022.

Revenues:

According to the following clarification, the company's total revenue for the fiscal year 2022/2023 was 899,948,809 Kuwaiti dinars, an increase of 793,754,314 Kuwaiti dinars from the revenue of the prior year: -

Statement (Kuwaiti Dinar)	2022/2023	2021/2022
Refining operations revenue	736,457,497	0
Revenue from liquefied gas facilities	157,040,863	100,489,569
Other revenues*	5,704,926	6,450,449
Total revenue	**899,948,809**	**106,194,495**

* Includes interest for deposits.

Profits and losses:

In comparison to the prior year's net loss of 54,726,397 Kuwaiti dinars, the company's activities for the fiscal year 2022-2023 revealed a net loss of 171,613,424 Kuwaiti dinars. The allocation of gains and losses among the various operations of the company is detailed in the following table:

The statement	Kuwaiti Dinar
Profits (losses) generated from refining operations	(224,255,576)
Profits (losses) generated from the services of liquefied natural gas facilities	141,858,252
General and administrative expenses	(56,277,733)
Consumption	(5,704,422)
Other income	6,450,449
Other expenses*	(33,490,635)
Allowances	(158,265)
Board members remuneration	(35,494)
Total profit (loss)	**(171,613,424)**

* Other expenses include interest expenses and loss of foreign exchange difference.

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

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

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

State of Kuwait

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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 2023, 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 2023, and its financial performance and its cash flows for the year then ended in accordance IFRS Standards as issued by the International Accounting Standards Board ("IFRS Standards").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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.

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 Standards, 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 of Incorporation 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 of Incorporation and Articles of Association during the year ended 31 March 2023 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
of KPMG Al-Qenae & Partners
Member firm of KPMG International

Kuwait: 7 May 2023

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

Statement of financial position
as at 31 March 2023

	Notes	2023 KD '000	2022 KD '000
Assets			
Property, plant and equipment	*4*	5,672,517	5,587,634
Deferred expenses	*12*	12,714	13,757
Right-of-use assets	*5*	2,986	7,411
Non-current assets		5,688,217	5,608,802
Inventories	*7*	227,631	41,563
Other receivables	*6*	15,839	69,837
Due from related parties	*8*	5	61,746
Term deposits held by the Parent Corporation	*8*	103,212	82,410
Cash and cash equivalents	*9*	57,624	106,900
Current assets		404,311	362,456
Total assets		6,092,528	5,971,258
Equity			
Share capital	*10*	1,800,000	1,800,000
Accumulated losses		(563,310)	(391,696)
Total equity		1,236,690	1,408,304
Liabilities			
Employees' end of service benefits	*11*	39,594	32,905
Lease liabilities	*5*	327	4,282
Loans and borrowings	*12*	577,311	651,524
Non-current liabilities		617,232	688,711
Other payables and accruals	*13*	162,054	216,970
Financing received from the Parent Corporation	*8*	3,895,422	3,573,857
Lease liabilities	*5*	3,221	3,620
Due to related parties	*8*	100,934	3,146
Loans and borrowings	*12*	76,975	76,650
Current liabilities		4,238,606	3,874,243
Total liabilities		4,855,838	4,562,954
Total equity and liabilities		6,092,528	5,971,258

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

Ahmed Abdullah Al-Habib
Chairman

Waleed Khaled Al-Bader
Chief Executive Officer

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

	Notes	2023 KD '000	2022 KD '000
Pre-commissioning revenue	14	893,498	100,490
Pre-commissioning expenses	15	(975,896)	(12,605)
Gross (loss) / profit		(82,398)	87,885
Staff costs		(34,978)	(82,055)
Service and maintenance contract costs		(18,484)	(47,919)
General and administrative expenses	*16*	(2,975)	(5,147)
Depreciation	*4&5*	(5,704)	(4,033)
Interest income		4,824	4,549
Finance costs		(28,916)	(5,742)
Other income		1,626	1,156
Foreign currency exchange loss		(4,574)	(3,379)
Loss for the year before board of directors' remuneration		(171,579)	(54,685)
Board of directors' remuneration	*8*	(35)	(40)
Loss for the year		(171,614)	(54,725)
Other comprehensive income		-	-
Total comprehensive loss for the year		(171,614)	(54,725)

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 2023

	Share capital KD '000	Accumulated losses KD '000	Total KD '000
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
Balance at 1 April 2022	1,800,000	(391,696)	1,408,304
Net loss and total comprehensive loss for the year	-	(171,614)	(171,614)
Balance at 31 March 2023	1,800,000	(563,310)	1,236,690

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 2023

	Notes	**2023 KD '000**	**2022 KD '000**
Cash flows from operating activities			
Loss for the year		(171,614)	(54,725)
Adjustments for:			
Interest income		(4,824)	(4,549)
Finance costs		28,916	5,742
Provision for employees' end of service benefits	*11*	7,634	8,488
Depreciation	*4&5*	10,952	4,033
Foreign currency exchange loss		4,574	3,379
Amortisation of deferred expenses		489	542
		(123,873)	(37,090)
Changes in:			
- other receivables		57,981	(50,216)
- inventories		(185,873)	(22,148)
- other payables and accruals		(60,669)	(58,113)
- due from related parties		61,741	(61,707)
- due to related parties		97,473	(11,620)
- end of service benefits paid	*11*	(945)	(605)
Net cash flows used in operating activities		(154,165)	(241,499)
Cash flows from investing activities			
Purchase of property, plant and equipment		(74,730)	(158,778)
Change in term deposits held by the Parent Corporation		(20,497)	76,261
Interest received		496	151
Net cash flows used in investing activities		(94,731)	(82,366)
Cash flows from financing activities			
Financing received from the Parent Corporation	*8*	299,911	303,425
Payment of lease liabilities	*5*	(3,515)	(3,486)
Payment of borrowings		(76,977)	(56,800)
Finance costs paid		(19,799)	(13,124)
Net cash flows generated from financing activities		199,620	230,015
Net change in cash and cash equivalents		(49,276)	(93,850)
Cash and cash equivalents at beginning of the year		106,900	200,750
Cash and cash equivalents at end of the year	*9*	57,624	106,900

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 the Parent 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 18 April 2023 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 IFRS Standards as issued by the International Accounting Standards Board ("IFRS Standards"), 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 indicated.

d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS Standards 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 (m)).

e) Changes in accounting policies

A number of amendments to standards and interpretations are effective for annual periods beginning on 1 April 2022 as below:

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
- Reference to the Conceptual Framework (Amendments to IFRS 3);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS16); and
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities.

The above amendments did not have any material impact on the financial statements of the Company for the year ended 31 March 2023.

Other amendments to IFRS which are effective for annual accounting period starting from 1 April 2022 did not have any material impact on the accounting policies, financial position or performance of the Company as at and for the year ended 31 March 2023.

f) Standards issued but not yet effective

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

- Interest Rate Benchmark Reform (IBOR) – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (1 January 2023);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to Classification of Liabilities as Current or Non-current (Amendments to IAS 1) (1 January 2023);
- Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2) (1 January 2023); and
- Definition of Accounting Estimates (Amendments to IAS 8) (1 January 2023).

The Company does not expect the above amendments and new standards to have a material impact on its financial statements in the period of initial application.

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

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

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.

Interest Income
Interest income is accrued on a time proportion basis with reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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 non financial assets

The Company reviews the carrying amounts of its non financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the 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 ("ECL") loss on financial measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECL, 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 ECL.

Loss allowances for other receivables and due from related parties are measured at an amount equal to lifetime ECL. Lifetime ECL are the ECL 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 the 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) Inventories

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) Fair value measurements

The Company measures financial instruments at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels of the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

h) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using rates that reflect, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale 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.

j) 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.

k) 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.

l) 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.

m) 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 investment 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.

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 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
Additions	-	-	-	-	-	-	92,404	92,404
Transferred from assets under construction	738,761	427,208	177,208	17	1,131	682	(1,345,007)	-
Balance at 31 March 2023	746,769	427,427	177,284	530	3,236	1,298	4,326,026	5,682,570
Accumulated depreciation								
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
Charge for the year	3,251	2,093	1,295	13	226	643	-	7,521
Balance at 31 March 2023	4,582	2,119	1,306	475	714	857	-	10,053
Carrying amounts								
At 31 March 2023	742,187	425,308	175,978	55	2,522	441	4,326,026	5,672,517
At 31 March 2022	6,677	193	65	51	1,617	402	5,578,629	5,587,634

The depreciation charge of KD 5,248 thousand (2022: nil) has been included in pre-commissioning expenses (note 15).

Assets under construction includes the following projects:

	2023 KD '000	**2022 KD '000**
Al-Zour refinery (AZR)	3,596,782	4,564,538
Liquefied natural gas import (LNGI)	662,159	949,552
Petrochemical complex (PC)	66,751	63,598
Head office	334	941
	4,326,026	5,578,629

On 7 March 2023, the second phase of Al-Zour refinery is inaugurated, subject to performance guarantees tests. These tests are expected to be completed by 2024. PC are expected to be operational between the years 2023 and 2030. All the eight tanks of LNGI are mechanically completed during the year and are currently in the commissioning phase.

During the year, the Company capitalised borrowing costs amounting to KD 16,772 thousand (2022: KD 8,475 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 2021	6,421	6,944
Additions during the year	4,184	4,184
Termination / modification during the year	(35)	(35)
Depreciation of right-of-use assets	(3,159)	-
Finance costs on lease liabilities	-	295
Payment of lease liabilities	-	(3,486)
As at 31 March 2022	7,411	7,902

As at 1 April 2022	7,411	7,902
Additions during the year	375	375
Termination / modification during the year	(1,369)	(1,424)
Depreciation of right-of-use assets	(3,431)	-
Finance costs on lease liabilities	-	210
Payment of lease liabilities	-	(3,515)
As at 31 March 2023	2,986	3,548

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

	2023 KD '000	**2022 KD '000**
Non-current	327	4,282
Current	3,221	3,620
	3,548	7,902

The Company has discounted its future lease obligations using its incremental borrowing rate which is determined to be 5.5% (2022: 3.5%) per annum as at the reporting date.

6. Other receivables

	2023 KD '000	**2022 KD '000**
Advance payments	11,372	66,360
Other receivables	3,396	3,295
Accrued interest	1,071	182
	15,839	69,837

7. Inventories

	2023 KD '000	**2022 KD '000**
Fuel oil	54,831	-
Diesel	36,835	-
Kerosne	26,753	-
Crude oil	23,673	18,856
Naphtha	15,037	-
Sulfur	1,546	-
Intermediate products	63,360	21,592
Spare parts and other consumables	5,596	1,115
	227,631	41,563

As at the reporting date, there were no obsolete or slow-moving inventories that required provision to be recorded into the statement of profit or loss and other comprehensive income for the year ended 31 March 2023.

8. Related party transactions

Related parties represent 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.

	2023 KD '000	2022 KD '000
Transactions with related parties		
Financing received from the Parent Corporation	299,911	303,425
Pre-commissioning revenue from the Parent Corporation	893,498	100,490
Interest income	4,824	4,549
General and administrative expenses	12,834	3,343
Additions to property, plant and equipment	-	1,614
Finance costs on lease liabilities	-	1
Depreciation of right-of-use assets	-	67
Purchase of crude oil from the Parent Corporation	1,002,934	-
Purchase of lean gas from the Parent Corporation	30,004	6,158
Key management Compensation		
Short-term benefits	350	313
Termination benefits	59	30
Board of directors' remuneration	35	40
	444	383

Board of directors' remuneration is subject to approval of the Parent Corporation at the Company's annual general assembly meeting. The board of directors' remuneration for the year ended 31 March 2022 was approved by the shareholders in the Company's Annual General Assembly Meeting held on 3 July 2022.

	2023 KD '000	2022 KD '000
Balances with related parties		
Funds held by the Parent Corporation maturing within three months from date of placement (Note 9)	25,450	97,961
Terms deposits held by the Parent Corporation	103,212	82,410
Financing received from the Parent Corporation	3,895,422	3,573,857
Accrued interest income from Parent Corporation	1,071	182
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)	5	28
Kuwait Petroleum International	-	14
Kuwait Foreign Petroleum Exploration Company K.S.C.	-	9
Kuwait Oil Tanker Company K.S.C.	-	14
	5	61,746
Due to related parties (Parent corporation and entities under common control)		
Kuwait National Petroleum Company K.S.C.	16	-
Kuwait Oil Company K.S.C.	6,295	3,146
Kuwait Petroleum Corporation	94,588	-
Kuwait Petroleum International Limited	26	-
Petrochemical Industrial Company K.S.C.	9	-
	100,934	3,146

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 5.35% (2022: KD is 2.50%) per annum.

Financing received from the Parent Corporation represent non-interest bearing short-term advances to finance capital projects of the Company, except for the amounts relating to the Central Financing Policy ("CFP") that bear interest and are included within the Financing received from the Parent Corporation, (as explained below).

The Parent Corporation has issued a Central Financing Policy ("CFP") that is effective from April 2021 with the purpose of providing finance to the affiliates of the Parent Corporation under a central treasury model. Based on the finance provided under CFP, the Parent Corporation will allocate the related finance costs relevant to the Company and the financing is not repayable unless demanded by Parent Corporation. Accordingly, the related balances are classified as current liabilities under the caption 'Financing Received from the Parent Corporation'. The financing received from the Parent Corporation under CFP carries allocated finance costs whereas other financing received from the Parent Corporation is non-interest bearing.

9. Cash and cash equivalents

	2023 **KD '000**	**2022** **KD '000**
Cash at banks	32,174	8,939
Funds held by the Parent Corporation maturing within three months from date of placement (Note 8)	25,450	97,961
	57,624	106,900

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 5.125% and interest rates on funds held by the Parent Corporation in US dollars 5.30% respectively (2022: KD is 2.10% and US dollars is 1.10%) 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 (2022: 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, its executive regulations 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

	2023 KD '000	**2022 KD '000**
Balance at beginning of the year	32,905	25,022
Charge for the year	7,634	8,488
Payments made during the year	(945)	(605)
Balance at end of the year	39,594	32,905

12. Loans and borrowings

	2023 KD '000	**2022 KD '000**
Non-current		
Export credit agencies loans	298,740	335,810
Long term loans	278,571	315,714
	577,311	651,524
Current		
Export credit agencies loans	39,832	39,507
Long term loans	37,143	37,143
	76,975	76,650

Movement in loans and borrowings during the year is as follows:

	2023 KD '000	**2022 KD '000**
Balance at the beginning of the year	728,174	782,915
Payment of loans and borrowings	(76,977)	(56,800)
Foreign currency exchange differences	3,089	2,059
Balance at the end of the year	654,286	728,174

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.

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 thousand each from the date falling 36 months after the agreement signing date, and maturity is expected by 2031. The interest on these loans is payable on biannual basis and carries variable interest rate of 0.750% per annum over and above the Central Bank of Kuwait discount rate.
At the reporting date, the Company fully utilised the Long term loans. Details of the Long term loans is as follows:

	2023 KD '000	2022 KD '000
Islamic financing	126,286	141,143
Conventional financing	189,428	211,714
	315,714	352,857

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 12,714 thousand (2022: KD 13,757) represent the costs 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

	2023 KD '000	2022 KD '000
Payables to suppliers	26,749	31,768
Retentions payable	106,148	159,776
Other payables	21,325	22,199
Interest payable	7,832	3,227
	162,054	216,970

14. Pre-commissioning revenue

	2023 KD '000	2022 KD '000
Fuel oil	319,540	-
Diesel	174,400	-
Kerosene	151,355	-
Naphtha	87,258	-
Liquified petroleum gas	1,997	-
Sulphur	1,907	-
LNGI service revenue	157,041	100,490
	893,498	100,490

The revenue recorded during the year represents the pre-commissioning revenues earned by the Company during the commissioning phase of its assets. Under the pre-commissioning revenue arrangements, the original duration of underlying performance obligations is not more than 12 months. Accordingly, there is no significant uncertainty associated with fulfilment of future performance obligations.

15. Pre-commissioning expenses

	2023 KD '000	2022 KD '000
Cost of crude oil and gas	851,511	-
Staff costs	57,186	2,284
Other costs	61,951	10,321
Depreciation (note 4)	5,248	-
	975,896	12,605

16. General and administrative expenses

	2023 KD '000	2022 KD '000
Professional fees	700	643
Other expenses	2,275	4,504
	2,975	5,147

17. 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, term deposits 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.

	2023	2022
	KD '000	KD '000
Other receivables	4,467	3,477
Due from related parties	5	61,746
Term deposits held by the Parent Corporation	103,212	82,410
Cash and cash equivalents	57,624	106,900
	165,308	254,533

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 2023, 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 reporting date 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
2023						
Loans and borrowings	654,286	20,186	60,560	322,988	282,614	686,348
Financing received from the Parent Corporation	3,895,422	-	3,895,422	-	-	3,895,422
Other payables and accruals	162,054	-	162,054	-	-	162,054
Lease liabilities	3,548	922	2,047	1,312	-	4,281
Due to related parties	100,934	100,934	-	-	-	100,934
	4,816,244	122,042	4,120,083	324,300	282,614	4,849,039
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 a related party	3,146	3,146	-	-	-	3,146
	4,530,049	26,910	3,860,848	466,660	245,784	4,600,202

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, term deposits held by the Parent Corporation, financing received from the Parent Corporation and due to a related party balance denominated in US Dollars.

	2023	**2022**
	KD '000	**KD '000**
Assets	8,689	40,419
Liabilities	(592,673)	(633,846)
Net short exposure	(583,984)	(593,427)

The following exchange rates has been applied:

	Average rate		**Year-end spot rate**	
	2023	**2022**	**2023**	**2022**
US Dollars	0.306	0.302	0.306	0.304

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 29,199 thousand (2022: KD 29,671 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 6,542 thousand (2022: KD 7,282 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.

18. 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.

19. 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:

	2023 **KD '000**	**2022** **KD '000**
Financing received from the Parent Corporation	3,895,422	3,573,857
Loans and borrowings	654,286	728,174
Less: cash and cash equivalents	(57,624)	(106,900)
Net debt	4,492,084	4,195,131
Total equity	1,236,690	1,408,304
Total capital	5,728,774	5,603,435
Gearing ratio	78.41%	74.87%

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.

20. Commitments

	2023 KD '000	2022 KD '000
Contractual commitments		
Property, plant and equipment under construction	74,593	111,373
Other commitments	3,945	3,505

21. Annual General Assembly

The Shareholders' Annual General Assembly was held on 3 July 2022 and approved the annual audited financial statements of the Company for the year ended 31 March 2022.

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