Annual Performance Report

For the fiscal year ending March 31st, 2024

The journey of accomplishments continues

KIPIC
البترولية المتكاملة

Energising Kuwait

by making more possible

Annual Performance Report

For the fiscal year ending
March 31st, 2024

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Kuwait's Emir

Sheikh / Meshal Al-Ahmad Al-Jaber Al-Sabah

Amir Of The
State Of Kuwait

Kuwait's
Crown Prince

Sheikh / Sabah Khaled Al-Hamad Al-Sabah

Crown Prince Of The
State Of Kuwait

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About this report

This report provides a comprehensive analysis of the financial and operational aspects of Kuwait Integrated Petroleum Industries Company (KIPIC) over a designated time period. The report encompasses comprehensive financial information, including revenues, expenses, profits, and losses. Additionally, it evaluates the performance of the company's diverse operating sectors and highlights its most significant accomplishments and drawbacks. The purpose of this is to acquaint the company's stakeholders and shareholders with a comprehensive understanding of its present financial and operational condition, as well as future projections.

Disclaimer

The report is published in both Arabic and English, and in the event of a discrepancy, the Arabic version shall take precedence. The information in this report is for informational purposes only and should not be considered investment advice or a recommendation for making financial decisions. The company cannot be held liable for any damages or consequences that may arise from the application of the information in this report.

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CEO's Message

Throughout the fiscal year 2023-2024, Kuwait Integrated Petroleum Industries Company (KIPIC) maintained a steadfast record of accomplishments and successes across multiple industries, marking a turning point in the company's trajectory.

With regard to the operational performance of our present capital projects, KIPIC has achieved the utmost refining capacity of 615,000 barrels per day of Kuwaiti export crude with the safe and efficient operation of Al-Zour Refinery. Additionally, KIPIC maintained a supply of approximately 23 million barrels of low-sulphur fuel oil for the Ministry of Electricity, Water, and Renewable Energy until March 2024.

Furthermore, Al-Zour refinery supplied environmentally sustainable products to over thirty regional and international destinations. Al-Zour Refinery succeeded in upgrading low-sulphur gas oil fuel to international specifications and exporting the largest shipment of advanced gas oil to the European market on September 22, 2023, shipping approximately 300 thousand metric tonnes of developed gas oil for European markets up until March 2024.

As of the end of March 2024, the average operational efficiency of the Permanent Liquefied Natural Gas Import Terminal (LNGI) reached 99.80% by the end of March 2024. The facilities received 92 tankers this year, surpassing the

227 tankers received from the facility's inception until the end of fiscal year 2023-2024, an accomplishment considered significantly beneficial to the national economy.

In relation to Petrochemicals-Refinery Integration Al-Zour (PRIZe) Project, the company concluded its examination of the engineering designs for the revised scope of work, its analysis of the modernisation of the project's economics and capital cost, and its determination of the incentives and benefits to attract international companies. Furthermore, the Supreme Steering Committee delegated all tasks to the company, which it successfully completed.

The company is rapidly executing the Alternative Feedstock Project in hydrogen production units, aligning with Kuwait Petroleum Corporation's (KPC) strategic objectives until 2040, which is to achieve petrochemical and refining operations integration within the State of Kuwait. On September 24, 2023, the Central Tenders Committee granted the necessary authorisation for the company to publish the tender for project implementation as a public tender.

The new main admin building in Al-Ahmadi area was successfully completed in a record-breaking year, bringing together around 500 male and female employees and their leaders with an economic benefit of approximately 5,000,000 Kuwaiti dinars in comparison to the approved budget of 8,000,000 Kuwaiti dinars. Featuring an environmentally responsible and energy-efficient design, the building provided a significant functional benefit by uniting the workforce and the operations under one roof in a modern construction style.

Furthermore, KIPIC maintained its consistent workforce expansion by recruiting recently graduated Kuwaiti cadres, as 59 individuals were hired throughout the year, bringing the combined operational and non-operational workforce to a total of 1,393 by the end of the current fiscal year, representing an increase of 29 employees compared to the total workforce at the end of the preceding fiscal year.

Regarding our leadership and excellence in the domains of health, safety, security, and environment, we established an unprecedented milestone for safe working hours by surpassing the threshold of 66 million uninterrupted working hours between employees and contractors devoid of any incidents or fatalities until January 2024. Furthermore, the management of the Gulf Refining Federation awarded our company the highest accreditation for health, safety, and environment at its yearly conference in October 2023.

As we persist in our endeavors to advance the trajectory towards a future of sustainable energy and mitigating emissions in accordance with the energy transition strategy of Kuwait Petroleum Corporation (KPC) set for the year 2050, the tender for "The Preliminary Feasibility Study of Renewable Energy Sources, Their Alternatives, and Their Application" was issued by the company on January 7, 2024, with the intention of increasing returns for the Kuwait National Petroleum Company (KNPC) and Kuwait Integrated Petroleum Industries Company (KIPIC), and the contract is anticipated to be awarded in the initial quarter of the fiscal year 2024-2025. Furthermore, the "Energy Management Services for Al-Zour Refinery" contract was initiated in November 2023 as a standard procedure with the objective of enhancing the refinery's energy efficiency and mitigating emissions. It is anticipated that the contract will be officially awarded in the initial quarter of the fiscal year 2024–25.

Furthermore, the provision of low-sulphur fuel oil to Doha West Station resulted in a reduction of sulphur oxide emissions from the facility by over 70% when compared to the use of heavy fuel oil. Likewise, the percentage of nitrogen oxides and carbon dioxide emissions decreased at a rate ranging from 4% to 6%.

In regard to our digital accomplishments, and praise be to God, KIPIC secured the top position among oil sector enterprises and the second position among all local ministries, government entities, civil organisations, and private organisations, according to the cybersecurity index.

As to enhancing work performance, the company successfully acquired several quality certificates and international accreditations (ISOs), an achievement that serves as evidence of the company's unwavering commitment to delivering superior quality services.

In summary, we would like to express our genuine appreciation and gratitude to our top management colleagues for their ongoing support, as well as to every employee for their cooperation and assistance in our journey to "Make More Possible." We are certain and unwavering in our belief that we will persist in attaining further accomplishments.

Waleed Khaled Al Bader

Chief Executive Officer

About the
CEO of the company

Name	Waleed Khaled Al-Rashed Al-Bader
Qualification	Bachelor's degree in chemical engineering from Kuwait University
Years of experience in the oil sector	• Al-Bader possesses a prominent professional background that includes over 31 years of experience in the fields of commercial oil marketing, planning, and operations. • • Al-Bader acquired his experiences while employed at Kuwait Petroleum Corporation, where he held various positions, including Deputy Manager for Marketing Intermediate Derivatives, Fuel Oil, and Special Derivatives and Deputy Manager for Marketing Crude Oil. • He also assumed the position of Chairman of the Board of Directors of EQUATE Petrochemical Company and Kuwait Olefins Company. • In October 2017, he was appointed Executive Vice President of Olefins and Aromatics at the Petrochemical Industries Company. • He eventually returned to Kuwait Petroleum Corporation, where he was appointed Deputy Managing Director of Global Marketing in January 2018. • In February 2019, he was appointed CEO of Kuwait National Petroleum Company, serving as a member of its Board of Directors, and Acting CEO of Kuwait Integrated Petroleum Industries Company (KIPIC). Al-Bader was appointed CEO of Kuwait Integrated Petroleum Industries Company (KIPIC) in January 2021 and served in the position until March 2024.

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An overview of the company's history

Kuwait Integrated Petroleum Industries Company (KIPIC) was founded on October 18, 2016, with a capital of 1.8 billion Kuwaiti dinars. It is the first integrated Kuwaiti national company that specialises in the downstream industry and is affiliated with Kuwait Petroleum Corporation.

The Al-Zour Integrated Oil Complex, which comprises the following facilities, is one of the most significant strategic and development initiatives in the country and is overseen by KIPIC.

- Refining Complex (Al-Zour Refinery): (capacity: 615,000 barrels per day)
- Permanent Liquefied Natural Gas Import Terminal: (capacity: 3,000 billion British thermal units per day)
- Al-Zour Petrochemicals-Refinery Integration (PRIZe) Complex: (for the production of aromatics and polypropylene) The facility's annual production capacity will reach 1.55 million metric tonnes annually of motor gasoline and 2.7 million metric tonnes annually of aromatics and polypropylene.

These three initiatives are set to improve the national economy by diversifying national income sources, empowering the professional workforce, providing local energy needs, promoting Kuwait's private sector participation in the oil industry, and maximising returns.

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

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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 programmes 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.

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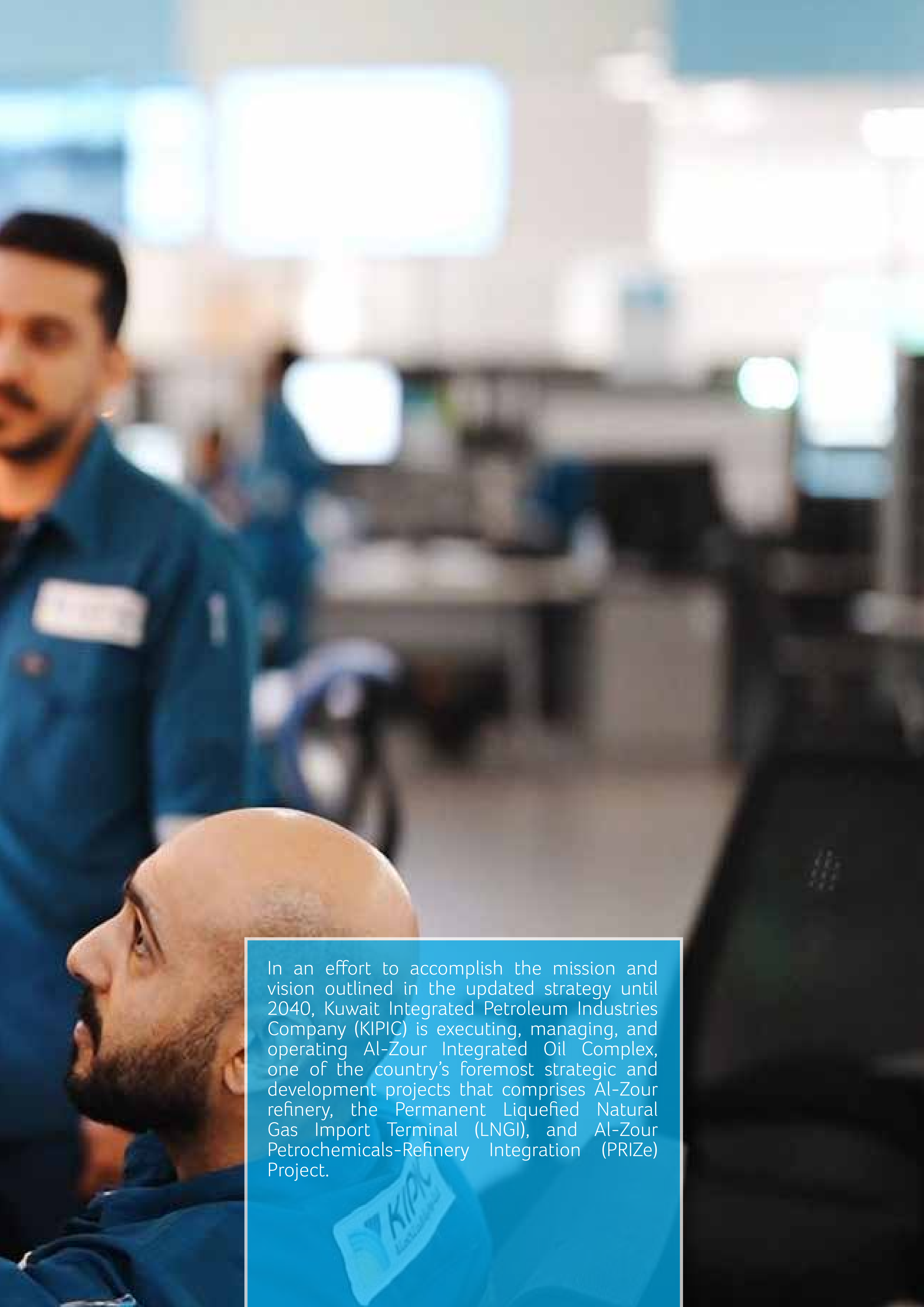
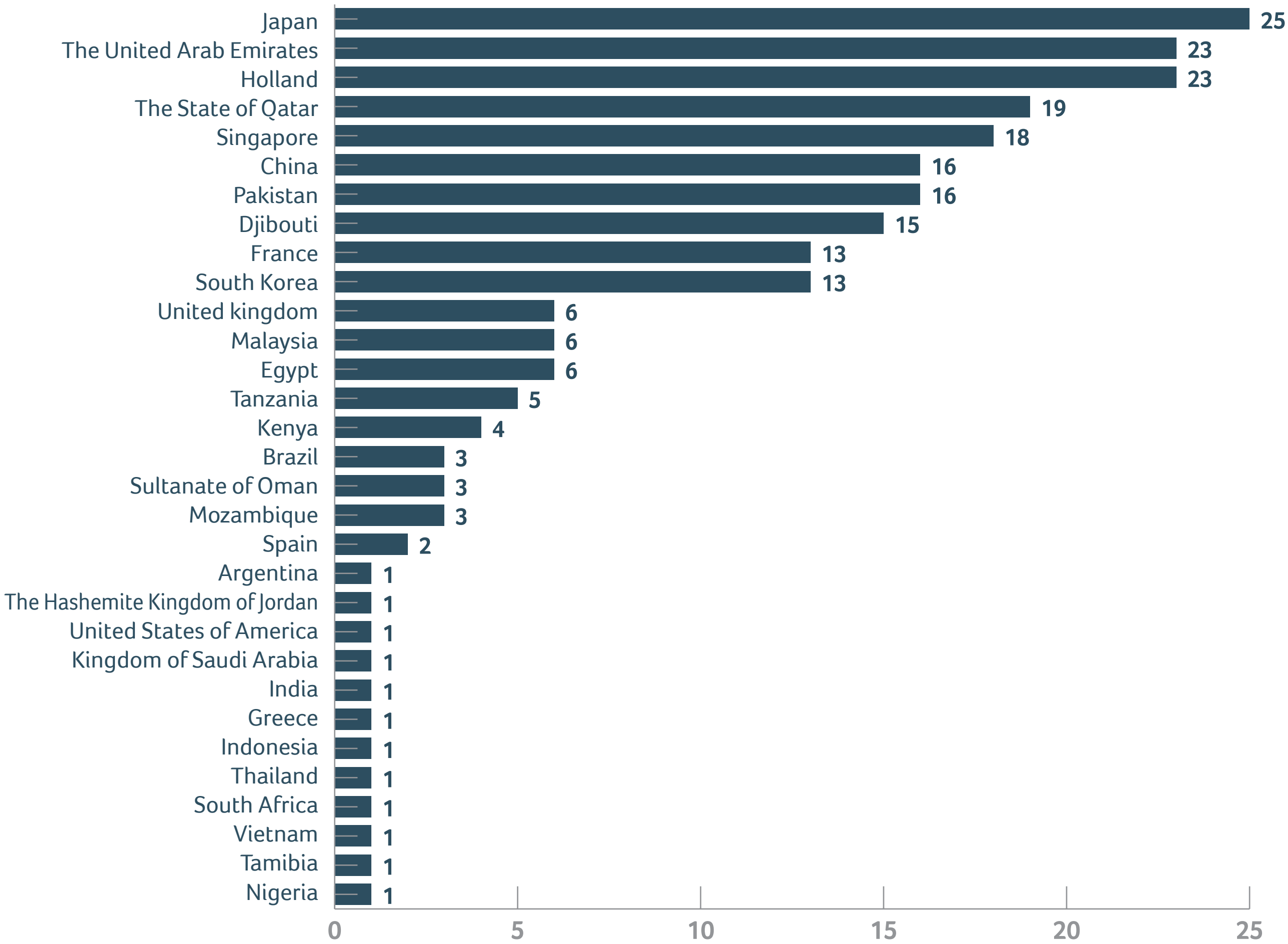
Our Operations

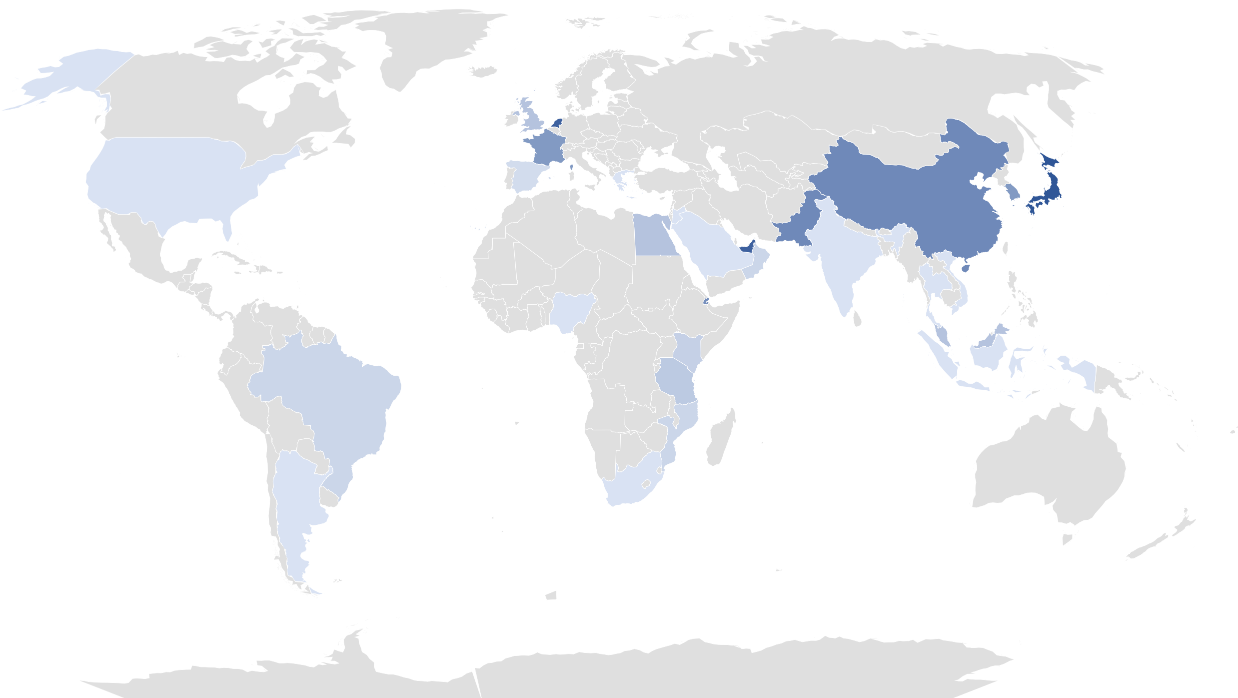


In an effort to accomplish the mission and vision outlined in the updated strategy until 2040, Kuwait Integrated Petroleum Industries Company (KIPIC) is executing, managing, and operating Al-Zour Integrated Oil Complex, one of the country's foremost strategic and development projects that comprises Al-Zour refinery, the Permanent Liquefied Natural Gas Import Terminal (LNGI), and Al-Zour Petrochemicals-Refinery Integration (PRIZe) Project.

Importing countries for Al-Zour Refinery products



KIPIC Products have reach 30 Countries



Highlights from our 2023/2024 Performance

Completion of Al-Zour Refinery

100 %

Completion of the admin building in Al-Ahmadi

100 %

The company's Kuwaitization rate reached

96.26 %

Production and financial profit data for the fiscal year 2023-2024

Crude Oil Refining Rate:

During the fiscal year 2023-2024, approximately 328,100 barrels of crude oil were refined per day at Al-Zour Refinery. This figure falls short of expectations by 192,660 barrels per day and represents a 37.0% decline. The shortfall in capacity arose from the contractor's delay in delivering certain units in accordance with the predetermined schedule. Additionally, the finished refinery units were subjected to ongoing quality and performance assurance protocols, and the refinery encountered unforeseen and emergency shutdowns throughout its operations. The daily refining capacity for the 2023–2024 fiscal year reached 520,760 barrels per day.

Quantity Chart for Petroleum Products Manufactured:

As detailed in the subsequent table, the net quantities of petroleum products produced during the fiscal year 2023/2024 was approximately 15,436 thousand metric tonnes, as opposed to the estimated 25,265 thousand metric tonnes based on the plan for this year.

Product	Annual production during the fiscal year 2023/2024					
	Actual		Plan		Increase (Decrease)	
	One thousand metric tons	Ratio%	One thousand metric tons	Ratio%	One thousand metric tons	Ratio%
Naphtha/gasoline	1,569	9.4	2,830	10,5	(1,261)	(1,1)
Kerosene/jet fuel	2,410	14,4	3,870	14,4	(1,460)	0,0
Gas oil/diesel	3,225	19.3	6,975	26,0	(3,750)	(6,7)
Ultra low sulphur fuel oil 0.5%	7,798	46.6	10,567	39,4	(2,769)	7,2
Low sulphur fuel oil 1% *	-	-	-	-	-	-
Granular sulphur	413	2.5	726	2,7	(313)	(0,2)
Liquefied gas	82	0.5	297	1,1	(215)	(0,6)
Other products*	61-	-0.4	-	0,0	(61)	(0,4)
Net total products	15,436	92.2	25,265	94,2	(9,829)	(2)
Consumed/lost	1,302	7.8	1,564	5,8	(262)	2
Total	16,738	100	26,829	100,0	10,091	0,0

* includes liquefied petroleum gases from the refinery.

Key indicators for the fiscal year 2023–2024:

Financial indicators	2023/2024		2022/2023	2021/2022
	Actual	Plan/budget	Actual	Actual
Total sales of the company's products (million KD)	3,134	4,298	736	0
Total revenues from liquefied gas services (million KD)	170	130	157	100
Company net profit/loss (million KD) *	(482)	(193)	(172)	(55)
Total operating expenses (million KD) *	(709)	(442)	(186)	(139)
Capital expenditures (million KD)	(52)	(101)	(92)	(168)
Changes in total fixed assets (million KD)	3,667	(64)	1,337	(0.4)

*Including accumulated depreciation expenses amounting to KWD 498 million

Average crude oil values (thousand barrels/day)

Al-Zour Refinery*	328	521	104	0

*Commercial operation of all units was completed in December 2023.

Sales

Total products exported to global markets (thousand tons)	11,492	16,322	3,284	0
Fuel for the Ministry of Electricity and Water (thousand tons)	3,359	8,043	511,4	0
Other sales (thousand tons)	115	296,80	15.3	-
Sales to Kuwait National Petroleum Company (thousand tons)	112,10	296,80	15.3	0
Fuel for the Ministry of Oil (thousand tons)	3,20	-	-	0

Manpower

Manpower at the end of the fiscal year	1,393	1,525	1,328	1,205

Local Fuel Sales Graph:

Fuel sales by the company to the Ministry of Electricity and Water:

As shown in the subsequent table, the total quantities of 0.5% ultra-low sulphur fuel oil products sold to the Ministry of Electricity and Water amounted to approximately 3,343 thousand metric tonnes following the commencement of fuel oil supply to the southern and northern power plants on January 17, 2024.

Product	Annual sales during the fiscal year 2023/2024		
	Actual	Plan	Increase (Decrease)
	One thousand metric tons	One thousand metric tons	Ratio%
Ultra Low Sulphur Fuel Oil 0.5% for the Ministry of Electricity and Water	3,345	8,043	(58.4)
Low sulphur gas oil	13,46	2.40	460.92
For the Ministry of Electricity and Water			

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

Product	Annual Sales during the fiscal year 2023/2024		
	Actual	Plan	Increase (Decrease)
	One thousand metric tons	One thousand metric tons	Ratio%
Low Sulphur Fuel Oil 0.5% for Kuwait National Petroleum Company*	38.767	-	-
Liquefied Gas for Kuwait National Petroleum Company	73.335	296,80	(75.3)

* Quantity sold from inventory and refining operations for the previous fiscal year.

The company's fuel sales to the Ministry of Oil:

As detailed in the subsequent table, the total quantities of low sulphur petrol oil products sold to the Ministry of Oil during the fiscal year 2023-2024 amounted to approximately 3.2 thousand metric tonnes.

Product	Annual sales during the fiscal year 2023/2024		
	Actual	Plan	Increase (Decrease)
	One thousand metric tons	One thousand metric tons	Ratio%
Low Sulphur Gas Oil to the Ministry of Oil	3,2	-	-

Capital Projects and Their Progress

Al-Zour Refinery

Kuwait Integrated Petroleum Industries Company (KIPIC) has effectively completed the secure and dependable operation of all three units at Al-Zour Refinery, a national landmark that has since become an indispensable component of the international energy market by supplying environmentally friendly, high-quality refined petroleum products and initiating the provision of clean fuel oil to power stations in order to transition our cherished nation towards a sustainable environmental trajectory.

Standing seventh globally in terms of refining capacity, Al-Zour Refinery is the largest single-phase refinery ever constructed. The Kuwait Petroleum Corporation's Board of Directors authorised the expenditure for the project in July 2015, for a total of 4,871 million Kuwaiti dinars. The project is regarded as a critical pillar of the Kuwait Petroleum Corporation (KPC) 2040 and Kuwait's "New Kuwait 2035" vision and strategic plans. In addition to producing petroleum derivatives for international trade, the refinery's mission is to supply electric power generation facilities affiliated with the Ministry of Electricity, Water, and Renewable Energy with fuel oil containing no more than 1% sulphur. Al-Zour Refinery is recognised for its impressive adaptability in refining different grades of crude oil. This allows it to have a refining capacity that can range from a maximum of 615 thousand barrels per day when processing light Kuwaiti export crude oil to 535 thousand barrels per day for heavy oil mixtures.

The project's primary objectives are predicated on the subsequent concepts:

- Self-sufficiency of local energy sources
- Reducing sulphur oxide emissions from power plants
- The capacity to refine heavy Kuwaiti crude
- Manufacturing premium petroleum derivatives that meet the precise requirements of international markets
- Developing fresh employment prospects for local cadres

What has been achieved so far:

Main Process Plant Work Package (55A):

The final Initial Acceptance Certificate pertaining to the EPC-55-A contract's work scope was granted acceptance in June 2023.

Utilities & Off-sites Work package (55B):

- Two shipments of sulphur, each amounting to 31,500 metric tonnes, were exported in the second quarter.
- Quality and performance assurance checks were successfully accepted for Units 86 and the third production line in both Units No. 35 and 39. And the fourth production line in Unit No. 33 and Unit 92 during the third and fourth quarters.

Tankage construction work package (59):

- During the initial quarter, heavy oil (Eocene/KSRC) was transmitted to atmospheric distillation units (CDUs)
- Completion of PGTR operations for Unit 67, as agreed in the EPC-0059 contract guarantees, in the second quarter
- Commence delivering ultra-low sulphur content fuel oil to the northern power stations in the second quarter
- The Ministry of Electricity, Water, and Renewable Energy commissioned the low-sulphur gas oil pipeline that supplied Al-Zour's south station during the third quarter
- The assets for the fourth package of Al-Zour Refinery Project were transferred to the company's relevant groups in the fourth quarter, following the signature of all initial receipt certificates

Export and Marine Facilities Work Package (45):

- The initial quarter witnessed the export of the second shipment of sulphur via the steel dock, in addition to the ongoing success of the export business for all types of liquid refinery products via the sea island
- The sea island unit and steel dock unit (U93 and 85) executed Performance Assurance Tests (PGTR) successfully during the second quarter
- The third quarter saw the successful operation of both the gas recovery unit (Unit 93) and the export metres of the Industrial Island unit.

The Company's Admin Building in Al-Ahmadi

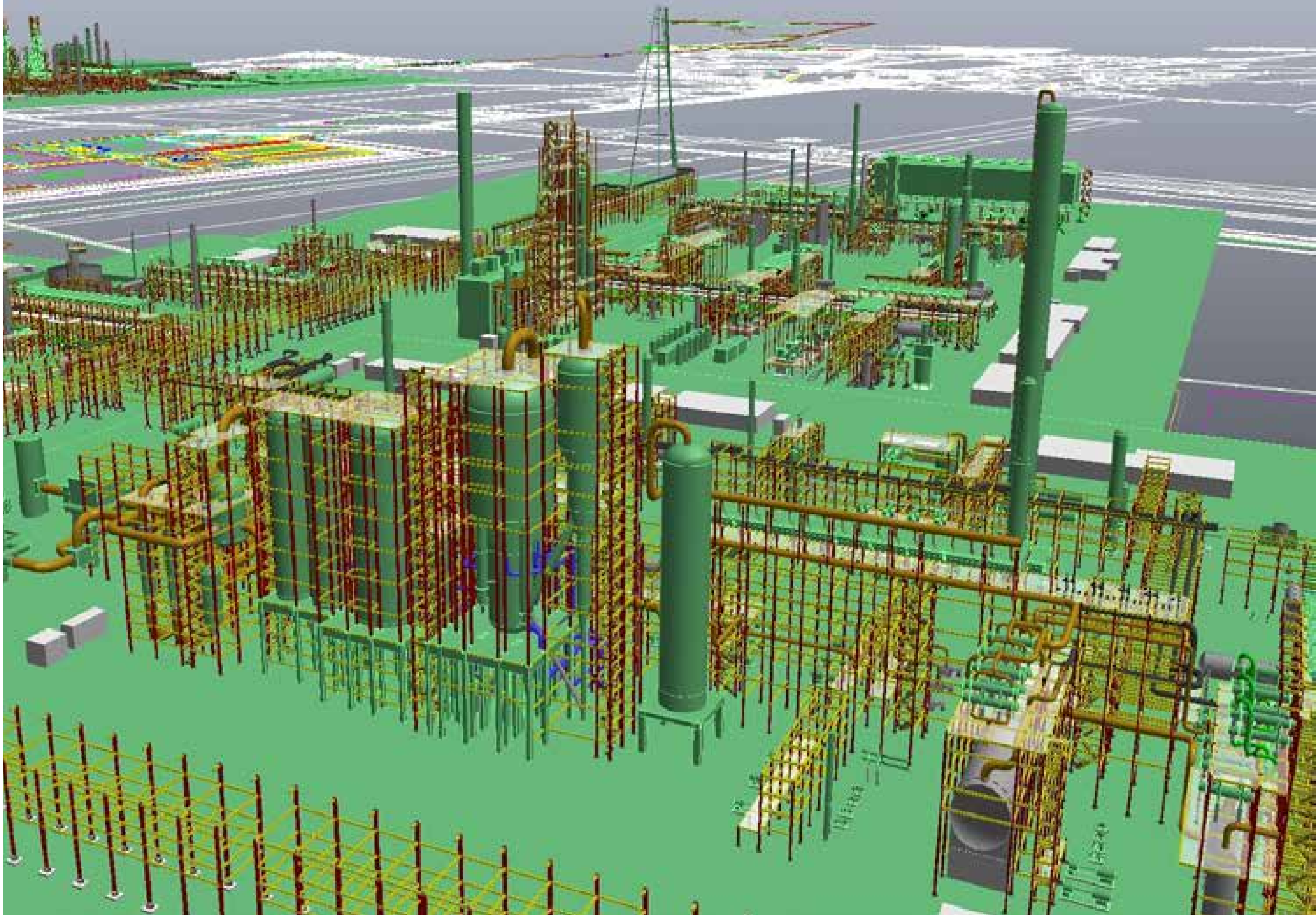
In accordance with the administration's plan to establish an independent headquarters that brings together the majority of the company's employees and leaders under one roof, the company completed the energy-saving construction and environmentally friendly furnishing and design of the admin building in Al-Ahmadi area in a record-breaking duration of one year. The total estimated capital cost of the building, according to the preliminary engineering design study, was approximately 8,000,000 K.D(eight million Kuwaiti dinars).

The primary aims of the project:

- Achieving cost savings for the company by cutting the monthly rental payments for the administrative offices of the Olympia building in the Salmiya region.
- The building has been strategically positioned in proximity to the sites and departments of other oil companies, facilitating seamless integration among them. Furthermore, it signifies a location in close proximity to the company's facilities, situated between Al-Zour and Al-Ahmadi regions.
- Resolving spatial limitations in Olympia building to accommodate both the existing workforce and potential future work staff growth.
- Improving the coordination and communication among the company's central service groups and consolidating their physical presence.

The pivotal aspects pertaining to the advancement of project implementation efforts throughout the fiscal year 2023-2024:

Following the completion of all structural, mechanical, and electrical components for the project in June 2023, the establishment was subsequently transferred to the public services division of the company. Internal and external building modifications were also completed in September 2023, with the finalisation of employee transfers occurring in September 2023. The contractor's warranty period will conclude on June 7, 2024.



Future Projects

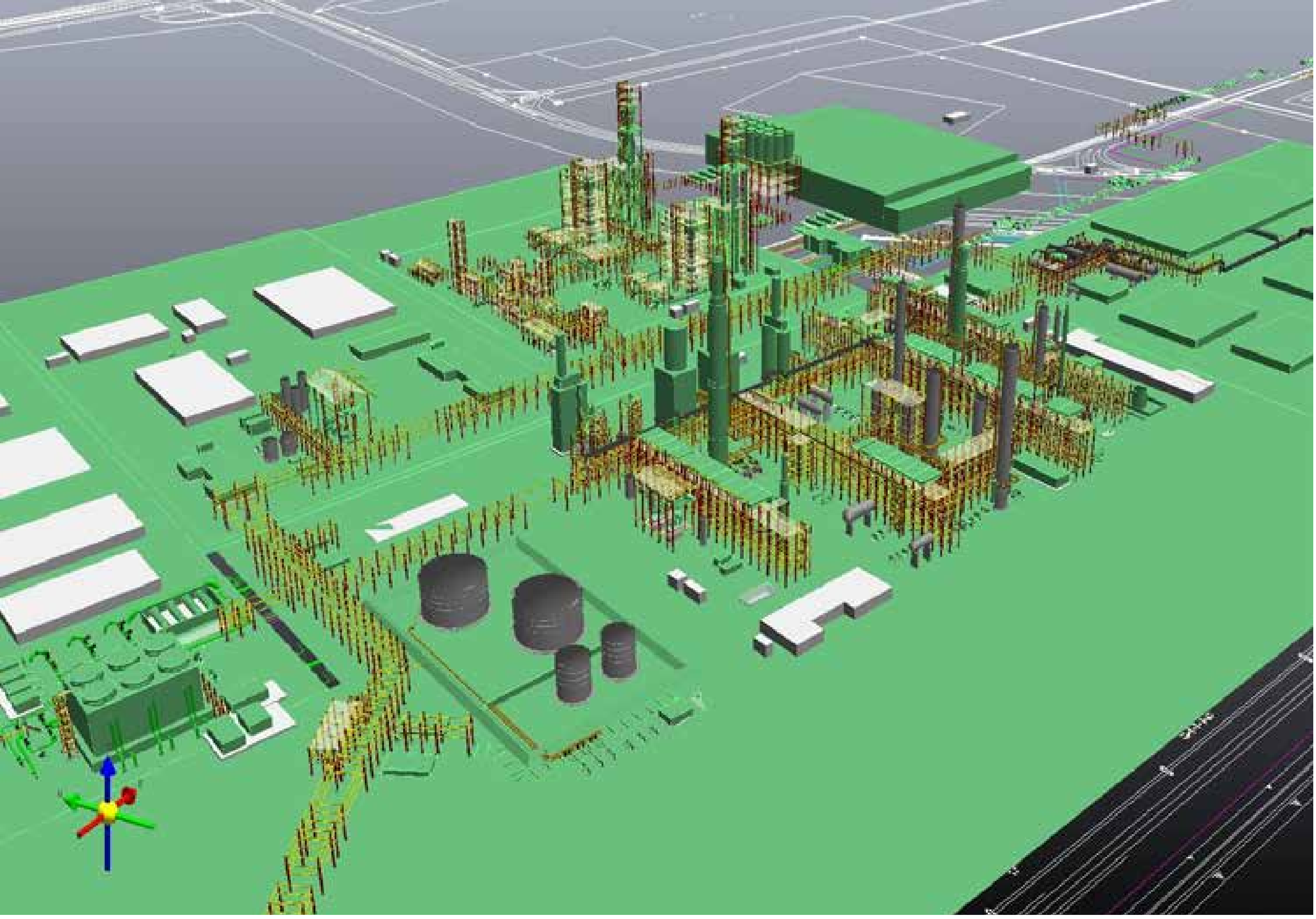
In pursuit of keeping up with local and global developments, Kuwait Integrated Petroleum Industries Company (KIPIC) has initiated a number of strategic projects to advance its refining sector:

Petrochemicals-Refinery Integration Al-Zour (PRIZe) Project

The Petrochemicals-Refinery Integration Al-Zour (PRIZe) Project comes in correlation with the Kuwait Petroleum Corporation's (KPC) fundamental strategic objectives in the petrochemical sector. These objectives include "the expansion of petrochemical activity (main intermediate petrochemical products) within and outside the State of Kuwait through the construction or expansion of assets, the acquisition of assets, and mergers, with the involvement of relevant international partners (if required), in order to achieve a leading global position." This is in addition to the general directions of the Corporation in the field of refining and manufacturing within the State of Kuwait, which stipulates "maximising integration between refining and petrochemical operations within the State of Kuwait and providing petroleum products that comply with the required local and international specifications, as well as entering into partnerships in the refining industry to enhance and raise operational efficiency."

The main objectives of the project:

- Enhancing the value of Kuwaiti hydrocarbon products, as the complex will convert fuel oil from Al-Zour Refinery into high-value petrochemical products.
- Providing motor gasoline to the local and international markets is important, as the facility's annual production capacity will exceed 1.55 million metric tonnes of motor gasoline.
- Introducing new products and expanding into new markets for impact-copolymer polypropylene product.
- Expanding Kuwait's production of polypropylene and aromatics by 1,000% and 200%, respectively, as the facility will have an annual production capacity of 2.7 million metric tonnes of polypropylene and aromatics.



- Completing the current petrol production deficit of EQUATE Petrochemical Company for the existing styrene plant.
- Maximising integration with existing refineries.
- Providing opportunities for entrepreneurs at the local level to establish additional manufacturing industries.
- Providing Kuwaiti youth with new job opportunities.

Primary Features of the Project's Construction:

The project was divided into three primary packages. The first package encompasses the construction of motor gasoline, whereas the second package includes the construction of aromatics and olefins units, and the third package includes the construction of land and sea pipelines, as well as port and export facilities.

The strategy for the growth and advancement of project implementation work prior to and during the fiscal year 2023/2024:

- The Supreme Steering Committee was presented with the results of all project studies in order to develop visions and solutions for all obstacles and challenges associated with obtaining the final investment decision for the project.
- The Supreme Steering Committee of the project requested coordination with an investment bank to conduct an independent review and evaluation of the project's economic model at its sixth meeting, which was held on January 15, 2024.
- On March 4, 2024, Sumitomo Mitsui Banking Corporation (SMBC) conducted an independent review of the project's economic model and provided the results to the Chairman of the Senior Steering Committee.

The company has successfully completed all the tasks assigned to it by the Supreme Steering Committee and seeks to secure the approval of the Supreme Steering Committee for the Petrochemical Complex (PRIZe) project and to proceed with the approval of the capital budget by the committees and relevant authorities during the first quarter of the fiscal year 2024-2025.

Alternative feedstock project for hydrogen production units

This project aligns with Kuwait Petroleum Corporation's long-term strategic plan until 2040, which aims to integrate refining and petrochemical operations in Kuwait. In 2017, the company responded to KPC's request to conduct a preliminary study on hydrogen production units. The purpose of this study was to explore economically viable alternatives, such as LNG and fuel gas, to replace the current value of Naphtha. These alternatives could be used within the petrochemical complex or exported. Therefore, a consultant was employed for the refinery project, and licensors were given permission to commence the preliminary study work (FEED) for the primary units and support. After finishing the initial study, the project proposal form was sent to KPC in September 2019 to obtain budget approval. The Foundation determined that the project should be executed in two distinct stages:

- The initial phase relies on the utilisation of liquefied natural gas as a substitute raw material.
- The second phase involves the usage of fuel gas alongside LNG as an additional alternative raw material. This phase must be executed separately at a later stage through a distinct EPC contract.

Consequently, in an effort to mitigate capital expenditures, the project was divided into two phases. Accordingly, the project consultant was tasked with conducting a re-evaluation of the project, taking into account the progress made during the initial phase, and the ITB tender documents for the EPC contract for the initial phase of the project were compiled.

The initial phase of the project (EPC) encompasses the following scope of work:

- Engineering, procurement, and construction services for a new unit (Unit-38) that is designed to compress natural gas in accordance with the specifications of the hydrogen production unit (Unit-33) licensor.
- Engineering, procurement, and construction work of feed pipes, connections, and precision machinery in the unit's common areas, as well as sulphur absorption equipment for both hydrogen production lines and other work required to enable the unit to produce using natural gas.

- Engineering, procurement, and construction of two new boilers and modifications to increase the output of the current steam generation unit, including all associated pipe connections, and connecting them to the current Unit-60 (steam generation unit).
- All tie-downs are required for the project, including 43 Class A tie-downs.

The most important features of the development of the project implementation work during the fiscal year 2023/2024:

- A meeting was convened on June 25, 2023 with the bidding companies.
- The applicant companies conducted their initial site visit on June 26, 2023, and their subsequent visit on August 15, 2023.
- The Central Tenders Committee (CAPT) authorised the tender to be issued as a public tender on September 24, 2023.
- On October 8, 2023, CAPT posted the pre-bid meeting on their website.
- The third site visit by the applicant companies was conducted on October 19, 2023.
- The bid closing date has been extended by 8 weeks to November 19, 2023 (the first extension).
- The bid closing date has been extended by 4 weeks to December 17, 2023 (second extension).
- The fourth site visit by the applicant companies was conducted on December 7, 2023.
- The Central Tenders Committee extended the bid closing date to January 14, 2024 (the third extension).
- The Central Tenders Committee extended the bid closing date to February 11, 2024 (the fourth extension).
- The Central Tenders Committee extended the bid closing date to March 12, 2024 (fifth extension).
- The Central Tenders Committee extended the bid closing date to April 14, 2024 (sixth extension).

Operation and Production

The most prominent achievements in the field of operation and production during the fiscal year 2023-2024

Al-Zour Refinery:

- The commissioning of the second mini-refinery occurred in February 2023.
- Operating the third and final Al-Zour mini-refinery units within Al-Zour complex occured in December 2023.
- Commencing the supply of low-sulphur fuel oil to Al-Zour station of the Ministry of Electricity, Water, and Renewable Energy in accordance with the agreed-upon quantities on May 8, 2023.
- Al-Zour Refinery successfully upgraded low-sulphur diesel fuel to meet international standards.
- The European market received the largest shipment of advanced diesel on September 22, 2023, in compliance with European regulations and standards. Up until March 2024, a total of approximately 300,000 metric tonnes of advanced diesel were transported to European markets.
- Al-Zour refinery system's sulphur levels have been reduced to 10 ppm in order to improve the refinery's flexibility, enabling JET A-1 jet fuel to enter a new market with a sulphur level below 10 ppm.

- Al-Zour Refinery successfully resumed production in November 2023 following an unexpected interruption in petrol fuel supplies due to a malfunctioning primary valve owned by Kuwait Oil Company (KOC).
- The quality and performance assurance testing of all processing units at Al-Zour Refinery has been successfully completed without any adverse effects on the refining capacity or quality of the crude air distillation units.
- The oil refining units' maximum refining capacity of 615,000 barrels per day of Kuwaiti export crude was successfully achieved.
- A total of ten steel sulphur ships were acquired for the purpose of exporting solid sulphur shipments from Al-Zour Refinery during the fiscal year.
- The necessary adjustments commenced in order to avoid stopping the transport of low-sulphur fuel oil to Mina Al-Ahmadi tank of the Ministry of Electricity, Water, and Renewable Energy while loading export ships.
- A new supplier was contracted to utilise Lubricity Additive at a concentration of 100 ppm in the diesel treatment units (DHT-13 and DHT-23), as opposed to 200 ppm.
- Kuwait Integrated Petroleum Industries Company (KIPIC) has successfully provided the Ministry of Electricity and Water with a dependable and secure source of low-sulphur fuel oil for both its northern and southern stations, thereby advancing the adoption of clean and sustainable energy sources in electricity generation.

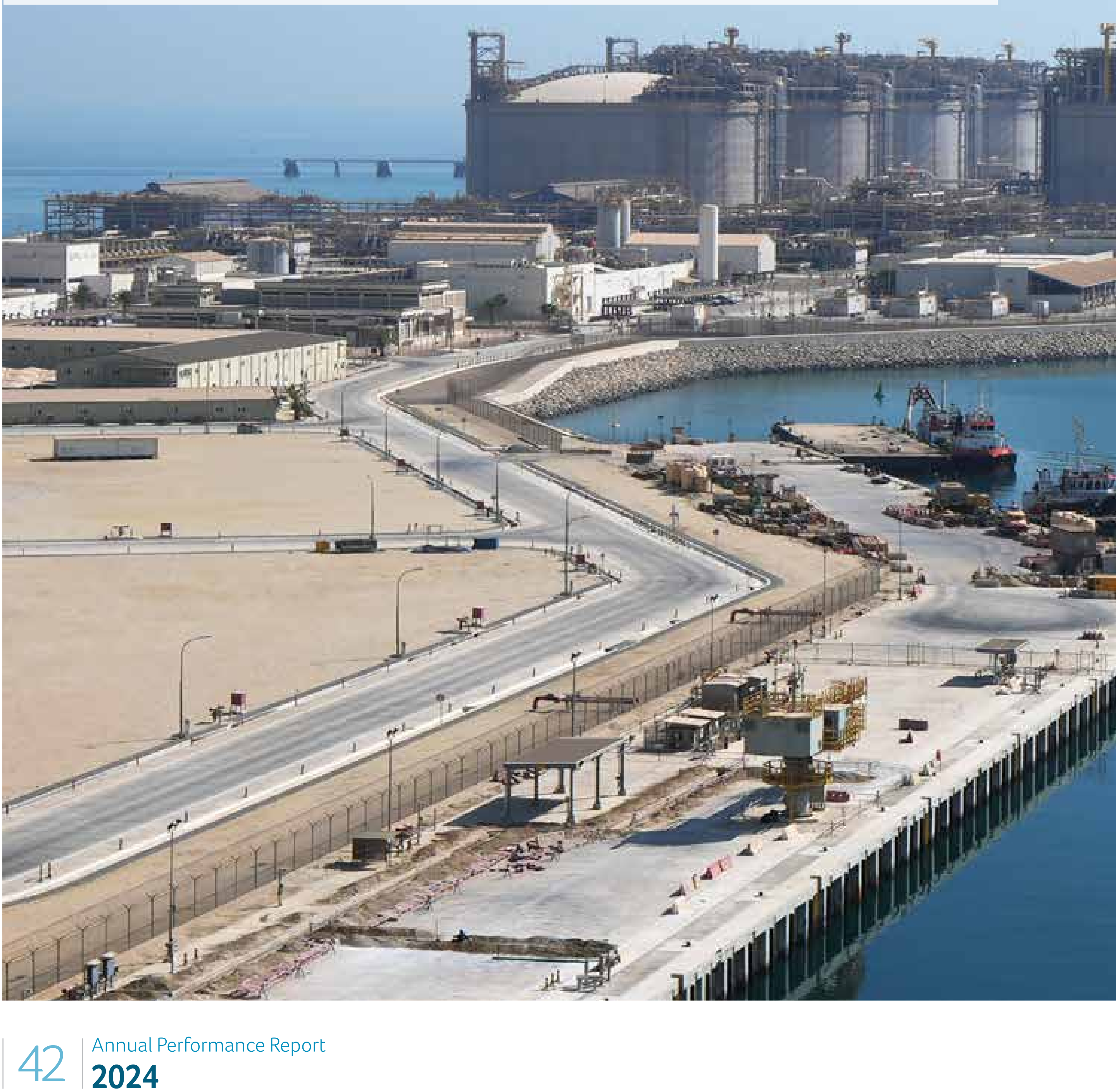
Permanent Liquefied Natural Gas Import Terminal (LNGI):

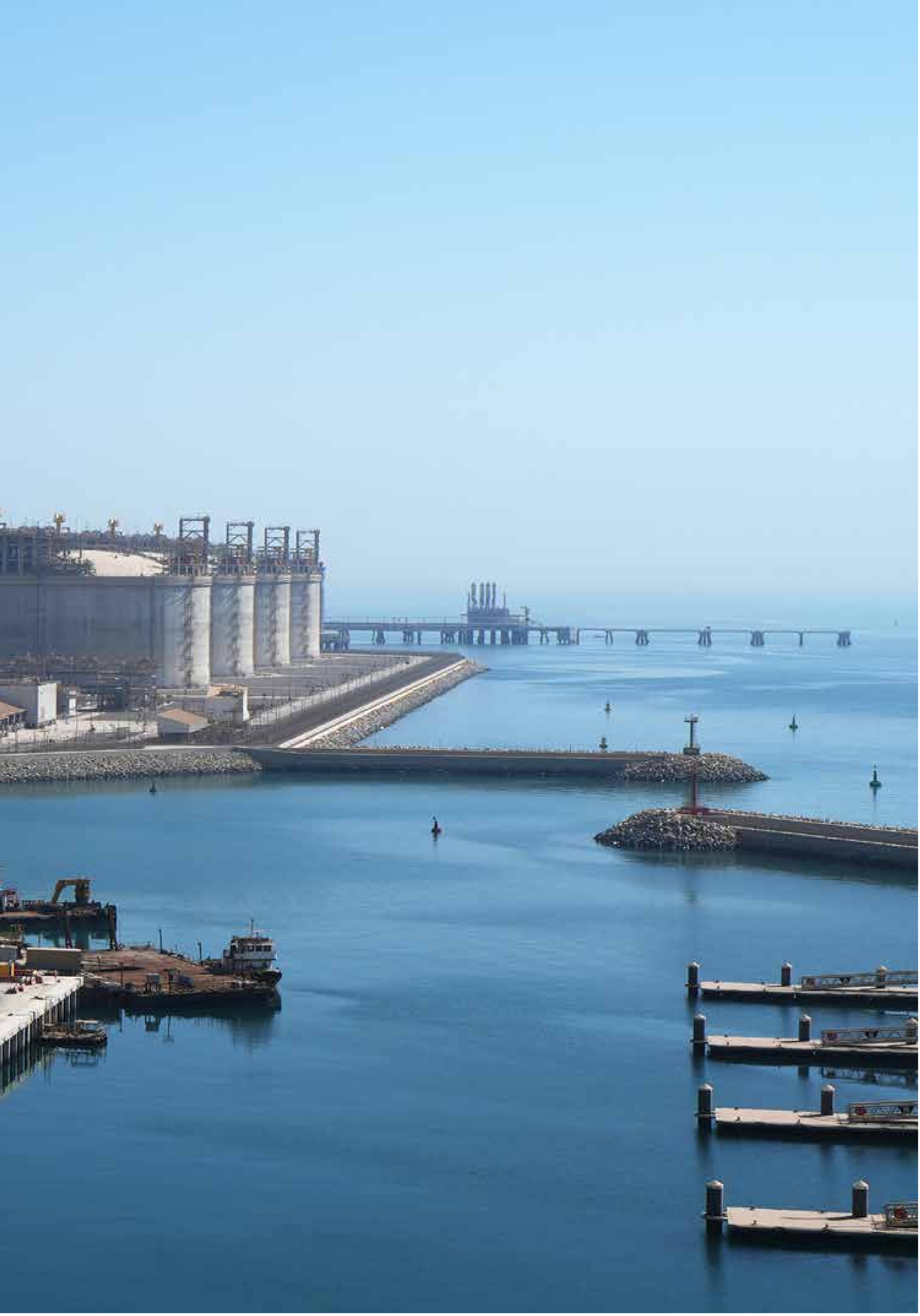
During fiscal year 2023-2024, the LNG Import Terminal received 92 tankers, totalling 14.15 million cubic metres. The total amount of natural gas sent to the Kuwait Oil Gas Network reached 309 million standard cubic feet by the end of March 2024, and the average utilisation rate of total storage capacity at LNG import facilities reached 65% by the end of March 2024.

The import terminal maintained an impressive track record of performance until the end of March 2024, achieving an average production availability of 99.98% and an average operational efficiency of 99.80%. Furthermore, on September 22, 2023, it reached its highest peak production of natural gas sent to consumers, amounting to 1,502 million standard cubic feet per day. This is equivalent to 1,468 billion British thermal units for a duration of 10 hours.

The LNG Import Terminal also achieved the lowest rate of natural gas delivery to consumers (290 million standard cubic feet per day, or the equivalent of 280 billion British thermal units) for 11 hours on March 5, 2024.

One of the most significant accomplishments is that KIPIC, as represented by the LNG Import Operations Group, has been admitted as an official member of the Global LNG Import Group (GIIGNL).





Achievements and Initiatives to Improve Performance

The company achieved a number of achievements and successes during the fiscal year 2023-2024 as a result of the implementation of a number of initiatives and activities, and in the following lines, we monitor the most notable and their benefits:

Maximising Profitability and Rationing Expenses

When developing its operating and capital plans, Kuwait Integrated Petroleum Industries Company (KIPIC) always prioritises efforts that maximise profits and manage expenses. This is a reflection of its role as a strategic partner to the corporation and its subsidiaries, which enables it to confront the obstacles that arise from the evolving oil industry, remain competitive, and attain its goal as a prominent global position. Therefore, its strategic mission and the fiscal year 2023-2024 were marked by numerous endeavours in this domain, such as:

- The refinery's profit margin was increased by $1.85 per barrel as a result of the modification to the price equation for heavy oil allocated to Al-Zour Refinery, and in August 2023, Kuwait Petroleum Corporation (KPC) received final approval from the Ministry of Oil.
- A total of eight operating units were transferred from the insurance coverage for Al-Zour Refinery Project to the insurance coverage for operations. This resulted in great financial savings, as the costs of project insurance are ten times higher than the costs of operating insurance.
- As part of the programme to record and rationalise operational expenses, the approved initiative "Using flexible licenses instead of licenses allocated in the name of the beneficiary in the "SmartPlant System" resulted in a financial savings of 140 thousand dinars, as well as facilitating the potential of accelerating the pace of digital transformation and creativity.

- In the fiscal year 2023-2024, the company achieved a savings rate of 11,968,000.00 Kuwaiti dinars compared to the approved budget and a saving rate of 33.1% in comparison to Kuwait Petroleum Corporation's 10% goal by reducing total operating expenses, excluding consumption expenses for facilities importing liquefied natural gas.
- Approximately 500 thousand dinars in insurance premium differences will be saved as a result of the transfer of buildings and infrastructure insurance for Al-Zour Refinery from construction insurance to operation insurance.
- An agreement was signed between Kuwait National Petroleum Company (KNPC) and Kuwait Integrated Petroleum Industries Company (KIPIC) to measure and account for the low-sulphur fuel oil that will be allocated to the Northern Ministry of Electricity stations and the liquefied petroleum gas that will be sent to Mina Al-Ahmadi refinery. This agreement is expected to reduce the loss accounts that result from discrepancies in receiving and sending operations of products that will generate a profitable return for the company.
- The equivalent of $1 million was saved per year by utilising nitrogen instead of natural gas in the permanent burning of the LNG terminal flare.
- In order to cater to global markets, expand into different regions, and strengthen KIPIC's position as a leading industry player, the company has made adjustments to the freezing point of low sulphur diesel for the winter, setting it at -15 °C, ensuring compliance with the requirements of the French market. This was achieved by improving unit processes to meet these specifications without the use of chemical additives. With the full production capacity of the refinery, this initiative will result in significant cost savings of approximately KWD 870,000 during the winter and an additional KWD 100,000 to KWD 200,000 in savings in the following years.

Technology and Digital Transformation

Kuwait Integrated Petroleum Industries Company prioritises digital information technology and is committed to remaining informed about the most recent advancements in digital transformation mechanisms, including applications and tools. The company endeavours to increase awareness of cybersecurity risks among its employees. In order to establish a digital work environment that prioritises efficiency, safety, security, and profitability, it emphasises the significance of integrating operational processes with information technology.

- The Information Technology (IT) Group, on behalf of the company, contributed a working paper to the Gulf Conference for Information and Communications Technology on November 29, 2023, which was held in Kuwait under the auspices of the Minister of State for Municipal Affairs and the Minister of State for Communications Affairs and with the assistance of the Central Agency for Information and Communications Technology.
- A digital dashboard was created to monitor the digital performance of the (Digital Capabilities Development) scale in order to assist managers and team heads in monitoring the performance of their departments and facilitating the attainment of the desired digital objectives as part of the company's attempts to achieve the objectives of the digital strategy. The company's groups achieved a completion rate of 93.43%.
- The final design has been completed to improve the private infrastructure of the wireless network in all Kuwait Integrated Petroleum Industries Company buildings.
- The digital identity management system has been enhanced and developed, thereby automating the unification of information among the company's fundamental systems.
- The Zero Touch feature, which facilitates the effortless modification of data, files, and applications on the company's devices, has been completely developed and enhanced.
- The "Dephathon" event was successfully organised to serve as the inaugural hackathon for non-specialised national developers in the information technology sector of the local oil sector. The event was attended by all oil sector companies and necessitated the development of a comprehensive application with automation and the creation of data dashboards within a six-hour timeframe. The objective was to promote technological awareness, and the challenge was effectively completed by all participants.
- The Development and Training Centre has concluded the installation of digital display screens in conjunction with the launch of the KROOM system, which is used to register attendance for courses conducted within the centre.
- Incorporating a renewable verification feature into the employees' electronic ID to guarantee the card's validity (KPASS).
- The electronic fingerprint was finalised in KIPIC Connect application to encompass the new KIPIC main building in Al-Ahmadi. Additionally, the (Did You Know?) service was incorporated, which includes frequently asked queries to simplify the access of information for employees.
- An integrated system has been developed to facilitate the organisation of electronic invitations to any conference or celebration within the company. This system involves the development of a QR code that contains all the necessary information for the conference or event. Participants are notified via email, and they subsequently scan the code to identify themselves and automatically record their attendance at the entrances. The Kuwait Tanker Company was provided with a copy of the programme and a technical workshop as part of the objectives for optimal applications in the energy sector.
- Some internal applications have been created to streamline various processes within the company. For example, there is an application that automates the calculation of company car costs, allowing for the input of discount amounts or number of instalments. Additionally, there is an application that automates the management of retirement exemption leave, making it accessible through self-service and impacting salary elements accordingly. In addition to developing an application that streamlines the calculation of end of service benefits for non-Kuwaiti employees, the system will now automatically calculate the bonus when adding the element for non-Kuwaiti employees who have completed their services. This update also ensures that the system can handle exceptional cases with the necessary flexibility.
- Work has been completed to enhance the documentary cycle of work permits and the

manner in which they are displayed on control room screens (PTW Dashboard).

- The completion of cybersecurity exercises to prevent cyberattacks has been achieved.
- Kuwait Integrated Petroleum Industries Company has effectively completed the second phase of the National Developers Programme, which will allow employees who are not information technology specialists to engage in digital transformation. The programme, which commenced in October 2023, comprised a variety of training courses for both novices and advanced participants, as well as brainstorming sessions with all participants. Subsequently, an awareness campaign was implemented to promote the company's groups, which included the establishment of an interactive forum and comprehensive instructions for the citizen developer community.
- Completion of the development work for the (Pay to KIPIC) system, which simplifies the process for employees to pay any financial obligations to the company, including loans, refunds, and access rights, through the electronic portal (KNET).
- Al-Zour Operations Group and the Security and Fire Group implemented the new electronic system (Time-Sheet System) as a substitute for paper procedures to distribute road allowances to patrol system employees.
- Finalisation of the Gate Pass permit system development by incorporating vehicle and material permits, drilling permits, and bypass procedures into the operating safety team.

Development and Research

The mission of the company is to establish a work environment that is conducive to research and scientific endeavours, as well as to cultivate and enhance national capabilities and cadres to address technological and technical challenges. In April 2022, the company established a research and technology team in accordance with Kuwait Petroleum Corporation's strategy in an effort to achieve leadership in the fields of energy, refining, petrochemicals, and renewable energies. The objective of Innovation and Technology 2040 is to leverage scientific research, technology, and innovation to develop conventional solutions in the oil refining and manufacturing sectors. The team has devised a comprehensive strategy for the years 2023–2024, with the following top priorities:

- Increasing institutional awareness of the Research and Technology Department's significance at Kuwait Integrated Petroleum Industries Company.
- Coordinating and facilitating meetings between international companies and departments to gain insight into (19) contemporary technologies in the areas of professional and environmental safety control, petroleum product development, and refinery engineering work efficiency.
- Contracting with a proficient global platform (TECHNOLOGYCATALOGUE.COM) to review the most recent advancements in contemporary technology in order to remain relevant to the rapid advancements in the fields of renewable energy engineering and the reduction of carbon emissions, designs, business management and technical services, refinery maintenance, and providing engineering consultations through the website.
- Participating in and benefiting from the memorandum of understanding between KIPIC and a number of private universities (the Australian University, the American International University, Kuwait Centre for the Advancement of Sciences, and Kuwait Institute for Scientific Research) to facilitate the exchange of scientific studies and knowledge, improve expertise in the field of research and technology, and fortify relationships with major oil companies, including the Bahrain Petroleum Company and the Abu Dhabi National Oil Company (ADNOC).
- The Research and Development Department's laws and regulations were developed by the company without the aid of external expertise, and the department's budget for studies was exclusively provided and enhanced by Kuwaiti engineers.

6 Our Environment

Kuwait Integrated Petroleum Industries Company's strategy is fundamentally based on sustainability, which promotes operational efficiency, minimises costs, reduces harmful emissions, reuses waste, and contributes to the establishment of a positive reputation. This is achieved through the interaction between the company, its employees, and the communities nearby its operations.

Energy Transition Strategy and Achieving Net Zero Emissions by 2050

Kuwait Petroleum Corporation has devised an all-encompassing approach to attain zero net emissions by 2050. This strategy entails the utilisation of cleaner technologies and the enhancement of efficacy in its global operations to mitigate greenhouse gas emissions. It also involves the application of carbon capture, use, and storage technologies to reduce emissions, as well as the investment in renewable energy sources like solar energy. Furthermore, the strategy emphasises the development of biofuels and the recycling of petrochemical products, as well as the improvement of environmental, social, and governance practices to foster sustainable development. The main objective behind these endeavours is to sustain Kuwait's competitiveness in the global energy market and to encourage economic diversification within the nation.

Aiming for more sustainable products

Kuwait Integrated Petroleum Industries Company signified a major contribution during the fiscal year 2023-2024 as part of Kuwait Petroleum Corporation's energy transition strategy 2050. On January 7, 2024, the company sent out a tender for "a preliminary feasibility study of renewable energy sources and their alternatives and how to apply them in Kuwait National Petroleum Company and Kuwait Integrated Petroleum Industries Company to increase returns," and the contract is anticipated to be awarded in the first quarter of the fiscal year 2024-2025.

In November 2023, the "Energy Management Services for Al-Zour Refinery" contract was tendered as a general practice. The objective of this contract is to reduce emissions and enhance the energy efficiency of Al-Zour refinery, and the allocation of the contract is anticipated to occur in the first quarter of the fiscal year 2024–25.

Additionally, the reference premise for energy consumption efficiency in the liquefied gas facility was established, and the target energy consumption efficiency rate was determined through comparative measurement, as well as a variety of initiatives that were implemented to enhance energy consumption.

The Technology and Research Department of the company, in collaboration with relevant petroleum companies in the refineries and petrochemicals sector, including Kuwait National Petroleum Company, contributed to the preparation of the scope of work for a contract that aimed to investigate the feasibility of establishing alternative and renewable energy projects to reduce carbon emissions and develop petroleum products associated with the environment, such as jet fuel. This was particularly relevant in the context of reducing emissions.

The company implemented the initiative to utilise low-sulphur fuel oil supplied by KIPIC at Doha West Station. This change resulted in a reduction of over 70% in the percentage of sulphur oxide emissions generated by the station in comparison to the use of heavy fuel oil, as well as a reduction of 4 to 6% in the percentage of nitrogen oxides and carbon dioxide emissions.

The company additionally collaborated with Kuwait Oil Company to investigate initiatives that focused on the extraction, storage, and utilisation of carbon dioxide in a variety of industries, as well as blue and green hydrogen projects.

Furthermore, the preliminary engineering design contract for the project "Integrating a natural gas re-liquefaction unit into the liquefied natural gas import facilities in Al-Zour region" was approved, and it is anticipated that implementation will commence in the first quarter of the fiscal year 2024/25.

The company encountered a challenge in operating the facility to produce natural gas at a rate of less than 385 billion British thermal units per day, as requested by Kuwait Petroleum Corporation, which was the result of the insufficient demand for natural gas to generate electricity during the winter. The facility's operating team was able to increase production to 260 billion British thermal units per day without consuming excess through a series of operational modifications.

The LNG import terminal operating team's initiative to investigate and pilot test the operation of the burner unit with nitrogen gas in place of natural gas was adopted by the company in a consistent context. The goal is to reduce carbon dioxide emissions by an estimated 5,380 metric tonnes annually and nitrogen dioxide gas emissions by 3,716 metric tonnes annually. The operating team, in collaboration with the consultant (Technip), also conducted a preliminary feasibility study for a series of solutions that would ensure the production of the least amount of natural gas feasible without the combustion of any additional gases from the facility. The operating team selected one of the solutions that had been studied and contacted the project group to initiate the initial engineering study phase of the project after the study concluded in April 2023.

Business Safety and a Healthy Environment

Kuwait Integrated Petroleum Industries Company makes every effort to ensure that its employees are safe and protected, and that the environment is protected to the highest possible extent, both within and outside the company, as well as in general. This is achieved by allocating significant portions of its financial and human resources. This commitment was reaffirmed by numerous exceptional endeavours over the past year, the most significant of which are as follows:

- Third-degree oil spill training workshops were completed in partnership with the oil companies affiliated with Kuwait Petroleum Corporation on March 4, 2024.

- A total of 265 company employees and contractors participated in the seashore cleaning campaign, which was successfully concluded on March 6, 2024.

- Collaborative preparation and analysis of the national carbon reduction strategy for 2050 in collaboration with the Environment Public Authority.

- Two workshops on environmental and social induction for contractor employees and subcontractors were completed on May 15 and 16, 2023. Additionally, the training of approximately 43 employees on employee benefits and employee welfare was completed.

- The company's total number of employees is 1,393, with approximately 1,351 employees participating in training courses and lectures in the areas of health, safety, security, and environment. This represents a rate of approximately 97.0% as of the end of March 2024, which is higher than the 90% objective established during the fiscal year.

- The winners of the Best Work Permit Exporter and Executor Award, the Best Near-Accident Provider Award, and the Best Contractor Safety Factor Award were evaluated and announced.

- In October 2023, the Gulf Refining Federation's management honoured the health, safety, and environmental representative of KIPIC as the top performer at its annual meeting.

- Achieving over one million secure working hours at the LNG Terminal Import.

- The company's various administrative and operational sites conducted a total of 718 audits on all aspects of the company in the areas of health, safety, security, and environment by employees at the team leader level and above. This number surpassed the goal of 495 audits set during the fiscal year 2023-2024.

- The initiative to effectively utilise nitrogen in the permanent burning of the LNG terminal flare rather than natural gas is anticipated to reduce CO_2 emissions by the equivalent of 5,000 metric tonnes per year.

- On October 10, 2023, a field survey was conducted in the parking area of the admin building and the employee parking area of the refinery in collaboration with the company's security and public services team to enhance traffic behaviour.

7

Our Employees

Kuwait Integrated Petroleum Industries Company is particularly interested in the Kuwaiti human element, as it is a fundamental component of the energy industry and its renaissance in the State of Kuwait, and the key to our excellence. It is also a critical component of Kuwait Petroleum Corporation's 2040 strategy, which is centred on the development of Kuwaiti human cadres, their qualification with advanced skills, their efficacy, and their opportunities for creativity, growth, and charitable giving. The company is also committed to about establishing new development initiatives that will guarantee job opportunities for its individuals.

Labour Force and Employment Data

The total operational and non-operational employees at the end of this year amounted to 1,393 employees, a 29-employee increase from the previous fiscal year. Additionally, 59 new Kuwaiti employees were appointed this year.

At the conclusion of the fiscal year, the number of employees has reached 1,341 Kuwaiti employees, which accounted for approximately 96.26% of direct employment. This represents a 35-Kuwaiti employee increase from the previous fiscal year.

The subsequent tables provide an analysis of the company's workforce by nationality and group, the changes that occurred during the fiscal year 2023/2024 in comparison to the plan, and the developments in workforce figures from 2017/2018 to 2023/2024.

Analysis of the number of company employees and the percentage of the Kuwaiti workforce by group (continued)

Group	31/03/2023			31/3/2024			
	Number of employees	Kuwaiti workforce (actual)		Number of employees	Kuwaiti workforce (actual)		Number of employees in the group (budget)
		number	ratio%		number	ratio%	
CEO's Office	2	2	100.00	2	2	100.00	2
Legal	8	8	100.00	8	8	100.00	10
Office of the Executive Vice President - Administrative and Commercial Affairs	2	2	100.00	1	1	100.00	2
Security and firefighting	102	101	99.02	107	107	100.00	115
HR	44	44	100.00	43	43	100.00	53
Training and career development	19	19	100.00	26	26	100.00	25
Commercial	51	45	88.24	55	50	90.91	56

Analysis of the number of company employees and the percentage of the Kuwaiti workforce by group (continued)

Group	Number of employees	Kuwaiti workforce (actual)		Number of employees	Kuwaiti workforce (actual)		Number of employees in the group (budget)
		number	ratio%		number	ratio%	
Public services	36	36	100.00	42	42	100.00	42
Public relations	23	23	100.00	21	21	100.00	23
Information Technology	40	39	97.50	39	38	97.44	41
DCEO Office - Al-Zour Operations	0	0	0.00	1	1	100.00	1
Operations - LNG	47	43	91.49	49	46	93.88	56

Analysis of The Number of Company Employees and The Percentage of the Kuwaiti Workforce by Group

Group	Number of employees	Kuwaiti workforce (actual)		Number of employees	Kuwaiti workforce (actual)		Number of employees in the group (budget)
		number	ratio%		number	ratio%	
Operations - Al-Zour Refinery	532	516	96.99	552	537	97.28	566
Maintenance	114	108	94.74	115	110	95.65	125
Quality Assurance	57	50	87.72	65	58	89.23	77
Technical Services	68	60	88.24	69	61	88.41	86
Office of the Executive Vice President for Planning and Finance	2	2	100.00	0	0	0.00	1
Management Support	18	18	100.00	20	20	100.00	25
Health, Safety and Environment	52	48	92.31	64	60	93.75	78
Finance	50	50	100.00	48	48	100.00	62
Comprehensive Planning	27	23	85.91	26	23	88.46	33
Projects - I	55	55	100.00	28	28	100.00	30
Projects - II	7	7	100.00	2	2	100.00	3
Projects - III	8	7	87.50	10	9	90.00	13
Company Total	1364	1306	95.75	1393	1341	96.72	1525

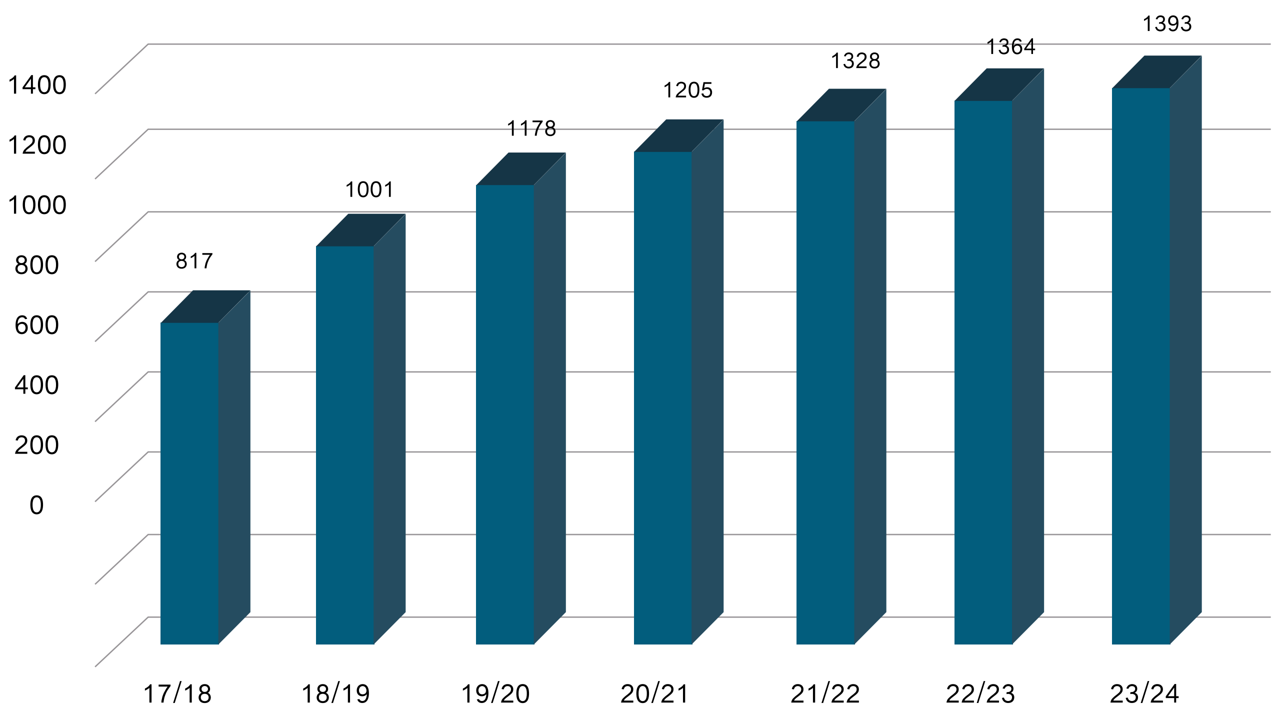
An Analysis of the Number of Company Employees, Male and Female

Category	Number of males	ratio%	Number of females	ratio%	Total
Top Management	2	100.0	0	0	2
Managers	17	85.0	3	15.0	20
Team leaders	68	80.0	17	20.0	85
The rest of the company's employees	1113	86.55	173	13.45	1286
Company Total	1200	86.15	193	13.85	1393

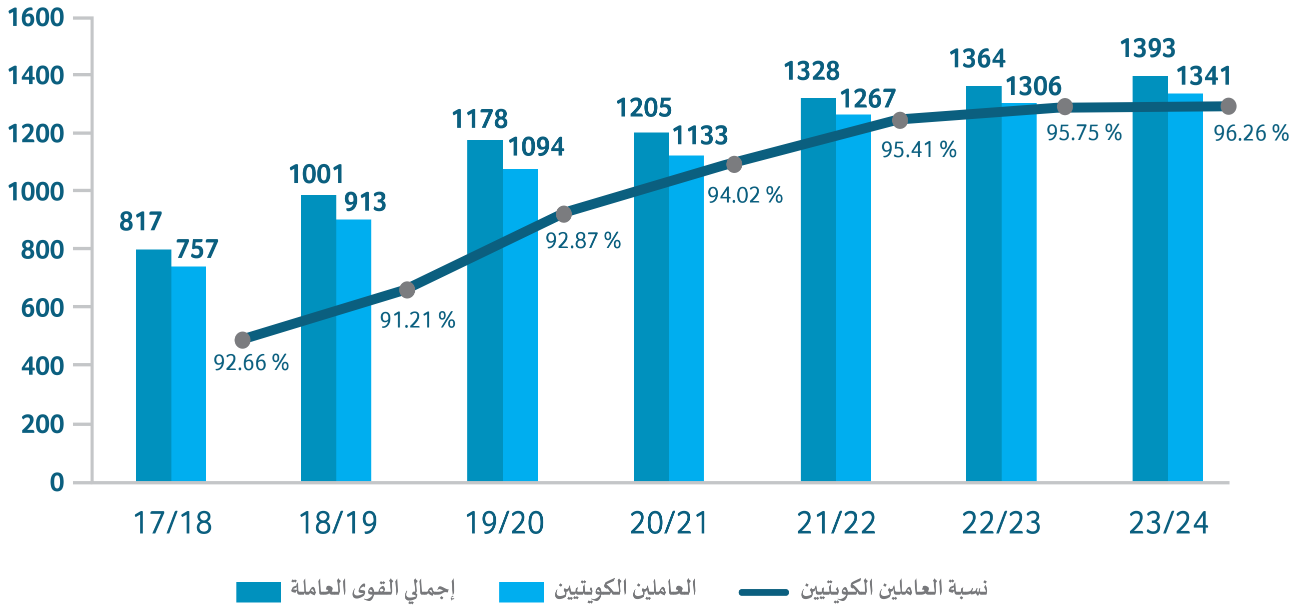
Distribution of company employees according to nationality

Nationality	Number of employees			Percentage of Total workforce		Percentage increase or (decrease)
	31/03/2023	31/03/2024	Change	31/03/2023	31/03/2024	
Kuwaitis	1306	1341	35	95.75	96.27	2.68
Other Arab nationalities	3	3	0.0	0.22	0.22	0.00
Subtotal	1309	1344	35	95.97	96.48	2.67
Non-Arab nationalities	55	49	-6	4.03	3.52	(10,91)
Company Total	1364	1393	29	100.00	100.00	(2,12)

Development of the company's workforce during the years 2017–2018–2023–2024



Workforce statistics for Kuwait Integrated Petroleum Industries Company



Developing Our Human Cadres

The company is committed to the development and training of its human resources in order to attain the leadership position it aspires to in the oil industry. All employees are enrolled in ongoing training courses to enhance their technical, administrative, and specialised capabilities. Introductory and qualification courses are also administered to newly appointed employees, which enables them to promptly assume the responsibilities of the company. The structured on-the-job training curriculum is open to all engineers, regardless of their specialisation, as the programme encompasses both theoretical and practical training, which is designed to improve technical and practical expertise on the ground.

In collaboration with local institutions and utilising understanding agreements between the company, academic bodies/universities, and international companies, the company conducted numerous development training programmes, seminars, and local lectures on a variety of topics that were pertinent to the job requirements of its employees during the fiscal year 2023-2024. The company also collaborated with its experts, trainers, and operating contract trainers to implement training programmes. These training programmes were conducted through the training centre (KIPIC Academy) in Al-Zour Refinery and virtual E-learning).

Perhaps the most notable achievements in the field of training and career development during the fiscal year 2023-2024 are the following:

- In order to facilitate the exchange of experiences and share success stories among associate oil companies, the company hosted leaders from Kuwait National Petroleum Company and the Oil Tanker Company for two meetings. The leaders shared the most significant achievements, challenges, and obstacles they encountered during their professional journeys, as well as strategies for overcoming these obstacles. The two meetings were conducted at the KIPIC Academy in Al-Zour.

- The training centre conducted a total of 483 courses, which included 3874 training participants from a variety of company divisions. They encompassed training courses in the areas of health, safety, and the environment, as well as intensive courses for refinery operators and specialised courses in asset performance management and process safety, in addition to technical courses to qualify technical employees, introductory courses for Kuwaiti contract employees, company employees, and secondment employees.
- In collaboration with the Information Technology Group, KIPIC Connect (KONNECT) application was implemented to monitor attendance and absences for training courses conducted at KIPIC Academy training centre.
- A total of four training awareness forums were organised and conducted on a variety of topics in an innovative manner. These forums included training lectures, seminars, exhibitions, and pertinent field visits. The subsequent subjects were addressed in these forums:

Environmental Awareness Forum in KIPIC

The KIPIC Training Centre initiated a special environmental awareness campaign from May 21 to 25, 2023, with the objective of engaging employees in environmental issues and increasing their level of environmental awareness. The campaign involved (228) training participants. This campaign is a critical milestone in the company's pursuit of its objectives in the realm of environmental sustainability. The forum's activities encompassed a variety of short lectures delivered by experts from both within and outside the company, including the Environment Public Authority and the CEEDs organisation. 18 local initiatives that showcase environmentally friendly products were also featured in an accompanying exhibition. The forum encompassed training courses on sustainability, climate change, health, safety, and the environment in Kuwait, an environmental treasure search, a workshop on agriculture, interactive workshops on waste reuse, and an educational excursion to the Gulf Paper Recycling Factory.

IT Campaign Techtalks (Made in KIPIC)

The Tech Talks- Made in KIPIC campaign, which was conducted from October 10–12, 2023, was designed to emphasise the most recent advancements in the field of information technology. This initiative represents a critical component of the company's efforts to cultivate a culture of innovation and creativity.

A group of renowned lecturers and experts from both within and outside the company, including the Ministry of Interior, Sitra, Zain Group, and Google, participated in the campaign. The lectures addressed a wide range of subjects within the discipline of information technology. Attendees were presented with the chance to peruse an exhibition that featured 12 participants (both internal and external to the company) who demonstrated the most recent information technology services and technologies.

On the opening day, approximately 100 individuals attended, including representatives of Top Management in KIPIC, team leaders, and employees at all levels, as well as Deputy CEOs and managers from other oil companies. Thirteen training lectures were delivered on a variety of information technology subjects, with a total of 472 individuals participating in the training.

Safe Driving Campaign: "Drive Smart; Play Your Role"

A three-day awareness campaign on secure vehicle operation was implemented in KIPIC from December 12–14, 2023, with (508) training participants. KIPIC is committed to the welfare of its employees on the roads, and this campaign is a component of that determination. The campaign incorporated a variety of activities that were designed to raise the awareness of KIPIC employees about the significance of safe driving and to equip them with the requisite skills and knowledge to drive responsibly on the road and to stay informed about the most recent traffic safety technologies.

During the campaign, a group of distinguished speakers and experts from both within and outside the company, including the Ministry of the Interior, the Volvo Group, and other traffic safety specialists, participated in training courses at KIPIC Training Centre. The courses covered a variety of topics, including general group discussions, new technology on the road, and a workshop on vehicle safety and driving simulators. An accompanying exhibition, which showcased driving simulators, driving tests, driving schools, and other services associated with safe driving, was also included in the campaign.

Physical and Mental Health Awareness Forum: "Healthy Minds, Less Stress"

KIPIC Training Centre conducted a physical and mental health awareness campaign over two days (March 3–4, 2024) during the final quarter of the fiscal year 2023–24 under the slogan "Healthy Minds, Less Stress." The objective of the campaign was to raise the awareness of KIPIC employees regarding the risks of burnout. The significance of maintaining the wellbeing of their minds through brief training sessions and their career: The subjects covered were diverse, encompassing the management of job exhaustion, nutrition, and the development of healthy minds. Employees were afforded the opportunity to implement their acquired knowledge through interactive seminars. Eight training lectures were held at KIPIC Training Centre in Al-Zour Refinery and the head office in Al-Ahmadi, where the campaign activities were conducted. Five participants were invited to present health products and services during the two-day campaign. The purpose of this initiative was to engage employees in the exploration of a variety of related products and services, regardless of whether they were located at KIPIC Training Centre or the primary office in Al-Ahmadi. The training participants in the forum totalled 264.

- The training centre has initiated training courses for company operators on the simulation system (OTS) following its relocation from the central control building of the operations group. These courses, which were initiated for four operations areas, are anticipated to continue throughout the fiscal year 2024-2025.
- According to the satisfaction levels obtained from the course evaluation forms, the Training Centre achieved an 88% satisfaction rate among participants in the training courses it conducted during the fiscal year 2023-2024.
- During the fiscal year 2023-2024, KIPIC Academy released the initial report of the annual questionnaire to evaluate the quality of services provided to training programme coordinators by the company's groups and lecturers. An aggregate satisfaction rate of 89% was achieved, with 42 participants in total.
- The Fire and Security Groups collaborated to organise the fire extinguisher fundamentals programme, which provided training to 288 KIPIC employees who got relocated to the new headquarters in Al-Ahmadi.
- An automated system for the study of external training programmes and an automated system for monitoring and monitoring the external training budget have been adopted and launched, providing flexibility, speed and ease in the working pattern.
- In collaboration with the Information Technology Group, the electronic system (K-Room) was established using the KIPIC Connect application to monitor attendance and absences during training courses conducted at KIPIC Academy.
- (82) team leaders, (16) managers, and (11) participants from the Talent Management Programme participated in external courses that were specifically designed for these categories. The courses were planned by international organisers who specialise in leadership programmes and were designed to address the leadership competencies necessary for each category.
- Successfully completing the personal training plan for all group managers, which encompasses a variety of educational methods that address all unified competencies in the energy sector.
- The second year of the Talent Management Programme has seen the successful implementation of the training strategy for senior engineers and supervisors.
- The job rotation programme for the fiscal year 2023-2024 has been successfully implemented, with eight employees from a variety of departments within the company participating.
- The job shadowing programme for the fiscal year 2023-2024 has been successfully implemented, with thirteen distinct divisions within the company participating.
- The successful completion of an intensive programme for grade 15 employees is intended to improve their supervisory skills and leadership competencies, thereby increasing the supervisory level of employees who will be assuming supervisory roles in the future. The programme encompassed a variety of training and development methods, such as local programmes with organisers who specialise in leadership courses, guidance and counselling programmes, and programmes in collaboration with the Australian University in Kuwait.


Occupational & Mental Health Awareness
HEALTHY MINDS
STRESS BEHIND
KIPIC

- An enlightenment programme (KIPIC On-board Orientation) was conducted for 13 newly appointed employees, during which all divisions of the company provided an overview of the functions of its various departments. Additionally, a questionnaire was developed to evaluate the efficacy and utility of the enlightenment programme (KIPIC On-board) and was distributed to newly hired employees.
- Since the resumption of external programmes until March 19, 2024, a total of 900 nomination requests for all levels of employees have been completed. This figure represents 100% of the total number of employees eligible to participate in external programmes for the current fiscal year in relation to the approved external training budget.
- Linking all OJT activities for technical groups to employment through the Unified Learning Management System (ULMS) platform and completing the learning pathways.
- In collaboration with the Finance Group and the Information Technology Group, a workflow mechanism has been implemented in the Oracle system to authorise the payment of support expenses for employees who are enrolled in postgraduate programmes within the State of Kuwait.
- Establishing a training matrix for 10 technical divisions within the company to serve as the benchmark for selecting the training curriculum for employees.
- A total of eleven internal procedures were established for national labourers in Kuwaitization contracts. The skill level of work titles for coachable jobs has also been planned.
- A field programme was developed for (20) students in the specialisations of mechanical and electrical maintenance from the Public Authority for Applied Education and Training within the contractor's employment (Kuwaitization).
- The system is implemented in all associate companies by creating a performance evaluation system for employees in Kuwaitization contracts and circulating it to contract administrators and the Permanent Kuwaitization Committee.
- A total of 35 national employees, who have completed practical training and are graduates of the Public Authority for Applied Education and Training, were granted employment contracts to participate in the company's contractor contracts.
- The Contract Kuwaitization team organised an awareness day to educate the contract supervisors and their teams on the implementation procedures for the internal policies and laws of the executive regulations for national employment in contractor contracts in the oil sector. The agenda included a comprehensive explanation of the regulations' procedures and a clarification of the responsibilities of the Kuwaitization contracts team, the contract supervisor, and the contractor. Furthermore, it includes the response to a multitude of inquiries and provides suggestions regarding the national employees involved in Kuwaitization contracts.
- In collaboration with the Corporate Communication Group, a booklet on internal procedures for national employees was compiled as part of the Kuwaitization of contractors' contracts. This booklet was distributed to the contract administrators and managers of the relevant groups.
- The Contract Kuwaitization team has concluded all media activities for the fiscal year 2023-2024. This encompasses the Did You Know campaign, which aims to increase awareness of the rights and responsibilities of employees, as well as enlightenment meetings on Kuwaitization contracts with national employees, contract administrators, and contractors.
- The contract coding platform has been designed to be connected to local content project performance metrics, and the requisite information has been compiled.
- (29) national employees were registered for Kuwaitization contracts in English language courses.
- Kuwaiti contract employees were granted access to a variety of (145) training courses in administrative and technical specialisations through the Unified Learning Management System platform.

Creative work environment

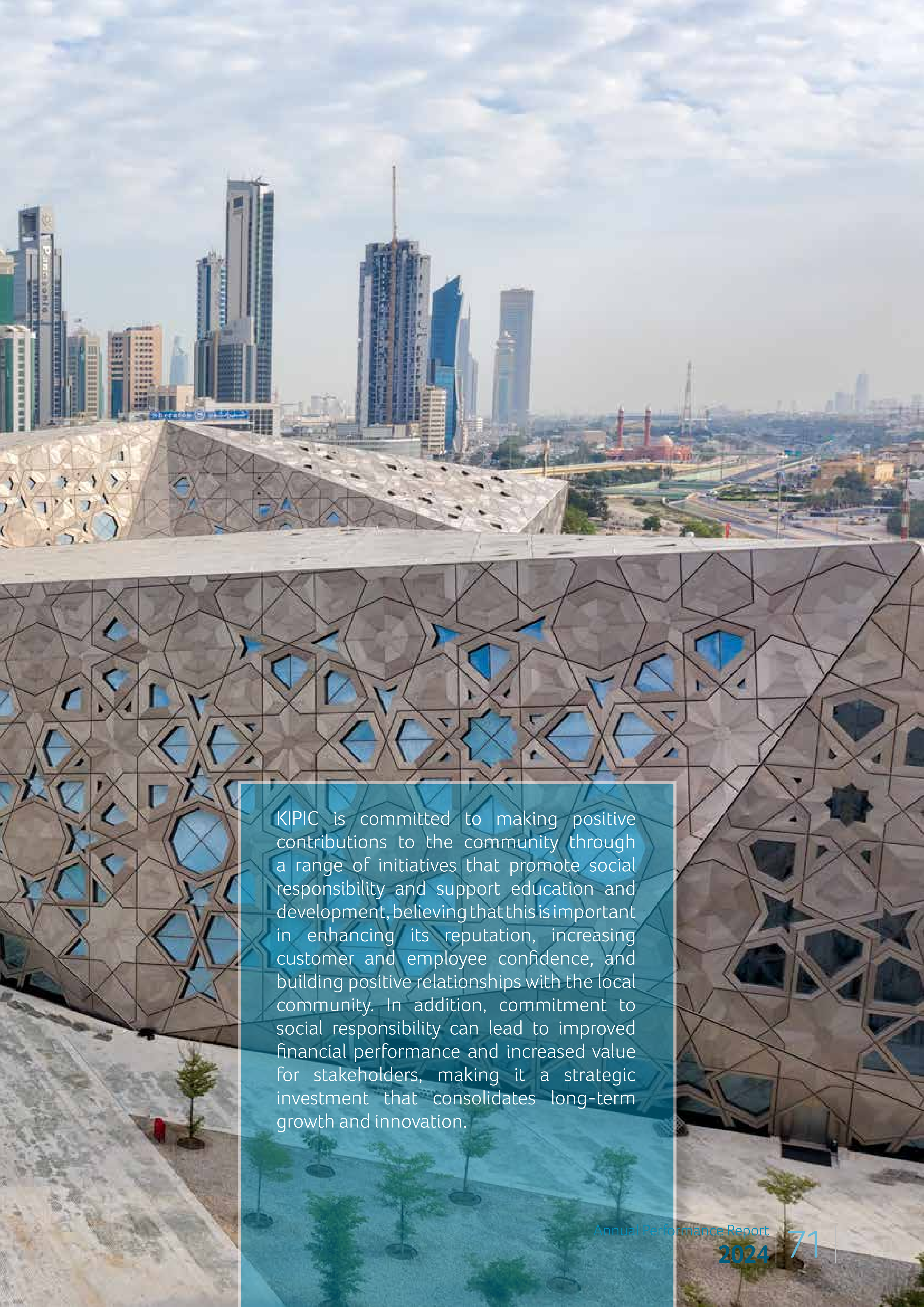
KIPIC strongly believes in the importance of the human element in Making More Possible and doing the utmost to ensure a comfortable and stimulating working environment. Accordingly, a committee has been established to implement and monitor the initiatives of the company's career association programme under the chairmanship of the manager of the Human Resources Group. Based on the principle of effective communication with the employees of the company and confirming the initiative of the presence of the Human Resources Group in Al-Zour area of the Employment Association Committee, representatives of the Human Resources Group's task forces were present at Al-Zour complex in March 2023, where the questions and suggestions of the employees were answered. The initiatives and diversity indicators implemented in KIPIC by the Job Association Project are varied, just like the range of development programmes offered, including rotation, reverse training, job synergy, and on-the-job training.

In June 2023, the manager of the Training and Career Development Group initiated a programme to boost employee job engagement and enhance training levels. This involved organising a competition to select the most innovative idea that would improve performance and contribute to the overall development of training services within the company.

The Open Day event was also conducted for national employees in Kuwaiti contracts for the second year in a row, in collaboration with the Corporate Communications Group and the Customer Service Team in Al-Zour. The objective was to foster a positive work environment and increase job engagement. All employees of the company participated in the job engagement questionnaire as part of a comprehensive campaign across the energy sector and KIPIC's dedication to assessing the level of job engagement among employees. The participation rate was 100%. All objectives associated with the job engagement project that were established for the fiscal year 2023-2024 had been implemented by the company's various departments at a rate of 120% up until March 2024.

8

Our Community



KIPIC is committed to making positive contributions to the community through a range of initiatives that promote social responsibility and support education and development, believing that this is important in enhancing its reputation, increasing customer and employee confidence, and building positive relationships with the local community. In addition, commitment to social responsibility can lead to improved financial performance and increased value for stakeholders, making it a strategic investment that consolidates long-term growth and innovation.

Promoting Local Economic Growth

In accordance with Kuwait Petroleum Corporation's strategy for local content in 2040, KIPIC aims to increase the proportion of national products and local services in the total value of product and service purchases to 35%. This strategy is in addition to other initiatives that are designed to provide opportunities for direct and indirect work for national employees within the company, as the company's projects are specifically designed to increase local content in the national economy. The company's local spending ratio had attained 36.7% of total operating and capital expenses by the end of March 2024, as indicated by the following table:

Local content for the fiscal year 2023/2024 A thousand D. K	
Local content of operating expenses	30,742
Local content of capital expenditures	5,529
Gross local content	36,271

Our social responsibility

By actively contributing to the development of Kuwaiti society and promoting sustainable development, Kuwait Integrated Petroleum Industries Company aspires to be a prominent company in the field of social responsibility through its sustainability strategy. KIPIC has implemented an integrated programme in order to safeguard the environment, preserve natural resources, strengthen relationships with Kuwaiti society, and improve communication. A variety of community activities were organised during the fiscal year 2023-2024, including but not limited to:

- A delegation from the Organisation of Arab Petroleum Exporting Countries (OAPEC) was hosted in May 2023 to gain insight into the most recent advancements in the Kuwaiti oil industry as well as the company's diverse activities and best practices.
- May 2023 saw the hosting of a delegation from the UAE's Abu Dhabi National Oil Company (ADNOC) to exchange best practices.
- In May 2023, KIPIC hosted a delegation of young engineers from Kuwait National Petroleum Company for three consecutive days as part of the field training programme. The purpose of the visit was to introduce the engineers to the major initiatives of the company.
- An internal programme was implemented to focus on the employees of Kuwait Petroleum Corporation (KPC) and its subsidiaries. The programme was implemented over a three-month period (October–January 2024) and included field tours for each company to provide a comprehensive presentation on the activities of Kuwait Integrated Petroleum Industries Company.
- Organising six social activities for the contractor's employees at Al-Zour Refinery and the Permanent Liquid Natural Gas Import Terminal to introduce Kuwaiti heritage in the implementation of the communication plan with internal segments of the public.
- Participating in the Kuwait University Career Opportunities Exhibition in October 2023.
- In July 2023, a delegation from the Ministry of Oil was hosted.
- Launching a media campaign to increase awareness and encourage environmental preservation in schools and throughout the community.
- Distributing souvenirs and engaging with the Kuwaiti community in the vicinity of Al-Zour Mall throughout November 2023.
- Participation in the inaugural media forum of Kuwait University in December 2023 with the objective of emphasising the critical role of the government sector in the enhancement of the country's long-term development plan and strategy. The KIPIC Pavilion attracted a significant number of students and faculty members who were interested in learning about our involvement in providing this opportunity.

- The organisation of five awareness lectures for students at different educational levels.
- Organising seven field visits for students from Kuwait University, the Australian College in Kuwait, and the Gulf University to acquire a better understanding of the company's operations in the context of its vision and relationship with society.
- The comprehensive planning group, which represents the company, embarked upon an initiative to address recycling violations. The planning team organised a field visit to the MRC factory in February 2024 to identify plastic waste and its influence on environmental life and sustainable development. They also collected the plastic water bottle caps used by the team for recycling. This initiative is a result of the company's recognition of the increasing environmental and societal concerns that are on the minds of the local and global communities, further enhancing the company's philosophy of "Making More Possible."
- In relation to the most recent developments regarding the company's community service in reducing the Audit Bureau's remarks, the company has received the highest evaluation among the oil companies affiliated with Kuwait Petroleum Corporation, at a first-place rating of 5/5.
- In terms of the implementation of the Right to Access Law, it is important to note that KIPIC provides its employees with information that is within their right to access under the Right to Access Information Law. This information grants them administrative or labour rights, as applicable. The company implemented this law by publishing a comprehensive guide to the basic documents required by the employee on the company's official website, establishing a mechanism for requesting information, and launching a media campaign to receive any requests in a transparent manner. Additionally, the process of paying fees for access requests was facilitated through the electronic payment platform "P2K."

9

Financial performance report

independent auditor's report and financial statements

For the year ending 31 March 2024

The Company's Financial Report

The financial results of the financial year ending on 31/3/2024 are presented in this report, and they are compared to those of the previous year ending on 31/3/2023. The total assets on the balance sheet decreased by 7% from 6,092,527,990 Kuwaiti dinars in the fiscal year ending on 31/3/2023 to 5,675,182,891 Kuwaiti dinars. The main reason for this drop is the recording of 363 million Kuwaiti dinars in accumulated consumption expenses from previous years. This occurred subsequent to the effective conversion of assets that were still under construction into operating assets in accordance with International Accounting Standard (IAS 16).

Furthermore, in order to reduce the effect of the substantial increase in interest rates on the dollar during the fiscal year 2023-2024, the company's management made a strategic decision to redeem a portion of the external loans in advance, totalling 58 million KD, a decision that contributed to the reduction of financing expenses.

Revenues:

The company's total revenues amounted to 3,313,551,508 Kuwaiti dinars during the fiscal year 2023/2024, an increase of 2,413,602,699 Kuwaiti dinars over the previous year's revenues, according to the following chart:

Statement (Kuwaiti dinar)	2023/2024	2022/2023
Revenue from refining operations	3,133,785,666	736,457,497
Revenue from liquefied gas facilities	170,286,745	157,040,863
Other revenues*	9,479,097	6,450,449
Total revenue	3,313,551,508	899,948,809

*Includes interest on deposits with Kuwait Petroleum Corporation.

Profit and Loss:

The company's operations for the fiscal year 2023-2024 resulted in a net loss of 482,476,664 Kuwaiti dinars, which is a decrease from the net loss of 171,613,424 Kuwaiti dinars in the previous year. The subsequent table illustrates the allocation of profits and losses among the company's diverse operations:

Statement	Kuwaiti Dinar
Profits (losses) resulting from refining operations	(389,112,664)
Profits (losses) resulting from the services of liquefied gas facilities	60,447,042
General and administrative expenses	(68,369,893)
Consumption	(37,756,717)
Other revenues	9,455,724
Other expenses*	(57,102,771)
Allotments	-
Remuneration for board members	(37,385)
Total profits (losses)	(482,476,664)

*Includes financing costs and foreign exchange differential loss.

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 2024

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

Content	Page

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Independent auditor's report

The Shareholder
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 2024, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material 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 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting 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 Accounting 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.

KPMG

Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the 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 2024 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: 9 May 2024

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

Statement of financial position
as at 31 March 2024

	Notes	2024 KD '000	2023 KD '000
Assets			
Property, plant and equipment	*4*	**5,229,827**	5,672,517
Deferred expenses	*11*	**11,598**	12,714
Right-of-use assets	*5*	**2,584**	2,986
Non-current assets		**5,244,009**	5,688,217
Inventories	*7*	**340,832**	227,631
Other receivables	*6*	**11,878**	15,839
Due from related parties	*8*	**69**	5
Term deposits held by the Parent Corporation	*8*	**60,114**	103,212
Cash and cash equivalents	*9*	**18,281**	57,624
Current assets		**431,174**	404,311
Total assets		**5,675,183**	6,092,528
Equity			
Share capital	*10*	**1,800,000**	1,800,000
Accumulated losses		**(1,045,785)**	(563,310)
Total equity		**754,215**	1,236,690
Liabilities			
Employees' end of service benefits	*16*	**48,271**	39,594
Lease liabilities	*5*	**1,481**	327
Loans and borrowings	*11*	**442,776**	577,311
Non-current liabilities		**492,528**	617,232
Loans and borrowings	*11*	**77,105**	76,975
Lease liabilities	*5*	**1,720**	3,221
Other payables and accruals	*12*	**147,684**	162,054
Financing received from the Parent Corporation	*8*	**3,793,870**	3,895,422
Due to related parties	*8*	**408,061**	100,934
Current liabilities		**4,428,440**	4,238,606
Total liabilities		**4,920,968**	4,855,838
Total equity and liabilities		**5,675,183**	6,092,528

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

Shukri A/Aziz Al-Mahrous
Chairman

Wadha A. Al-Khateeb
A/Chief Executive Officer

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

Statement of profit or loss and other comprehensive income
for the year ended 31 March 2024

	Notes	2024 KD '000	2023 KD '000
Pre-commissioning revenue	13	**3,304,096**	893,498
Pre-commissioning expenses	14	**(3,632,761)**	(975,896)
Gross loss		**(328,665)**	(82,398)
Staff costs		**(44,384)**	(34,978)
Service and maintenance contract costs		**(20,166)**	(18,484)
General and administrative expenses	*15*	**(3,819)**	(2,975)
Depreciation	*4&5*	**(37,757)**	(5,704)
Interest income		**4,460**	4,824
Finance costs		**(53,409)**	(28,916)
Other income		**4,995**	1,626
Foreign currency exchange loss		**(3,693)**	(4,574)
Loss for the year before board of directors' remuneration		**(482,438)**	(171,579)
Board of directors' remuneration	*8*	**(37)**	(35)
Loss for the year		**(482,475)**	(171,614)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(482,475)**	(171,614)

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 2024

	Share capital KD '000	Accumulated losses KD '000	Total KD '000
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
Balance at 1 April 2023	**1,800,000**	**(563,310)**	**1,236,690**
Net loss and total comprehensive loss for the year	**-**	**(482,475)**	**(482,475)**
Balance at 31 March 2024	**1,800,000**	**(1,045,785)**	**754,215**

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 2024

	Notes	2024 KD '000	2023 KD '000
Cash flows from operating activities			
Loss for the year		**(482,475)**	(171,614)
Adjustments for:			
Interest income		**(4,460)**	(4,824)
Finance costs		**53,410**	28,916
Provision for employees' end of service benefits	*16*	**10,652**	7,634
Depreciation	*4&5*	**497,645**	10,952
Foreign currency exchange loss		**3,691**	4,574
Amortisation of deferred expenses		**1,242**	489
		79,705	(123,873)
Changes in:			
- other receivables		**7,912**	57,981
- inventories		**(113,545)**	(185,873)
- other payables and accruals		**(15,253)**	(60,669)
- due from related parties		**(64)**	61,741
- due to related parties		**(189,076)**	89,953
- end of service benefits paid	*16*	**(1,975)**	(945)
Net cash flows used in operating activities		**(232,296)**	(161,684)
Cash flows from investing activities			
Purchase of property, plant and equipment	*4*	**(52,024)**	(74,730)
Proceeds from term deposits held by the Parent Corporation		**241,193**	152,443
Placement of term deposits held by the Parent Corporation		**(198,035)**	(172,940)
Interest received		**382**	496
Net cash flows used in investing activities		**(8,484)**	(94,731)
Cash flows from financing activities			
Financing received from the Parent Corporation	*8*	**373,904**	307,430
Payment of lease liabilities	*5*	**(2,996)**	(3,515)
Payment of borrowings		**(135,401)**	(76,977)
Finance costs paid		**(34,070)**	(19,799)
Net cash flows generated from financing activities		**201,437**	207,139
Net change in cash and cash equivalents		**(39,343)**	(49,276)
Cash and cash equivalents at beginning of the year		**57,624**	106,900
Cash and cash equivalents at end of the year	*9*	**18,281**	57,624
Non-cash transactions excluded from the statement of cashflows			
Due to related Party		**494,715**	7,519
Financing received from Parent Corporation		**(494,715)**	(7,519)

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 with 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 5 May 2024 and are subject to the approval of the Shareholder of the Company at the annual general assembly, which has the power to amend these financial statements after issuance.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), the requirements of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations, and the Company's Memorandum of Incorporation 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) Going concern basis of accounting

For the year ended 31 March 2024, the Company has recognised a net loss of KD 482,475 thousand (2023: KD 171,614 thousand) and, as of that date, the Company had accumulated losses of KD 1,045,785 thousand (2023: KD 563,310 thousand) and its current liabilities exceeded its current assets by KD 3,997,266 thousand (2023: KD 3,834,295 thousand). However, as described in note 8, a significant portion of the current liability is the financing received from the Parent Corporation.

Notwithstanding the above, the financial statements have been prepared on a going concern basis as the Parent Corporation has committed to provide financial support to the Company. The financial statements do not include any adjustments relating to the recoverability and classification of liabilities that may be necessary if the Company is not able to continue as a going concern.

The management believes that the Parent Corporation has the ability and intent to continue to provide indefinite financial support to the Company's operations.

Based on these factors, management has a reasonable expectation that the company has and will have adequate resources to continue in operational existence for the foreseeable future.

d) 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.

e) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS Accounting 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)).

f) Changes in accounting policies

A number of amendments to standards and interpretations are effective for annual periods beginning on 1 April 2023 as below:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2;
- Definition of Accounting Estimates – Amendments to IAS 8;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction –
- Amendments to IAS 12; and
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12.

The above amendments did not have any material impact on the financial statements of the Company for the year ended 31 March 2024.

Other amendments to IFRS which are effective for annual accounting period starting from 1 April 2023 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 2024.

g) 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.

- Non-current Liabilities with Covenants – Amendments to IAS 1 and Classification of Liabilities as Current or Non-current – Amendments to IAS 1;
- Disclosure Relating to Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7);
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16;
- Lack of Exchangeability – Amendments to IAS 21; and
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture Amendments to IFRS 10 and IAS 28.

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. Material 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 (f).

In addition, the Company has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 April 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies.

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 the statement of profit or loss and other comprehensive income as incurred.

Depreciation is recognised in the 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 and ships	5 to 13 years
Furniture, tools and utilities	4 to 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 the 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.

Since the refineries are still in the pre-commissioning phase and under construction, the revenue generated via the sale of goods are related to testing revenues.

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) <u>Impairment of non financial assets</u>

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 of 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 income.

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 related parties 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 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, maximising the use of relevant observable inputs and minimising 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 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 recognised in 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.

Uncertainty due to going concern

Management is required to assess the entity's ability to continue as a going concern and consider all available information about the entity's future. Management should consider a wide range of factors, such as: current and expected profitability, debt repayment schedules and potential sources of replacement financing and the ability to continue providing services. In some cases, management may conclude that there are no material uncertainties related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. However, reaching that conclusion involved significant judgement.

4. Property, plant and equipment

	Buildings and facilities KD '000	Plant and machinery KD '000	Tankage and pipelines KD '000	Vehicles KD '000	Furniture tools, and utilities KD '000	Computers KD '000	Assets under construction KD '000	Total KD '000
Cost								
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
Additions	**7**	**73**	**3**	**80**	**19**	**-**	**51,842**	**52,024**
Transferred from assets under construction	**281,446**	**2,333,721**	**1,425,255**	**6,111**	**114,185**	**955**	**(4,161,673)**	**-**
Balance at 31 March 2024	**1,028,222**	**2,761,221**	**1,602,542**	**6,721**	**117,440**	**2,253**	**216,195**	**5,734,594**
Accumulated depreciation								
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
Charge for the year	**105,960**	**221,955**	**143,964**	**1,277**	**20,849**	**709**	**-**	**494,714**
Balance at 31 March 2024	**110,542**	**224,074**	**145,270**	**1,752**	**21,563**	**1,566**	**-**	**504,767**
Carrying amounts								
At 31 March 2024	**917,680**	**2,537,147**	**1,457,272**	**4,969**	**95,877**	**687**	**216,195**	**5,229,827**
At 31 March 2023	742,187	425,308	175,978	55	2,522	441	4,326,026	5,672,517

The depreciation charge of KD 459,888 thousand (2022: 5,248) has been included in pre-commissioning expenses (note 14).

The Al-Zour refinery land have been granted by the Government of Kuwait to be used for sole purpose of operating the refinery. Moreover, Kuwait Oil Company K.S.C granted the land in which the Head office building has been constructed to be used for that sole purpose. Both lands have been granted with no underlying payment commitments.

Assets under construction includes the following projects:

	2024 KD '000	2023 KD '000
Al-Zour refinery (AZR)	**71,279**	3,596,782
Liquefied natural gas import (LNGI)	**69,496**	662,159
Petrochemical complex (PC)	**74,403**	66,751
Head office	**1,017**	334
	216,195	4,326,026

On 3 December 2023, the third phase of Al-Zour refinery was inaugurated, subject to receipt of final asset completion certificate. The certificate is expected to be received in 2024-2025. The petrochemical complex is expected to be developed between the years 2025 and 2030. All the eight tanks of LNGI are mechanically completed and are currently in the pre-commissioning phase.

During the year, the Company capitalised borrowing costs amounting to KD nil thousand (2022: KD 16,772 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 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
As at 1 April 2023	**2,986**	**3,548**
Additions during the year	**2,851**	**2,851**
Termination / modification during the year	**(322)**	**(335)**
Depreciation of right-of-use assets	**(2,931)**	**-**
Finance costs on lease liabilities	**-**	**132**
Payment of lease liabilities	**-**	**(2,996)**
As at 31 March 2024	**2,584**	**3,201**

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

	2024 KD '000	2023 KD '000
Non-current	**1,481**	327
Current	**1,720**	3,221
	3,201	3,548

The Company has discounted its future lease obligations using its incremental borrowing rate which is determined to be 5.5% (2023: 5.5%) per annum as at the reporting date.

The amounts recognised in the statement of profit or loss and other comprehensive income is set of below:

	2024 KD '000	2023 KD '000
Finance costs on lease liabilities	**(132)**	(210)
Depreciation of right-of-use assets	**(2,931)**	(3,431)
	(3,063)	(3,641)

The amounts recognised in statement of cash flows is set of below:

	2024 KD '000	2023 KD '000
Payment of lease liabilities	**(2,996)**	(3,515)

6. Other receivables

	2024 KD '000	2023 KD '000
Advance payments	**8,197**	11,372
Other receivables	**3,503**	3,396
Accrued interest	**178**	1,071
	11,878	15,839

7. Inventories

	2024 KD '000	2023 KD '000
Fuel oil	**138,079**	54,831
Diesel	**47,313**	36,835
Kerosene	**28,656**	26,753
Crude oil	**26,270**	23,673
Naphtha	**14,454**	15,037
Sulfur	**3,121**	1,546
Intermediate products	**49,641**	63,360
Spare parts and other consumables	**33,298**	5,596
	340,832	227,631

As at the reporting date, there were no obsolete or slow-moving inventories that required provision to be recorded in the statement of profit or loss and other comprehensive income for the year ended 31 March 2024 (31 March 2023: nil).

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 and external finance advances from Parent Corporation. These balances have no agreed repayment schedule. Accordingly, these balances are considered receivable/payable on demand.

	2024 KD '000	**2023 KD '000**
Transactions with related parties		
Financing received from the Parent Corporation	**373,904**	307,430
Pre-commissioning revenue from the Parent Corporation	**3,304,096**	893,498
Interest income	**4,460**	4,824
General and administrative expenses	**15,347**	12,834
Purchase of crude oil from the Parent Corporation	**3,079,079**	1,002,934
Purchase of lean gas from the Parent Corporation	**36,456**	30,004
Key management Compensation		
Short-term benefits	**544**	350
Termination benefits	**94**	59
Board of directors' remuneration	**37**	35
	675	444

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 2023 was approved by the shareholders in the Company's Annual General Assembly Meeting held on 18 July 2023.

	2024 KD '000	**2023 KD '000**
Balances with related parties		
Funds held by the Parent Corporation maturing within three months from date of placement (Note 9)	2,677	25,450
Terms deposits held by the Parent Corporation	60,114	103,212
Financing received from the Parent Corporation	3,793,870	3,895,422
Accrued interest income from Parent Corporation	178	1,071
Due from related parties (Parent corporation and entities under common control)		
Kuwait Gulf Oil Company (KGOC)	-	5
Kuwait Petroleum International	69	-
	69	5

	2024 KD '000	2023 KD '000
Due to related parties (Parent corporation and entities under common control)		
Kuwait National Petroleum Company K.S.C.	**438**	16
Kuwait Oil Company K.S.C.	**4,215**	6,295
Kuwait Petroleum Corporation	**403,408**	94,588
Kuwait Petroleum International Limited	**-**	26
Petrochemical Industrial Company K.S.C.	**-**	9
	408,061	100,934

Term deposits held by Parent Corporation at the time of placement have maturities of more than three months and less than one year, and include deposits denominated US dollars and in KD. The interest rate on term deposits placed in KD is ranging from 4.13% to 4.80% and interest rate on term deposits placed in USD is 5.90% (31 March 2023: deposits in KD is 5.35%) 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

	2024 KD '000	2023 KD '000
Cash at banks	**15,604**	32,174
Funds held by the Parent Corporation maturing within three months from date of placement (Note 8)	**2,677**	25,450
	18,281	57,624

Funds held by the Parent Corporation are term deposits that at time of placement have maturities of less than three months, consisting of deposits denominated in US dollars and KD. The effective rate of interest on funds held by the Parent Corporation in KD is nil and interest rates on funds held by the Parent Corporation in US dollars 5.85% respectively (2023: KD is 5.125% and US dollars is 5.30%) 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 (2023: 1,800 million shares of KD 1 each, equivalent to KD 1,800 million), fully contributed in cash.

Voluntary reserve

In accordance with the Company's memorandum of incorporation and 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 Voluntary reserve as the Company incurred losses during the year.

11. Loans and borrowings

	2024 **KD '000**	**2023** **KD '000**
Non-current		
Export credit agencies loans	**201,347**	298,740
Long term loans	**241,429**	278,571
	442,776	577,311
Current		
Export credit agencies loans	**39,962**	39,832
Long term loans	**37,143**	37,143
	77,105	76,975
Total loan and borrowings	**519,881**	654,286

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

	2024 **KD '000**	**2023** **KD '000**
Balance at the beginning of the year	**654,286**	728,174
Payment of loans and borrowings	**(135,402)**	(76,977)
Foreign currency exchange differences	**997**	3,089
Balance at the end of the year	**519,881**	654,286

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:

	2024 KD '000	2023 KD '000
Islamic financing	**111,429**	126,286
Conventional financing	**167,143**	189,428
	278,572	315,714

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 11,598 thousand (2022: KD 12,714) represent the costs incurred to obtain the ECA Financing and Long term loans and the balance is amortised over the term of the loan.

12. Other payables and accruals

	2024 KD '000	2023 KD '000
Payables to suppliers	**44,563**	26,749
Retentions payable	**62,331**	106,148
Accrued utilities	**11,039**	6,032
Other payables	**22,451**	15,293
Interest payable	**7,300**	7,832
	147,684	162,054

13. Pre-commissioning revenue

	2024 KD '000	2023 KD '000
Fuel oil	**1,400,111**	319,540
Diesel	**783,278**	174,400
Kerosene	**631,056**	151,355
Naphtha	**299,952**	87,258
Liquified petroleum gas	**10,919**	1,997
Sulphur	**8,470**	1,907
Other operating revenue	**23**	-
LNGI service revenue	**170,287**	157,041
	3,304,096	893,498

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.

14. Pre-commissioning expenses

	2024 KD '000	2023 KD '000
Cost of crude oil and gas	**3,029,691**	851,511
Staff costs	**62,145**	57,186
Other costs	**81,037**	61,951
Depreciation (note 4)	**459,888**	5,248
	3,632,761	975,896

15. General and administrative expenses

	2024 KD '000	2023 KD '000
Rental expenses	**850**	733
Professional fees	**561**	700
Marketing and public relation expenses	**529**	231
Other expenses	**1,879**	1,311
	3,819	2,975

16. Employees' end of service benefits

	2024 KD '000	2023 KD '000
Balance at beginning of the year	**39,594**	32,905
Charge for the year	**10,652**	7,634
Payments made during the year	**(1,975)**	(945)
Balance at end of the year	**48,271**	39,594

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.

	2024 KD '000	**2023 KD '000**
Other receivables	**3,681**	4,467
Due from related parties	**69**	5
Term deposits held by the Parent Corporation	**60,114**	103,212
Cash and cash equivalents	**18,281**	57,624
	82,145	165,308

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 2024, 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
2024						
Loans and borrowings	**519,880**	**25,814**	**77,392**	**462,671**	**60,634**	**626,511**
Financing received from the Parent Corporation	**3,793,870**	**-**	**3,793,870**	**-**	**-**	**3,793,870**
Other payables and accruals	**147,686**	**-**	**147,686**	**-**	**-**	**147,686**
Lease liabilities	**3,201**	**578**	**847**	**1,802**	**-**	**3,227**
Due to related parties	**408,061**	**408,061**	**-**	**-**	**-**	**408,061**
	4,872,698	**434,453**	**4,019,795**	**464,473**	**60,634**	**4,979,355**
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 a related party	100,934	100,934	-	-	-	100,934
	4,816,244	122,042	4,120,083	324,300	282,614	4,849,039

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.

	2024 KD '000	2023 KD '000
Assets	15,745	8,689
Liabilities	(885,005)	(592,673)
Net short exposure	(869,260)	(583,984)

The following exchange rates has been applied:

	Average rate		Year-end spot rate	
	2024	**2023**	**2024**	**2023**
US Dollars	**0.307**	0.306	**0.307**	0.306

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 134 thousand (2022: KD 91 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 5,198 thousand (2023: KD 6,542 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 equity is calculated as equity as shown in the statement of financial position.

The gearing ratios at the reporting date are as follows:

	2024 **KD '000**	**2023** **KD '000**
Total liabilities	**4,920,968**	4,855,838
Less: cash and cash equivalents	**(18,281)**	(57,624)
Net debt	**4,902,687**	4,798,214
Total equity	**754,215**	1,236,690
Total capital	**5,656,902**	6,034,904
Gearing ratio	**86.67%**	79.51%

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

	2024 KD '000	2023 KD '000
Contractual commitments		
Property, plant and equipment under construction	**50,574**	74,593
Contingent liabilities		
Bank Guarantees	**3,945**	3,945

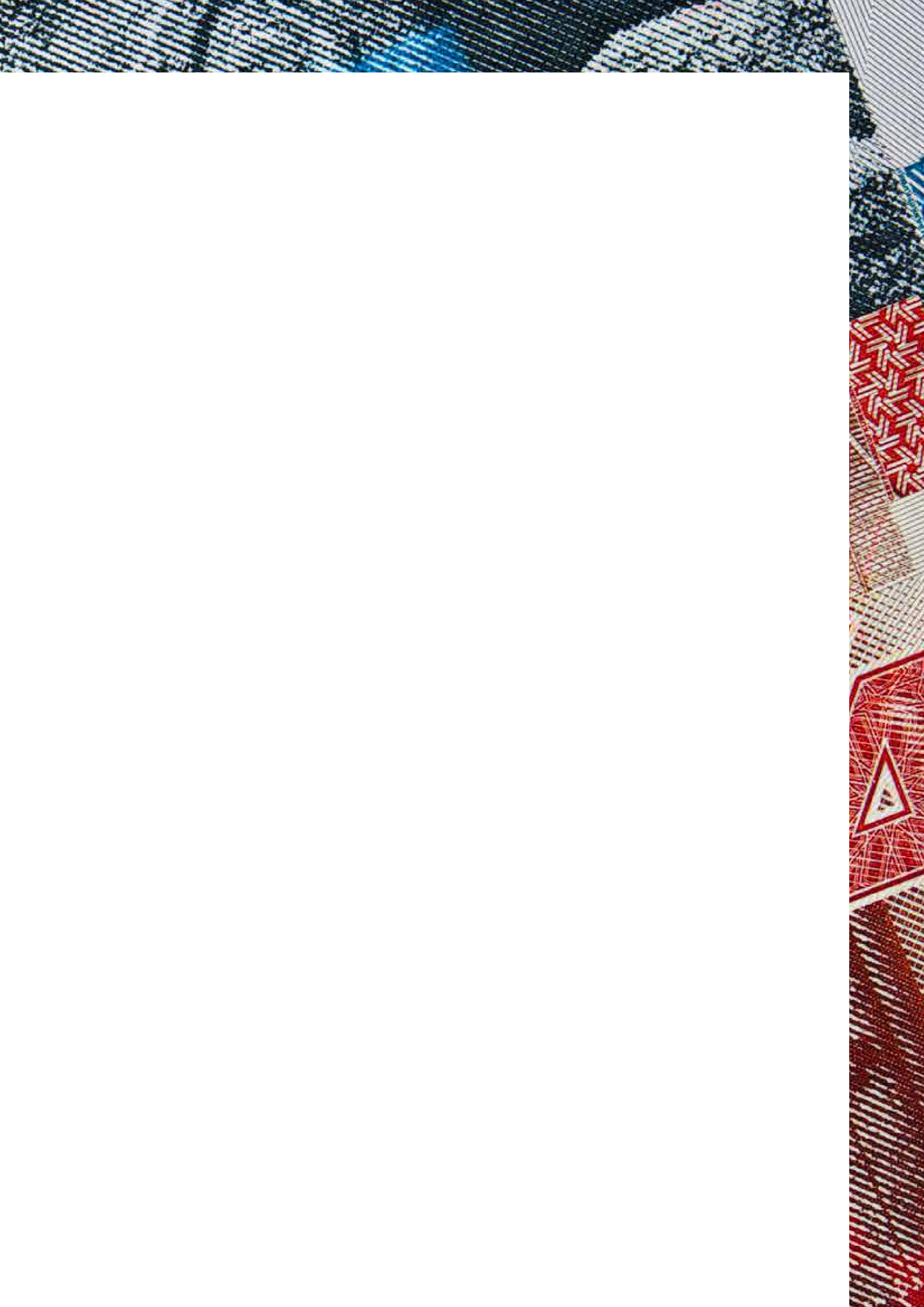
21. Annual General Assembly

The Shareholder's Annual General Assembly was held on 18 July 2023 and approved the annual audited financial statements of the Company for the year ended 31 March 2023.

22. Interest rate benchmark reform − Phase 2

The Company has exposure to the LIBOR, the benchmark interest rate, only through its ECA financing, which will be replaced as part of the fundamental reform of various major interest rate benchmarks.

The Company is in discussion with the Banks and financial institutions to effect an orderly transition of USD exposures to the relevant risk-free rate ("RFR"). As at the reporting date, the interim interest rate used in the ECA financing is 'synthetic' Libor benchmark rates published by ICE Benchmark Administration. Moreover, the Company does not expect to have a material impact on the financial statements due to the LIBOR transition.



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