



إحدى شركات مؤسسة البترول الكويتية  
A Subsidiary of Kuwait Petroleum Corporation



# 2022/2023 ANNUAL REPORT





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**His Highness, the Amir of Kuwait,  
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah**





**His Highness, the Crown Prince,  
Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah**

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Chairman of the board



**Ahmed Al-Eidan**  
Chief Executive Officer



**Khaled Al-Khamees**  
Deputy Chairman



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Board Member



**Menahi Al-Enzi**  
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**Khaled Al-Khayat**  
Board Member

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**Ahmed Jaber Al-Eidan**

Chief Executive Officer



**Taleb Al-Kharqawi**

Manager Internal Audit

**Saud Faraj Al-Shammari**

Manager Legal Affairs

**Fahad Salem Al-Kharqawi**

Manager CEO Office

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DEPUTY CEO  
Major Projects & Technical Services

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DEPUTY CEO  
Exploration & Drilling

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DEPUTY CEO  
Planning & Finance

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DEPUTY CEO  
Administration

**Ali Hussain Al-Kandari**

DEPUTY CEO  
North Kuwait

**Fuad Mohammed Al-Shaikh Saleh**

DEPUTY CEO  
West Kuwait

**Eisa AbdulRahman Al-Maraghi**

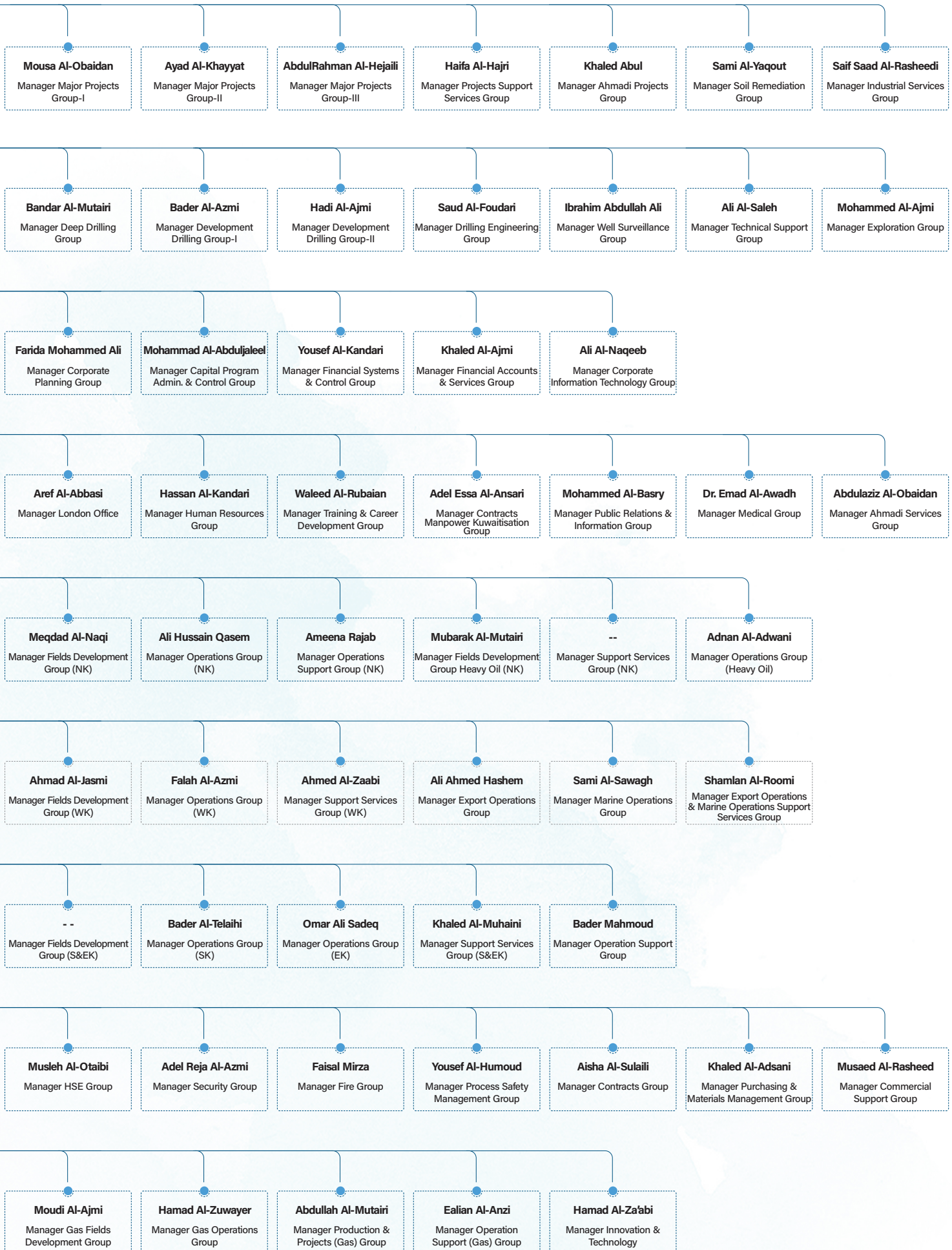
DEPUTY CEO  
South & East Kuwait

**AbdulWahab Mohammed Al-Mithin**

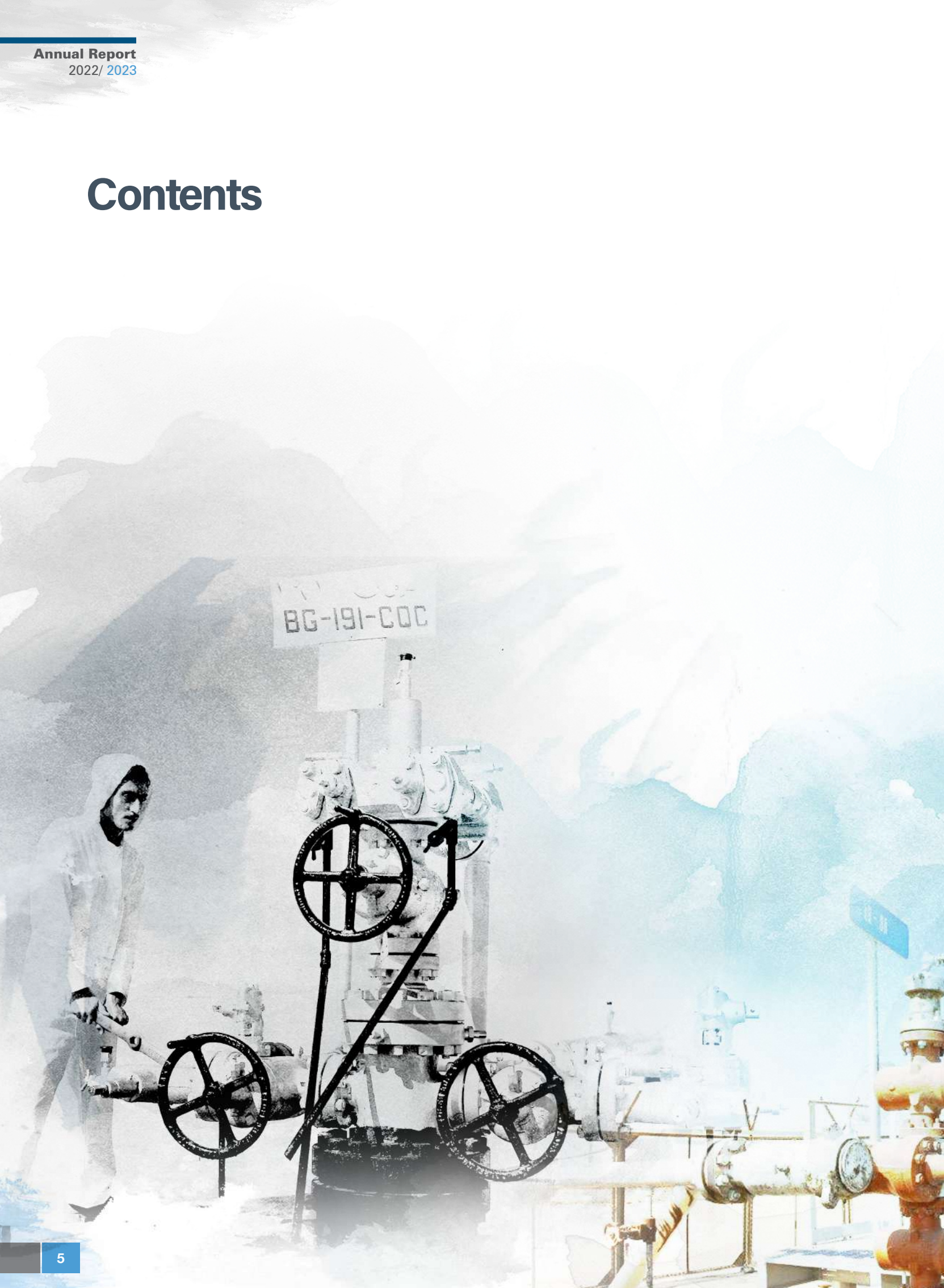
DEPUTY CEO  
Commercial & Corporate Services

**Bader Ahmed Al-Munaifi**

DEPUTY CEO  
Gas & Innovation



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# Introduction

Over the course of the 2022/2023 fiscal year, KOC has continued to overcome the various challenges faced during the year. The most prominent challenge facing KOC was to seek maximum production capacity in order to meet domestic and global demand for various types of oil such as Kuwaiti Export Oil, high-quality Light Kuwaiti Oil, Heavy Oil, as well as free and associated natural gas.

The world has been affected by the repercussions of the COVID-19 pandemic for the past two years, However, the company successfully reaped what it had sown throughout the years, implemented the lessons learned, and benefited from various best practices within international standards to reach the desired oil production levels, as KOC has witnessed a continuous increase in production since the previous year. Worth noting is that a continuous effort was made to increase the production capacity of the Greater Burgan field, which proved successful as the company reached the desired production level three months before the scheduled date. Subsequently, the company raised the future projections for the production capacity of Burgan field for the next two years by emphasizing cooperation, joint responsibility, and unified team spirit within KOC.

KOC is recommitting its production efforts in order to remain a reliable supplier of energy to the world. In this regard, field exploration and production activities continued to move on, with KOC initiating the drilling of 463 new wells for Crude Oil and Non-Associated Gas across KOC's areas of operation. Moreover, the number of workover jobs reached 1,814, which led to the execution of several development programs and registered a new discovery of oil and gas in the Kra-Al-Marū field.

Throughout the past fiscal year, KOC has continued to acquire and utilize various forms of advanced technology in all aspects of its industrial and administrative programs to reduce costs and improve the performance of its operations.

For the second time in its history, KOC has achieved a new record in reducing natural gas flaring rates in the company's operations within the country to 0.45%. Reducing the flaring to this rate is less than half of last year's target of 0.98%, reflecting KOC's keenness to keep pace with the constant development of the oil and

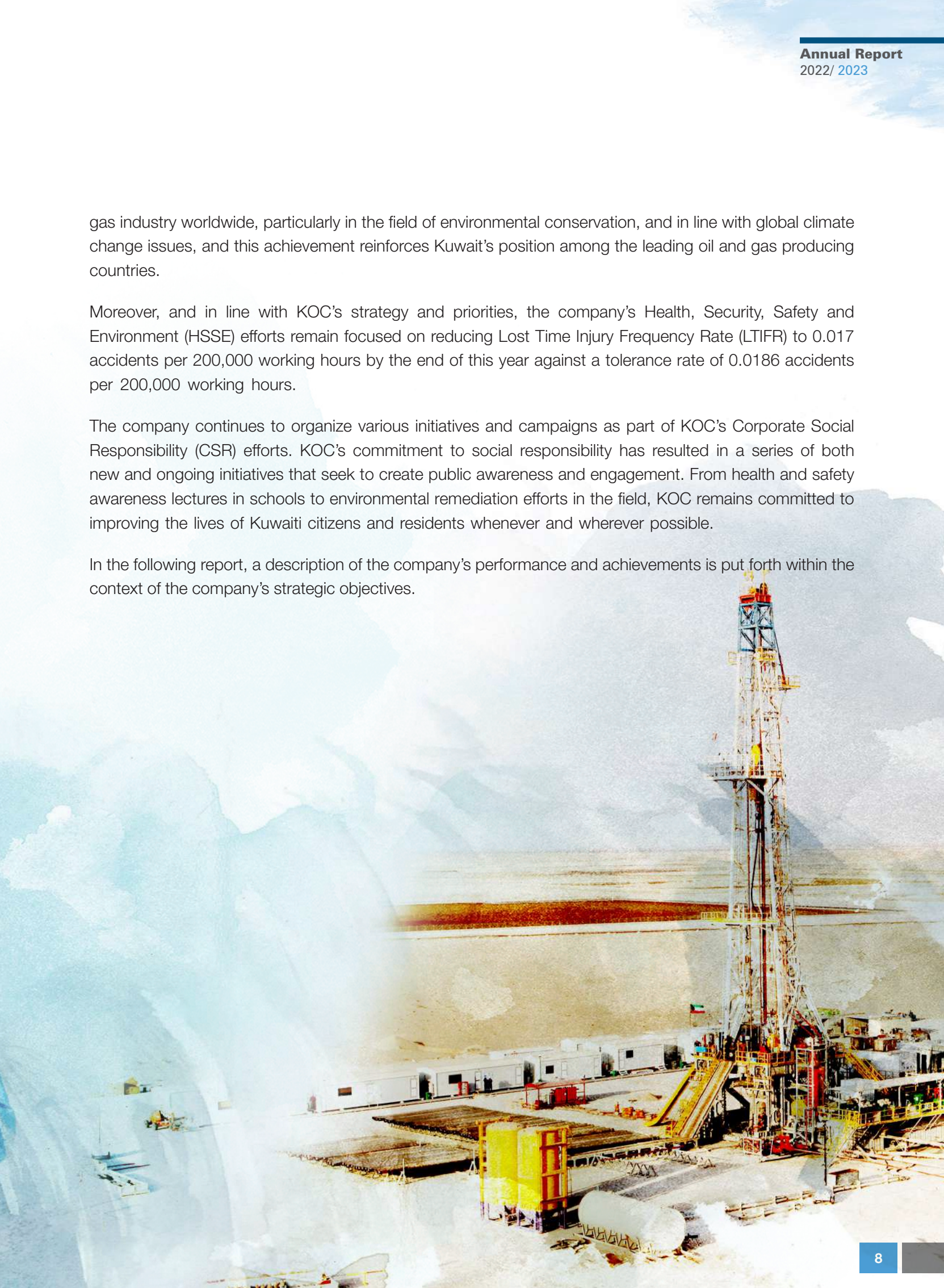


gas industry worldwide, particularly in the field of environmental conservation, and in line with global climate change issues, and this achievement reinforces Kuwait's position among the leading oil and gas producing countries.

Moreover, and in line with KOC's strategy and priorities, the company's Health, Security, Safety and Environment (HSSE) efforts remain focused on reducing Lost Time Injury Frequency Rate (LTIFR) to 0.017 accidents per 200,000 working hours by the end of this year against a tolerance rate of 0.0186 accidents per 200,000 working hours.

The company continues to organize various initiatives and campaigns as part of KOC's Corporate Social Responsibility (CSR) efforts. KOC's commitment to social responsibility has resulted in a series of both new and ongoing initiatives that seek to create public awareness and engagement. From health and safety awareness lectures in schools to environmental remediation efforts in the field, KOC remains committed to improving the lives of Kuwaiti citizens and residents whenever and wherever possible.

In the following report, a description of the company's performance and achievements is put forth within the context of the company's strategic objectives.





# CEO's Message



**Ahmed Jaber Al-Eidan**

I am pleased to present this annual report, which highlights the achievements of the past fiscal year, 2022-2023. KOC has made significant progress across various fronts, aligning with our strategic goals and the oil sector's 2040 strategy. We have successfully implemented numerous projects and initiatives while maintaining focus on existing plans. These efforts have enabled us to contribute to the development of the company, the oil sector, and the sustainable growth of Kuwait's economy.

Embracing the spirit of innovation, KOC has introduced several technological breakthroughs that have greatly enhanced our operations. These advancements have particularly benefited the exploration, drilling & production sectors, as well as our efforts in HSSE and social responsibility.

This report provides a comprehensive overview of the substantial events and achievements during the concluded year, along with key figures relating to the major divisions within our company including production, fields and reservoir development, as well as export operations of different types of oil. The report also emphasizes the critical aspect of sustainable development, which remains at the core of all our projects and initiatives.

In terms of oil and gas production, we have achieved outstanding results through the development of multiple fields and reservoirs. By leveraging the latest and most efficient technologies, we have witnessed notable increase in production and have successfully compensated for hydrocarbon reserves. Particularly, North Kuwait area achieved a new production record, and the South & East Kuwait area has regained its pre-COVID-19 pandemic level of production, especially in the Greater Burgan Field.

With regard to the environment, our company continues to break records by significantly reducing the percentage of gas flaring in our operations, where we have achieved a percentage as low as 0.5% — reinforcing Kuwait's position as a global leader in the partnership for combating emissions, as supervised by the World Bank. This achievement is a testimony to our commitment to environmental goals.

KOC also signed new contracts for environmental remediation, aiming to remediate soil pollution resulting from the invasion in 1990. To date, we have successfully remediated approximately two million tons of polluted soil.

The report sheds light on the increasing importance of gas production, as we strive to meet Kuwait's gas needs and reduce dependence on imports. With the tremendous efforts of our workforce and the recently added Jurassic facilities, we are making significant progress in this regard.

In our pursuit of excellence, we have placed great importance on Health, Safety, Security and the Environment (HSSE). Ahmadi Hospital has continued its development and modernization process, attracting distinguished medical, nursing, and support services staff. This commitment extends beyond medical services to include social initiatives, such as the Child Development Center, which provides leading services for children and parents.

Recognizing that creativity is a crucial factor in achieving success and excellence, we have established the Hubara Innovation Center. This center aims to foster creativity in various fields and plays a vital role in shaping Kuwait's future. Additionally, we have expanded the Kuwait Integrated Digital Field (KwIDF) to encompass more fields across different areas of our operations, therefore attributing to increased operational excellence through real-time access to integrated field data.

As we believe in the value of our human resources, KOC has implemented measures to enhance the efficiency of its workforce, enabling them to gain more experience and knowledge. We have also increased the percentage of Kuwaitization among our operations' workforce, which supports our joint goal with educational authorities of developing Kuwaiti youth and encouraging Nationals to work in the private sector.

The accomplishments mentioned above represent a glimpse of KOC's achievements during the concluded year. Our plans and projects for the future are more promising and we remain confident that our continued success will contribute to the sustainable development of the State of Kuwait.

Sincerely,

**Ahmad Jaber Al-Eidan**  
Chief Executive Officer  
Kuwait Oil Company



# 1<sup>st</sup> Strategic Objective

Achieve Sustainable Crude Oil Production Capacity



## • Crude Oil Production Capacity

KOC's efforts to increase and enhance crude oil production capacity continue by overcoming constraints and accomplishing achievements with the concerted efforts of all KOC employees, and these efforts continue to strive to reach the target production capacity for the coming years. Among the company's most notable achievements in enhancing crude oil production capacity as intended for fiscal year 2022/2023 are the following:

- 63 contracts were signed for new drilling and workover rigs during 2022/2023, which will support KOC's strategic goals.
- Kuwait Oil Company has launched a new stage in its history in line with the company's strategic plans to explore new reservoirs, increase reserves and production; offshore drilling (through spudding well NO-0001) has been started in August 2022. The team worked on availing the required information seamlessly and remotely from the rig site to KOC's offices, in addition to the necessary customization to achieve the full integration with current E&P information environment. This well is the first KOC offshore well drilled since the 1980's.
- The GC-32 commissioning, Crude and Effluent Water Export started in October 2022, followed by Processed and Condensate Gas Export in November 2022, will increase Production in the South and East areas by approximately 120,000 BOPD, and support KOC's strategies to produce 1.550 MBOPD in this area.
- KOC reached the highest oil production in Rawdatain Maudud of 76 MBOPD, due to the continuous efforts in improving reservoir by drilling producer wells and water injection, in addition to the improvement of the water injection performance in the reservoir.
- In Lower Fares reservoir / Um Niqa field; the production achieved a record by exceeding forecasted production during March 2023, having an actual daily production of more than 21,000 BOPD, which is a milestone in Um Niqa, is aligned with KOC's 2040 Strategy, and has a direct positive impact on KOC heavy oil marketing.
- For the first time in KOC, achieving the successful conversion of a total of six idle Smart-Completion-Observation-Wells into Producer-Wells adding 14,550 BOPD cumulative Oil Gain.
- 31 New Production wells (out of 45 wells) have been connected for production in fast track within 4 calendar days from the date of rig movement against the contractual duration of 21 days in WK Area during 2022/2023. Through implementing flowlines construction and associated works in parallel with the wells' drilling works, which ultimately provides the technical readiness for wells' connection works to start immediately after the rig movement within 4 days, 24hrs a day. Accordingly, an opportunity to start an early production by 17 days for each well was achieved, which represents 796,450 BOPD, and a net revenue of approximately 79,500,000 \$.
- KOC has signed five different contracts for the Installation of flowlines and associated works projects in the company's operations areas during 2022/2023.

- As part of KPC Strategic requirement, the segregation of Crude Oil Stream KMH (API 24) from GC-27 in West Kuwait area in addition to Ratawi Field production in KGOC has been carried out by allocating four dedicated storage tanks at the South Tank Farm. KMH supply to ZOR Refinery also was started in 28 February 2023 to meet KIPIC's requirements.

The following table shows the status of the most important projects in the company's areas of operation, which will contribute to the provision of technical solutions and overcome many challenges in the years to come:

Area	Project	Status
South & East Kuwait	Train 3 of Wara Pressure Maintenance Project (Wara PMP)	Under Construction
	GC-32 New Gathering Center for S&EK	Completed
West Kuwait	KOC FEED Pipelines for New Refinery Project (NRP)	Completed
	Marine Facilities Upgrade – Civil Project	Under Construction
	Marine Facilities Upgrade – Fleet Project	Under Construction
Drilling	Drilling of Six Exploratory Wells for Establishing Offshore Hydrocarbon Prospects in Kuwait's Territorial Waters	Under Construction
Gas Projects	Jurassic Production Facility 1,2,3 Upgrade – JPFs 1 & 2	Under Construction
	Jurassic Production Facility 1,2,3 Upgrade – JPF 3	Completed
	Jurassic Production Facility 4 & 5	Under Construction

#### • Drilling and Workovers (Excluding Non-Associated Gas)

The total number of wells that were drilled specifically for the production of oil (excluding Non-Associated Gas) reached 418 new wells, in addition to 1,798 workovers which were completed for the purpose of oil well maintenance.



# 2<sup>nd</sup> Strategic Objective

Achieve Sustainable Non-associated Gas Production



## **Production Capacity of Associated and Non-Associated Gas**

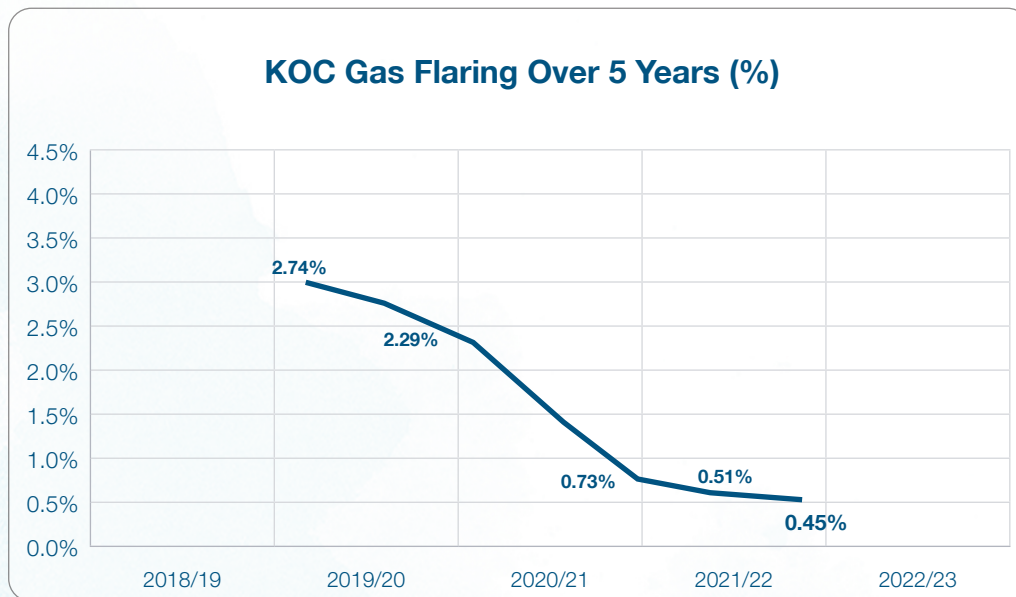
- KOC is exerting all efforts to achieve its 2040 Strategy goals, including achieving actual production capacity from Non-Associated Gas. In this regard, Jurassic Production Facility – 3 upgrade project was completed, while the company is continuing to upgrade the Jurassic Production Facilities – 1 and 2. Moreover, the construction of Jurassic Production Facilities – 4 & 5 is going on as per the plans.
- Non-associated gas production reached 522 MMSCFD by the end of the fiscal year. During the third quarter, and in line with KOC strategy, Non-associated gas production reached 570 MMSCFD for the first time ever in KOC, due to 5 new Jurassic wells connection with the current Jurassic facilities in the company.
- Marvelously, the year ended with a breakthrough in the appraisal of Jurassic gas reservoirs (Najmah Limestone) through successes in dedicated horizontal wells in Bahra (BH-0222) which was recorded as Kuwait's highest-ever Gas Production of 32 MMSCFD and Light Oil production of 9 MBOPD on the initial test.

## **Deep Drilling (Development and Exploratory) of Jurassic Reservoirs**

- Over the course of the past fiscal year, KOC drilled 45 deep wells, which helped the company reach its Light Oil and Non-associated gas production targets, and execute the company's exploration program. In addition, the company completed 16 workover operations to maintain production from Non-Associated Gas wells.

- **Percentage of Gas flaring**

- KOC has achieved global advanced positions in the gas flaring reduction index, with gas flaring in the past six years falling from 4% to 0.45%, which led to the company's contribution to the environment in line with its strategy of increasing revenues and decreasing emissions.





# 3<sup>rd</sup> Strategic Objective

Replace Reserves to Sustain Production



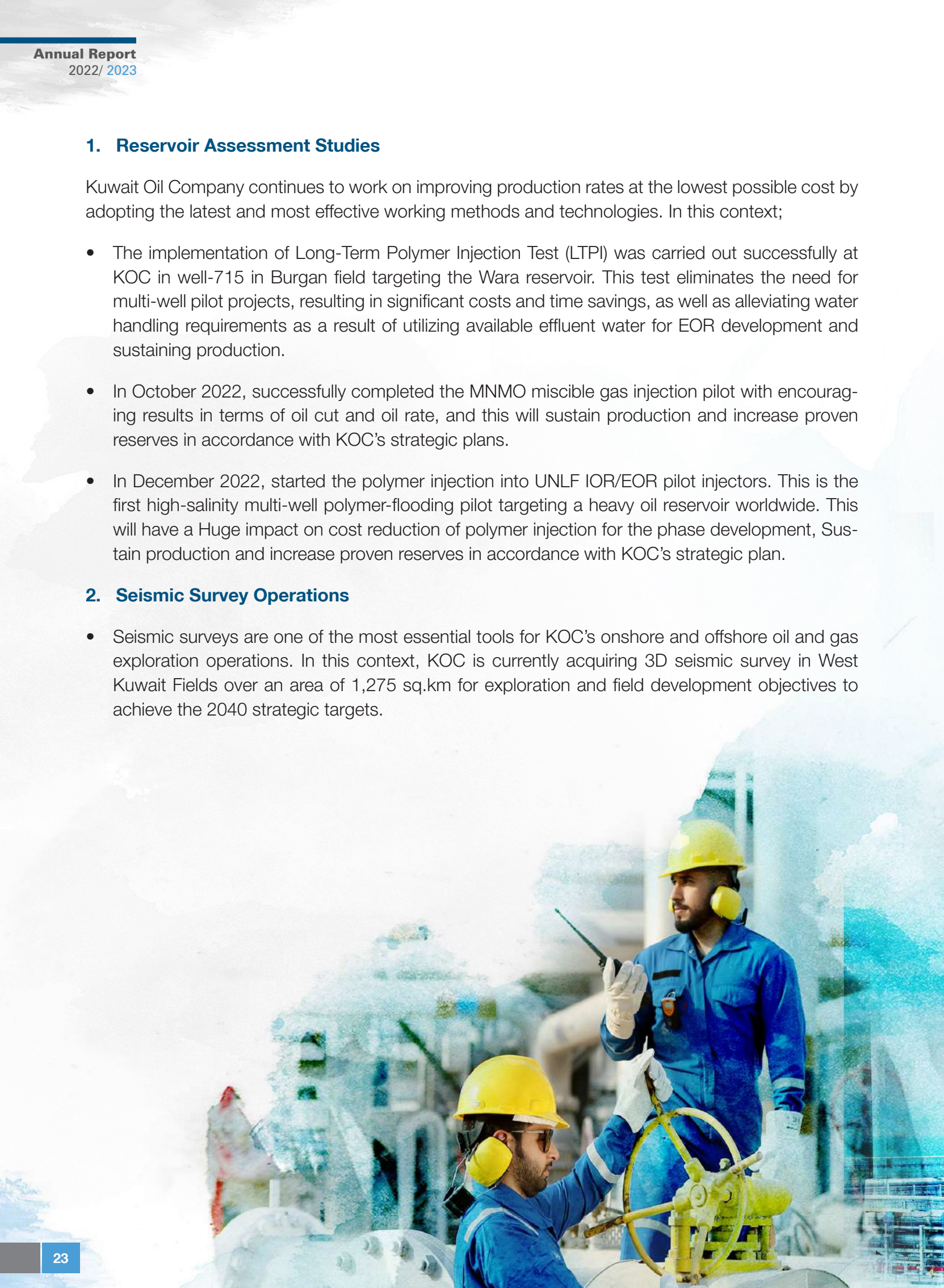
## 1. Reservoir Assessment Studies

Kuwait Oil Company continues to work on improving production rates at the lowest possible cost by adopting the latest and most effective working methods and technologies. In this context;

- The implementation of Long-Term Polymer Injection Test (LTPI) was carried out successfully at KOC in well-715 in Burgan field targeting the Wara reservoir. This test eliminates the need for multi-well pilot projects, resulting in significant costs and time savings, as well as alleviating water handling requirements as a result of utilizing available effluent water for EOR development and sustaining production.
- In October 2022, successfully completed the MNMO miscible gas injection pilot with encouraging results in terms of oil cut and oil rate, and this will sustain production and increase proven reserves in accordance with KOC's strategic plans.
- In December 2022, started the polymer injection into UNLF IOR/EOR pilot injectors. This is the first high-salinity multi-well polymer-flooding pilot targeting a heavy oil reservoir worldwide. This will have a Huge impact on cost reduction of polymer injection for the phase development, Sustain production and increase proven reserves in accordance with KOC's strategic plan.

## 2. Seismic Survey Operations

- Seismic surveys are one of the most essential tools for KOC's onshore and offshore oil and gas exploration operations. In this context, KOC is currently acquiring 3D seismic survey in West Kuwait Fields over an area of 1,275 sq.km for exploration and field development objectives to achieve the 2040 strategic targets.



### 3. Onshore and Offshore Exploratory Drilling Activities

- As mentioned previously in the Drilling Operations and Workover Wells section, many exploratory drilling operations were completed during the 2022/2023 fiscal year, which will contribute to achieving KOC's strategic goals in terms of adding reserves and increasing production. In this context, successful discovery of Najma and Sargilo reservoirs in the S&EK area - Burgan field - was achieved through exploration well (BG-1826). Another successful discovery of Middle Marrat Reservoir in WK area (Kra-Al-Maru field) through the 'Explore Along Development' initiative (EAD) in the development well (KM-0008) with a cost saving of 7.6 Million KWD. In addition, the company has completed the exploration cycle in the Sukhaybriyat Field – Jurassic Marat reservoir – in NK area by exploring for commercial quantities of light oil and associated gas from testing well (SUK-0007).
- Regarding offshore drilling activities, the company has started spudding well (NO-0001) in August 2022 as mentioned previously in this report.





# 4<sup>th</sup> Strategic Objective

Strive for World-class Operational Excellence



KOC's efforts to improve matters related to Health, Safety, Security and Environment (HSSE) remain some of the most important goals of the Company's 2040 strategic objectives.

## 1. Health

- Ahmadi Hospital is constantly working to strengthen its leading position as one of the most prominent, advanced and modern medical facilities, aiming to provide the highest levels of various medical services to oil sector employees and their families. In this context, the hospital has established many specialized departments, provided the best equipment and attracted the highest competencies from the medical and nursing staff.
- The hospital carried on its various medical campaigns, the most important of which are blood donation campaigns held across the country.

## 2. Safety and Security

- KOC's safety initiatives and efforts are focused on reducing the Lost Time Injury Frequency Rate (LTIFR), which reached 0.017 accidents per 200,000 working hours at year end, against the yearly tolerance rate of 0.0186 accidents per 200,000 working hours.
- The company regrets that it recorded the deaths of two contractors during the 2022/2023 fiscal year in June and December 2022, compared to three fatalities during 2021/2022. The company is working to implement the necessary measures to prevent such accidents in the future. KOC faced 63 environmental incidents in 2022/2023, higher than 51 environmental incidents registered the previous year.



- KOC arranged with the Ministry of Interior for a Cooperation Exercise at North Kuwait (Adeera'a Area), participation included KOC firefighting vehicles, Christmas Tree Simulation, Rig Simulation, Tank Simulation as well as providing Porta Cabin for attack scenarios.
- The company participated in the unified annual exercise of KPC and its subsidiaries for Crisis and Disaster Management. The exercise included practical training to confront a fake incident represented by the exposure of a number of operations centers in the oil sector to a cyber-attack, through which the effectiveness of plans and procedures to confront such threats as well as the efficiency of workers in the oil sector at all levels were identified. Several similar exercises were also organized at KOC level.



### 3. Environment

- Aligning with KOC management's vision of reducing environmental and cost impact, KOC identified an opportunity for reusing the drilling mud for Heavy Oil wells that were implemented during the fiscal year. Sequenced practice has benefited KOC economically & aided in minimizing the environmental damage caused by disposing of toxic chemicals into the environment. The developed procedure has facilitated to save 60% of drilling mud cost for the company (cost saving of +/- 120,000 KWD for 29 wells assigned to rig). The chemical selection, engineering processes & execution contributed to the conformance and performance of reused drilling mud. The flow process was generated and sequenced to figure out boundaries and establish a robust system for managing & reusing drilling mud for all Heavy Oil wells.
- In line with KOC's objectives in reducing gas emissions from production operations and striving to improve the operations in terms of efficiency and safety at the operations sites, the company resolved one of the difficulties associated with coiled tubing cleanout job from asphaltene, and oil and diesel blockages. The specialized KOC team established an innovative system called "ECO Burner System" as an initiative to reduce CO2 emission during cleanout operations without rigs. The system was piloted in 25 wells in S&EK and WK fields, and as a result, the company was able to acquire and save around 5,000 barrels of oil and 12,000 barrels of diesel from burning, in addition to reducing CO2 emissions by 7 million kilograms.
- KOC has signed three soil remediation contracts in South Kuwait II (SKETR-II) in March 2023, by virtue of which the company was able to achieve the Kuwait Environmental Rehabilitation Program's (KERP) commitments in signing all the remediation contracts before 2024, which will expedite the execution of KERP projects.

- The company completed the Biodiversity Management Plan requirements, and conducted the provision of Ecosystem Services Assessment to the satisfaction of the lenders. This includes completing the Critical Habitat Screening Assessment and Ecosystem Services Assessment studies as per the plan.
- In coordination with the United Nations, KOC has initiated the national Initiative to support programs fighting desertification, which was launched in cooperation with the Kuwait Green Wall volunteer team. This was carried out within the framework of enhancing efforts to achieve the United Nations Sustainability Development Goals and, in particular, the goals concerned with combating desertification.





# 5<sup>th</sup> Strategic Objective

Optimize Portfolio Management





- The way forward for KOC includes the development of several reservoirs that are difficult and costly to exploit. Some of the future resources will be coming from unconventional, Enhanced Oil Recovery (EOR) , heavy oil, offshore and new oil zones that will require the implementation of new technologies and sound strategic, business, and economic assessments. Those opportunities require the development of standardized production forecasting and cost allocation tools to enable economic evaluation and portfolio analysis to prioritize and optimize these hydrocarbon resources, and to identify high cost opportunities that can be developed through cost optimization. The newly deployed Corporate Portfolio Management System Project is one of the required initiatives in KOC's 2040 Strategy, which aims to prioritize choosing the best future investment opportunities to develop the company's assets and to achieve the largest profitable return on investment. This requires an initiative to coordinate the work mechanisms currently in place to establish workflow systems and controls to ensure the implementation of the project.
- During the 2022/23 fiscal year, the system was further refined to improve user experience. Workflows were updated and simplified, and the OPEX forecasting model was fully automated, saving user time and effort. As per best practice, continuous training was provided along with easy-to-read user guides. The concept of Opportunity Risk Management was introduced and rolled out to the assets to improve opportunity management.



# 6<sup>th</sup> Strategic Objective

Facilitate Technology & Capability Transfer



## Technologies

- A new Technology Induction “Through Drill-pipe Logging – TDL” was successfully deployed for the first time in Jurassic Fields to overcome open hole challenges of wireline logging in highly deviated wells.
- Successful Slim Casing patches were used in Abdali well 41 for the first time in the Middle East. Three casing patches were installed in different intervals inside 4 ½” liner in KOC to arrest water influx and avoid costly remedial isolation and cement squeeze job. This technology saved the cost of a planned sidetrack with a budget of approximately one million KWD, the cost of at least 4 cement squeeze job and rig time along with re-perforation costs estimated to be of around 160,000 KWD, and contributed to enhance the production optimization options in the company.
- KOC successfully installed “Pilot Rigless ESP on Dual String” for the first time in KOC, and in the world, in a dual string producer, with 500 BOPD. This successful implementation opens the way to add more deviated wells in the rigless installation plan.

## Human Skills and Capabilities

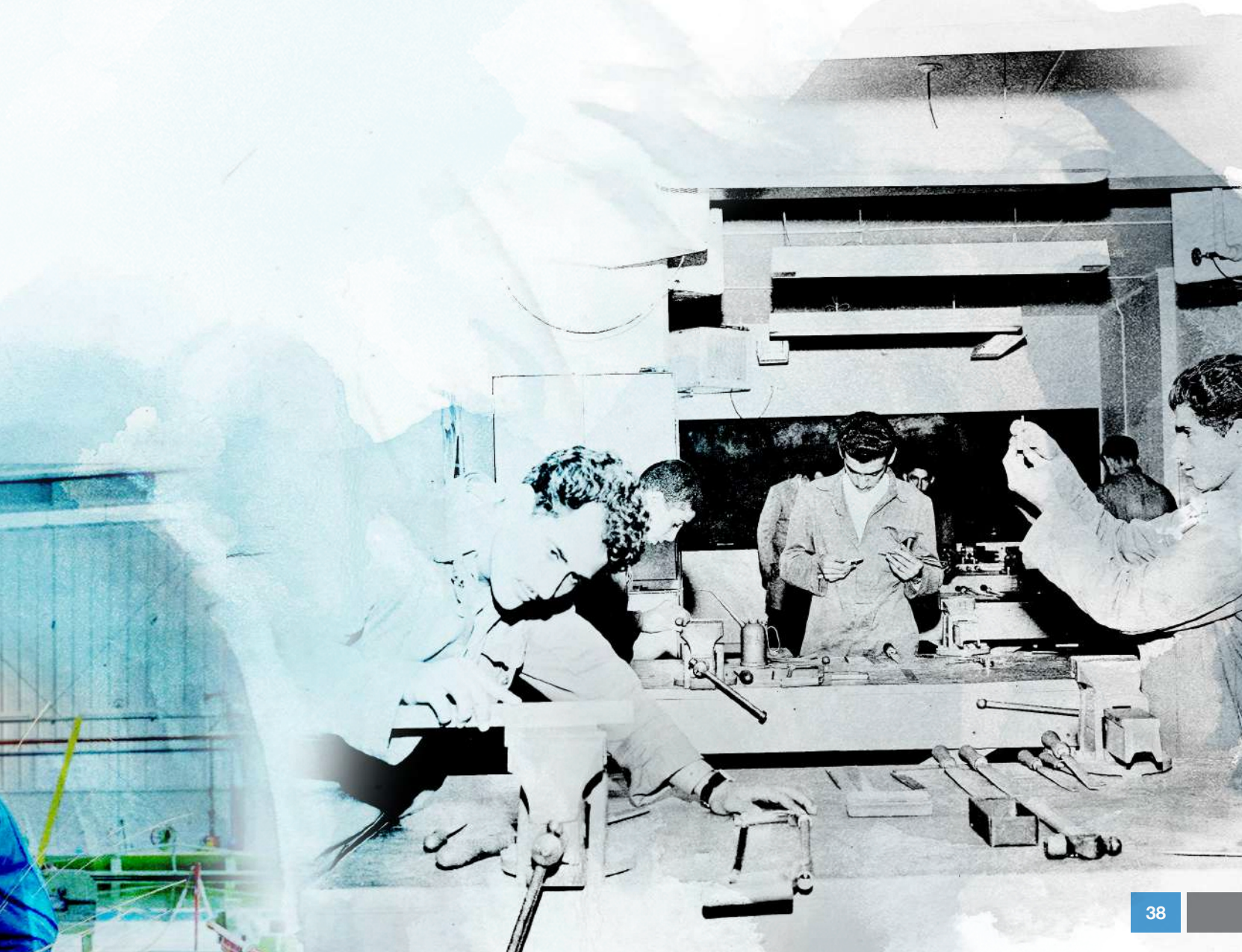
- KOC strives to enhance the skills and unleash the potential of its employees by providing them with an attractive work environment. The company is constantly working to improve all the aspects related to daily work in order to provide employees with the highest levels of job satisfaction. KOC also seeks to recruit Kuwaitis as part of its national employment mandate. The most important achievements made, in this regard, over the 2022/2023 fiscal year follow.

## Recruitment and Kuwaitization

- The Company has made considerable efforts to facilitate the recruitment procedures for 44 employees, including 9 newly graduated Kuwaitis and 27 experienced Kuwaitis, as well as 8 non-Kuwaiti employees, bringing the total number of KOC employees at the end of the fiscal year to 11,713, including medical and nursing staff. The proportion of Kuwaitis reached 86.84% including medical and nursing staff and 93.03% excluding medical and nursing staff, compared to the annual target of 92.4% (non-medical and nursing body).



- Kuwait Oil Company has given high priority to providing jobs for Kuwaitis as a part of the Kuwaitization plan. Kuwait Oil Company understands the importance of Kuwaiti manpower and encourages Kuwaitis to work outside the government sector. Kuwait Oil Company has successfully recruited 4195 employees into Kuwaitization plan, which amounts to 29.98% in financial year 2022/2023.
- The Company believes in the importance of the human element and seeks to create a network of Kuwaiti technical workers through attention to training programs. Training is an essential element that enables the Kuwaiti employee to perform his or her required tasks in line with the needs of contracts in the oil sector to operate the company's various facilities efficiently. The company, in coordination with the Public Authority for Applied Education & Training, trained approximately 143 students over the past year through several courses (mechanics, electrical maintenance, precision machines, welding, and computer systems).
- One of the challenges associated with the training programs that KOC has collaborated on with the Public Authority for Applied Education & Training is to follow up on the effectiveness of the training and the extent to which the student benefits from the training programs, and how KOC can develop these programs to reach the required levels.



## Training & Development

KOC has striven to raise human skills and energies and provide an attractive working environment to reach the highest levels of job satisfaction among its employees by continuing many initiatives to develop and train them using various training tools such as direct training programs, self-education, distance learning or on-the-job training.

Among the most important achievements of the Training and Development Group during the fiscal year 2022/2023 are:

### 1. Training Signature Campaign with Kuwaiti Nurses

- As part of the Memorandum of Understanding between KOC and PAAET-Nursing College, since 2014 KOC has been providing an opportunity for Kuwaiti students who are enrolled in the Nursing College to join in our training program that will, upon their successful graduation, provide graduates with employment at KOC hospital.
- This year we have successfully signed training contracts with a total of 40 students, male and female, from both diploma and bachelor degrees. These students will be carefully monitored each semester to ensure their progress throughout their academic career and will be rewarded each semester if they fulfill the requirements.

### 2. Marine Scholarship Program with KOTC

- The Marine scholarship program, through the Memorandum of Agreement between Kuwait Oil Company and Kuwait Oil Tankers Company, provides the opportunity for Kuwaiti high school graduates to study marine disciplines (deck/engine) in the United Kingdom.
- The program is designed to attract and support young Kuwaitis and enhance their capabilities in order to cover the shortage of manpower in this discipline. It will also motivate them to study and work hard by offering them a job at KOC upon their successful graduation.

### 3. Upstream 2040 Strategic Initiative:

- KOC representatives participated in the Admin & Technical Committee for Developing Process/ Framework to build Capabilities, Knowledge, and Expertise in Upstream Business with Upstream Oil Sector Companies in order to achieve the 2040 Strategic Initiative.
- Employees in the oil sector will gain exposure to international planning and operations, as well as developing their competences to meet the 2040 strategic objectives, thanks to collaboration with KUFPEC Area Offices and Joint Ventures with international companies. Through this initiative, five employees were attached and trained in 2022/2023, bringing the total number of trainees to ten since the initiative started, and the number of trainees is expected to rise in the coming period.

### 4. Training and Career Development (TCD) Group's e-Booklet

- Creation of the T&CD Group's e-booklet with guidelines that clearly structure and outline all teams functions, procedures, practices, rules, and regulations. The purpose of the guideline e-booklet is to promote consistency, transparency, and compliance with T&CD Group regulations and obligatory responsibilities; This will be promoted as a preliminary learning tool to the newly



joined employees. In addition, it provides the employees with the necessary skills and techniques to achieve better knowledge and develop a positive attitude towards work, improving individual potential, confidence development and efficiency, which will lead to performance excellence.

- The T&CD Group's e-booklet was uploaded to the T&CD Group portal's home page for easy access to all KOC employees.

## **5. Talent Management Development Platforms**

Creation and Launch of the Talent Management Development Platforms with the following features:

- Specifically tailored online platforms targeted to multiple development schemes (KOC Leaders, TPLs, Fast Trackers and New Recruits)
- Clear view of the development scheme's information
- Easy to use interface with enhanced browsing experience that improves our customer service
- Easy access to development tools, events & memberships (both mandatory and optional)
- KOC Integrated Secure Online Registrations for training events and activities
- Continuously updated with the latest learning opportunities
- Ability to track personal development plans progress utilizing the PDP Tracker Feature
- Access feedback surveys

## **6. Talent Management Workspaces**

Creation and launch of Talent Management Workspaces (TMW); an online shared platform between internal staff members that provides clear documentation and instructional manuals for all internal processes and related tasks structured per function. Benefits of the TMW's shared platform include:

- Easy access and navigation to our internal staff between all team's functions; presenting each function's related processes with instructional manuals on all related work tasks.

- Used as a preliminary learning tool for new staff members. Due to the consistency of documentation of functions and tasks newly joined employees are able to learn faster and begin work without the need for in-person training.
- The Workspaces Shared Platform enables the team to resume the activities of any function in the absence of the employees in charge by utilizing other readily available staff members.
- Ensures smooth transition of a function between senior level employees.

## **7. Manpower Dashboard**

- The Manpower dashboard aims to obtain reports, statistical data and studies automatically, which will have a significant impact on saving time and effort. It will also increase productivity and enhance efficiency by reducing manual work and redundant tasks. Thus, an interactive tool will be available to senior management and targeted viewers to display the status of the company's manpower by displaying various charts, graphs and interactive tools. This tool has been linked to KOC Enterprise Dashboard to ease accessibility to the company performance by the senior management.

## **8. The Contract with the Center for Excellence and the College of Administrative Sciences, Kuwait University**

- The contract supports KOC and KPC subsidiaries to organize English language exams and specialization exams for local recruitment campaigns. In addition to the employees wishing to adjust their employment status, and assess their level of English for training purposes. Through this contract, the university will provide the newest facilities to ease the testing process for applicants and provide the company with the final results.

## **9. Competency Development Unit Forum 2022/2023**

- A panel discussion was presented for the first time as an essential part of this year's forum, which attracted many Kuwaiti experts from outside the oil sector to share their experiences in the training and career development area.
- The panel discussion contributed to creating an effective communication for experience transfer between the oil sector represented by KOC and other state sectors.
- The forum included several presentations, from competency development units' representatives, on the best practices in the training field.



# 7<sup>th</sup> Strategic Objective

Actively Manage Stakeholders to Satisfy Kuwait's Energy Demands Efficiently

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2023



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## Actively Manage Stakeholders

KOC exerts every effort and always strives for excellence and advancement in its performance. These efforts are in the service of one goal, which is to achieve the objectives of the 2040 Strategy and raise production capacity. Here, we mention the most important activities and achievements in this regard:

- Successfully started crude supply to KIPIC and commissioned all the related pipelines. The project's objective has been achieved by feeding permanent supply of crude oil stock to the Al-Zour Refinery, due to which by-products are being produced by the refinery, then exported to international markets, or transferred to Al-Ahmadi Port Refinery.
- Within the framework of a collaboration agreement between KOC and Norwegian Equinor Oil Company, KOC has organized a workshop to develop and enhance collaboration between the two companies in several areas like exploration and development, reservoirs and offshore production, in addition to digitizing information and various applications used in offshore oil operations.
- Kuwait Oil Company has launched the implementation phase of the Local Content Initiative for the Oil Sector in terms of designing and establishing a unified system for monitoring and measuring the local content performance, which is one of the local content initiatives for KPC that falls within KOC's leadership. KOC strives to enhance local content in all its components and maximize the benefit of national procurement; the total contracts and materials spent with local contractors and suppliers reached 37.4%, which is higher than the annual target for 2022/2023.
- A Memorandum of Understanding (MOU) was signed between KOC and the Higher Institute of Communications and Navigation of the Public Authority for Applied Education and Training for inter-company candidates training.
- The company has co-organized a meeting between Gas & Innovation Directorate and PAAE higher institute of energy, and discussed the redesigning of training programs to enhance the levels of graduate students' skills in the long term and meet job requirements after their graduation.
- KOC developed a roadmap for the 2050 Energy Transition Exercise and obtained LC approval on the same.

## Contribute to Enterprise and State

- As part of KOC's social contribution efforts, the company initiated many awareness campaigns, whether those concerned with health, safety and the environment or others, held many workshops and training courses for various public agencies at all levels, and hosted many representatives of various government agencies in its facilities to introduce how KOC business is handled.
- KOC produced a special documentary related to the Iraqi invasion, which highlighted the incidents that occurred in Al-Ahmadi and the invasion's impact on the oil sector. The documentary introduced stories that were not documented previously, and it was broadcasted on a national TV station. It is worth to mention that this was the first time for KOC to produce a documentary that was broadcasted on national TV.

## KOC's Aspirations to Meet Strategic Objectives for 2023/2024

- Continue to implement projects to increase the production capacity of crude oil in accordance with strategic trends.
- Continue to sustain and increase Non-associated Gas production from 500 Million to 1 Billion Cubic Feet per day, by improving the productivity of the three Jurassic Production Facilities, in addition to continuing the development of the fourth and fifth facilities by the end of this fiscal year.
- Implement an intensive drilling program to develop newly explored oil reservoirs.
- Focus on water treatment, handling, and injection operations for reservoirs to increase their production capacity.



- Started the offshore drilling projects as part of the onshore and offshore exploration operations to support the company's production capacity.
- There was also renewed focus on sustainability, which is driven by the significant role of oil and gas in global greenhouse Gas (GHG) emissions, which account for approximately 10% of global GHG emissions. KPC recently developed its 2050 Energy Transition (ET) Strategy, which targets abating direct emissions from own assets (scope 1) and indirect emissions from energy consumed by own assets (scope 2) while maximizing production, by 2050. KOC subsequently developed a detailed roadmap to achieve the ambitious Energy Transition targets to align with world-class organizations.
- Continue to compensate the produced quantities of oil and gas by adding new oil reserves by no less than 100% to ensure the sustainability of production.
- Continue to reduce gas flaring to 1% throughout KOC.
- Continue to supply the Zour Refinery project with the required quantities of Heavy Oil and Kuwaiti Export Oil.
- Improve and develop production methods using the best available modern and advanced technology in order to develop the company's capabilities in the use of EOR technology through the implementation of pilot projects.
- Work on expanding relationships with IOCs, NOCs, service companies and world-class institutions to drive efficiency, technology, Research & Development, business opportunities and build-up capabilities.



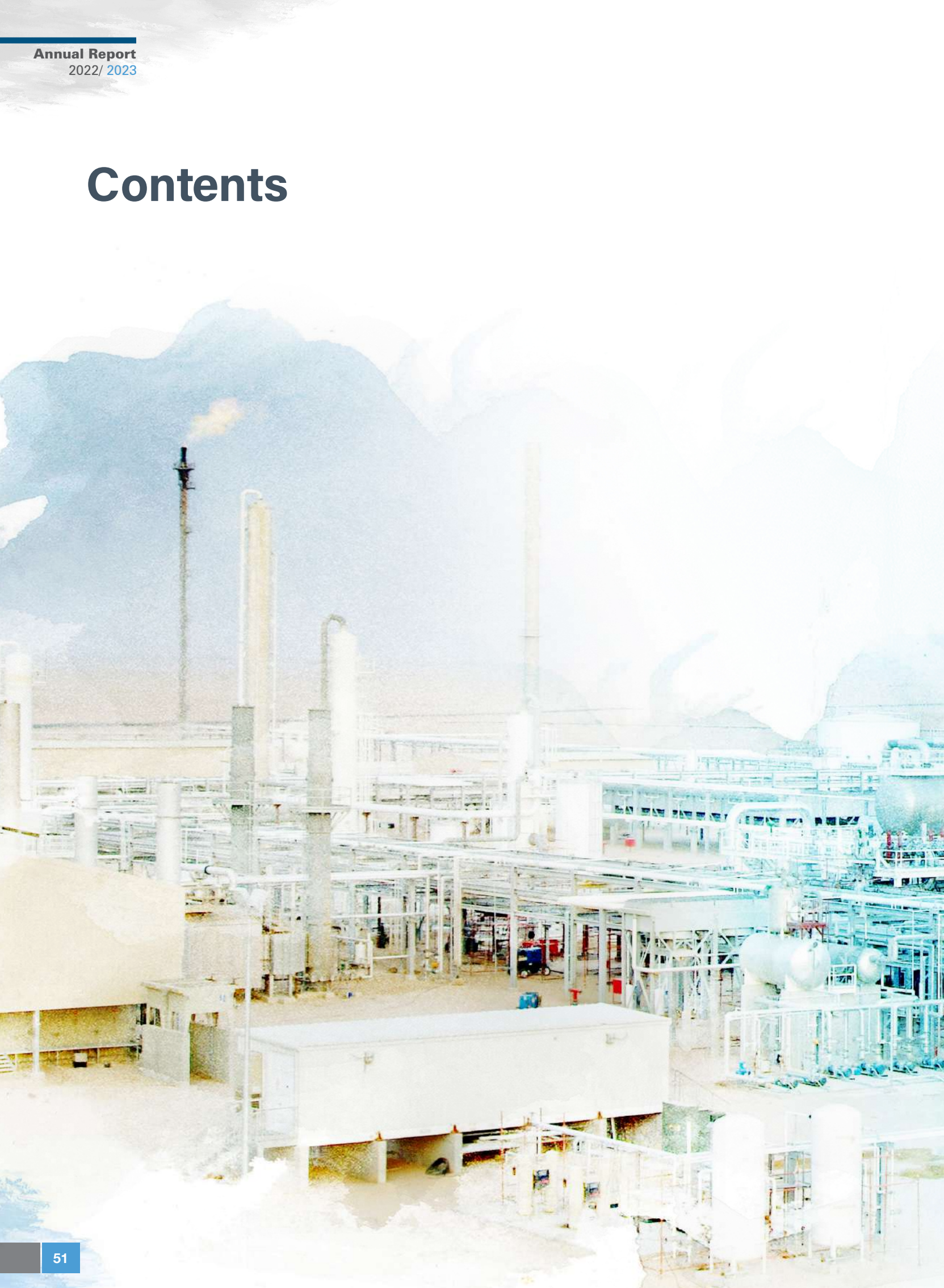


# Financial Report

Financial statements and independent auditor's report for the year ending March 31, 2023



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**KPMG Al-Qenae & Partners**

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P.O Box 24, Safat 13001  
State of Kuwait  
+965 2228 7000

## Independent auditor's report

**The Shareholders**

Kuwait Oil Company K.S.C.  
State of Kuwait

### Opinion

We have audited the financial statements of Kuwait Oil Company K.S.C. ("the Company"), which comprise the statement of financial position as at 31 March 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with 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 that we have 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, 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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



## Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the financial statements include the information required by the Companies Law No. 1 of 2016, as amended, and its Executive Regulations and the Company's Memorandum and Articles of Association, as amended. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognized procedures and the accounting information given in the Board of Directors' report agrees with the books of accounts of the Company. We have not become aware of any violations of the provisions of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations, or of the Company's Memorandum and Articles of Association, as amended, during the year ended 31 March 2023 that might have had a material effect on the business of the Company or on its financial position.

A handwritten signature in blue ink, appearing to read 'Safi A. Al-Mutawa'.

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

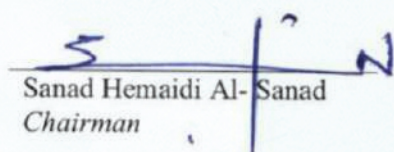
Kuwait: 18 April, 2023

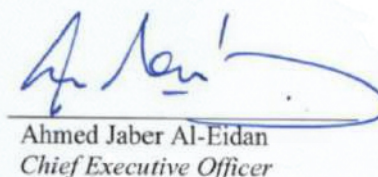
**Kuwait Oil Company K.S.C.**  
**State of Kuwait**

**Statement of financial position**  
*as at 31 March 2023*

	Note	2023 KD'000	2022 KD'000
<b>Assets</b>			
Property, plant and equipment	5	16,767,323	16,079,961
Right-of-use assets	6	768,964	748,717
Intangible assets	7	139,307	146,464
Construction inventories	8	308,950	266,036
Receivable from Parent Company	10	15,094	15,094
<b>Non-current assets</b>		<u>17,999,638</u>	<u>17,256,272</u>
Consumable inventories	8	137,435	123,720
Advances and other receivables	9	233,471	207,121
Amounts due from group companies	16 (b)	27,033	33,589
Cash and cash equivalents	11	21,456	15,766
<b>Current assets</b>		<u>419,395</u>	<u>380,196</u>
<b>Total assets</b>		<u>18,419,033</u>	<u>17,636,468</u>
<b>Equity</b>			
Share capital – authorized, issued and fully paid shares of KD 1 each	12	30,188	30,188
Shareholder's current account	12	2,114,791	2,114,791
Statutory reserve	12	15,094	15,094
<b>Total equity</b>		<u>2,160,073</u>	<u>2,160,073</u>
<b>Liabilities</b>			
Due to Parent Company, net	10	12,515,199	12,061,492
Post-employment benefits	13	765,118	726,104
Lease liabilities	6	548,419	595,338
<b>Non-current liabilities</b>		<u>13,828,736</u>	<u>13,382,934</u>
Accounts payable and other liabilities	14	1,268,535	1,290,039
Lease liabilities	6	392,725	267,764
Dividend payable	15	768,964	535,658
<b>Current liabilities</b>		<u>2,430,224</u>	<u>2,093,461</u>
<b>Total liabilities</b>		<u>16,258,960</u>	<u>15,476,395</u>
<b>Total equity and liabilities</b>		<u>18,419,033</u>	<u>17,636,468</u>

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

  
Sanad Hemaidi Al-Sanad  
Chairman

  
Ahmed Jaber Al-Eidan  
Chief Executive Officer

**Kuwait Oil Company K.S.C.**  
**State of Kuwait**

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

	Note	2023 KD'000	2022 KD'000
<b>Revenue:</b>			
Revenue (net of royalty, levy and marketing fees)	17	5,089,165	3,957,112
<b>Operating cost (cost of production):</b>			
Contract services		(714,647)	(647,676)
Employee costs		(780,413)	(721,468)
Material costs		(103,085)	(85,183)
Depreciation, amortization and write off	5,6&7	(707,729)	(622,366)
Total operating costs	18	(2,305,874)	(2,076,693)
Other operating income	19	48,614	27,075
Recoverable costs	20	153,752	139,022
Cost of production		(2,103,508)	(1,910,596)
<b>Gross profit</b>		2,985,657	2,046,516
General and administrative expenses	21	(229,037)	(127,355)
Net operating profit		2,756,620	1,919,161
Interest expense	6	(10,573)	(6,081)
Interest income		296	24
Directors' remuneration	22	(42)	(42)
Net profit before contribution to shareholder		2,746,301	1,913,062
Contribution to the shareholder	23	(1,977,337)	(1,377,404)
<b>Net profit and total comprehensive income for the year (transferable to Parent Company)</b>	15	768,964	535,658

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

**Kuwait Oil Company K.S.C.  
State of Kuwait**

**Statement of changes in equity  
for the year ended 31 March 2023**

	Share capital KD'000	Shareholder's current account KD'000	Statutory reserve KD'000	Retained earnings KD'000	Total KD'000
<b>Balance at 1 April 2021</b>	30,188	2,114,791	15,094	-	2,160,073
Net profit	-	-	-	535,658	535,658
Total comprehensive income for the year	-	-	-	535,658	535,658
<b>Transactions with owner of the Company, recognized directly in the equity</b>					
Distribution to owner of the Company (note 15)	-	-	-	(535,658)	(535,658)
<b>Balance at 31 March 2022</b>	30,188	2,114,791	15,094	-	2,160,073
<b>Balance at 1 April 2022</b>	30,188	2,114,791	15,094	-	2,160,073
Net profit	-	-	-	768,964	768,964
Total comprehensive income for the year	-	-	-	768,964	768,964
<b>Transactions with owner of the Company, recognized directly in the equity</b>					
Distribution to owner of the Company (note 15)	-	-	-	(768,964)	(768,964)
<b>Balance at 31 March 2023</b>	30,188	2,114,791	15,094	-	2,160,073

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

**Kuwait Oil Company K.S.C.**  
**State of Kuwait**

**Statement of cash flows**  
*for the year ended 31 March 2023*

	Note	2023 KD'000	2022 KD'000
<b>Cash flows from operating activities</b>			
Net profit		768,964	535,658
<i>Adjustments for:</i>			
Abortive drilling expenditure		3,623	691
Interest expense	6	10,573	6,081
Net reversal for obsolete and slow moving inventories		97	(929)
Depreciation, amortization and write off	5,6&7	707,729	622,366
Contribution to the shareholder	10	1,977,337	1,377,404
Provision for post employment benefits	13	77,402	73,659
		<u>3,548,914</u>	<u>2,614,930</u>
<i>Changes in:</i>			
- consumable inventories		(13,812)	(4,526)
- advances and other receivables		(26,350)	10,547
- receivable from the Parent Company	10	(5,089,165)	(3,957,112)
- other movements in the Parent Company balances	10	4,534	14,327
- accounts with group companies		6,556	14,175
- accounts payable and other liabilities		(21,504)	165,110
Cash used in operations		(1,594,016)	(1,142,549)
Post employment benefits paid	13	(38,388)	(39,822)
<i>Net cash used in operating activities</i>		<u>(1,632,404)</u>	<u>(1,182,371)</u>
<b>Cash flows from investing activities</b>			
Net acquisition of property, plant and equipment		(1,021,050)	(927,652)
Acquisition of intangible assets	7	(1,716)	(78,689)
Abortive drilling		(3,623)	(691)
Changes in construction inventories		(42,914)	22,419
<i>Net cash used in investing activities</i>		<u>(1,069,303)</u>	<u>(984,613)</u>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities including interest	6	(317,946)	(391,212)
Funding from the Parent Company	10	3,025,343	2,560,995
<i>Net cash generated from financing activities</i>		<u>2,707,397</u>	<u>2,169,783</u>
Net change in cash and cash equivalents		5,690	2,799
Cash and cash equivalents at beginning of the year		15,766	12,967
<b>Cash and cash equivalents at end of the year</b>	11	<u>21,456</u>	<u>15,766</u>

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

**Kuwait Oil Company K.S.C.**  
**State of Kuwait**

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

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**1. Reporting entity**

Kuwait Oil Company K.S.C. (“the Company”) is a wholly owned subsidiary of Kuwait Petroleum Corporation (“the Parent Company” or “KPC”). The Parent Company is wholly owned by the Government of the State of Kuwait.

The Company is engaged in exploration, drilling, production and transportation of hydrocarbon resources within the State of Kuwait. The Company is also engaged in the storage of crude oil and its export. Hydrocarbon resources managed by the Company are the sovereign property of the State of Kuwait. Crude oil is extracted from reserves in Kuwait and, on the instructions of the Parent Company, is exported as blended crude or passed to Kuwait National Petroleum Company K.S.C. (“KNPC”) for further processing or to the Ministry of Electricity and Water for power generation. Gas produced is treated similarly. The sales and marketing of crude oil produced by the Company is undertaken by the Parent Company.

The Company owns no oil and gas reserves nor any oil and gas inventory other than those required for operations.

The Company also provides marine services to KNPC’s Mina Al-Ahmadi and Mina Abdulla refineries and the oil pier at Mina Al-Shuaiba. KNPC is charged for direct costs relating to these activities. The Company charges group companies for medical and other services provided to their employees.

Effective 1 April 2007, the Parent Company changed the reporting structure of the Company to become a profit center. Prior to 1 April 2007, the Company was reporting to the Parent Company as a cost center with its costs fully reimbursed by the Parent Company. Under these revised arrangements, the Company’s revenue is determined as the revenue from the sale of crude oil net of certain charges by the Parent Company (see policy on revenue recognition). In addition, 72% of the net profit is payable to the Parent Company as a contribution (Note 23).

The Company’s registered office is P.O. Box 9758, Ahmadi 61008, State of Kuwait.

These financial statements were approved and authorized for issue by the Board of Directors on 18 April 2023 and are subject to approval of the Shareholder at the annual general assembly.

**2. Basis of preparation**

a) Statement of compliance

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

b) Basis of measurement

These financial statements are prepared under the historical cost or amortized cost basis. The financial statements are prepared on a going concern basis. All funding requirements of the Company are met by the Parent Company.

**Kuwait Oil Company K.S.C.**  
**State of Kuwait**

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

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c) Functional and presentation currency

These financial statements are presented in Kuwaiti Dinars rounded to the nearest thousand (KD “000”), which is the Company’s functional and presentation currency.

d) Changes in accounting policies

A number of amendments to standards and interpretations are effective for annual periods beginning on 1 April 2022 as below, but they do not have a material effect on the Company’s financial statements:

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16);
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements to IFRS Standards 2018-2020;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16); and
- Reference to the Conceptual Framework (Amendments to IFRS 3)

**3. Significant accounting policies**

The Company has consistently applied the following accounting policies to all periods presented in these financial statements except the changes described in note 2 (d).

a) Property, plant and equipment

*Exploratory wells*

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

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

*Development wells*

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

**Kuwait Oil Company K.S.C.**  
**State of Kuwait**

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

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*Others*

Oil and gas properties and other property plant and equipment are stated at cost, less accumulated depreciation and impairment losses.

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

*Drilling, exploration and other assets under construction*

Assets in the course of construction are carried at cost, less any recognized impairment loss. Cost includes all capital costs in accordance with the Company's accounting policy. Assets under construction are transferred to the related assets under property, plant and equipment when the underlying project is substantially completed and the related asset is ready for use.

Depreciation of these assets commences when the assets are ready for their intended use.

*Subsequent costs*

The cost of major repairs, overhaul and replacement of a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

*Gain or loss on disposal*

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

*Depreciation*

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

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Drilling, exploration and other assets under construction are not depreciated.

**Kuwait Oil Company K.S.C.**  
**State of Kuwait**

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

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

<u>Asset category</u>	<u>Depreciation rate</u>
<i>Oil and gas properties:</i>	
Plant and machinery	4%
Tankage, pipelines and jetties	4%
Wells and surveys	5%
Service plant	25%
Drilling plant	20%
<i>Other property and equipment:</i>	
Marine craft	8%
Buildings and roads	4%
Office furniture and equipment	10%
Lorries and trailers	20%
Motor cars	20%
Computers	10%

b) Intangible assets

Seismic survey costs and other related costs incurred on exploratory and development wells are identifiable non-monetary assets from which future economic benefits will flow and are accordingly recognized as an intangible asset. These costs are stated at cost less accumulated amortization and impairment losses and are amortized over 20 years on a straight line basis.

c) Inventories

Inventories are measured at cost after making allowance for any obsolete or slow moving items. Cost of inventories is based on weighted average cost principle. Cost includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition.

d) Recoverable costs

Recoverable costs represent costs incurred by the Company in providing services to or on behalf of related group companies. Recoverable costs are deducted from the Company's costs and shown separately in the statement of profit or loss and other comprehensive income. Recoverable costs are allocated to related group companies based on the actual cost basis and do not include any profit margin.

e) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**Kuwait Oil Company K.S.C.**  
**State of Kuwait**

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

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f) Revenue recognition

*Revenue from exploration and extraction of crude oil and gas*

The Company recognizes the revenue, when it loads the crude oil on the designated vessel at the port of Kuwait for its Parent Company's customers and is determined as the price at which crude oil is sold by the Parent Company net of certain costs allocated by the Parent Company as follows:

- Royalty at 20% of gross revenues.
- Fiscal levy at 74% of gross revenues net of royalty, scaled according to production levels and crude oil price.
- Marketing fee at 2% of gross revenues.

The Company satisfies performance obligation of extracting, processing, storing and transporting crude oil or gas through pipelines to the Parent Company over time. However, the revenue is recognized at a point of time due to uncertainty involved in customer orders. Further the supply of gas is considered as a separate performance obligation because it is distinct from extraction, processing and supply of crude oil and the Company allocates the transaction price for services related to gas based on their stand-alone selling price and recognize revenue as it satisfies its performance obligations to the Parent Company with respect to supply of gas.

The Company recognizes all costs related to satisfied performance obligation (or partially satisfied performance obligations) as expenses in the statement of profit or loss and other comprehensive income. As result, the Company does not recognize deferred cost.

g) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

**As a lessee**

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right of use asset reflects that the Company will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- amounts expected to be payable under a residual value guarantee; and
- Payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

***Significant judgement in determining the lease term of contracts with renewal options***

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

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*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 to leases of IT equipment and employee cars that are considered of low value (i.e., below KD 20,000). 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.

The Company discounted lease payments using its incremental borrowing rate, the weighted-average rate applied is 3.5%.

h) Foreign currencies

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

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.

i) Post-employment benefits

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

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

*Kuwaiti employees*

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, is charged to profit or loss in the year to which they relate. The difference between Oil Sector Law and Labor Law is also accrued for Kuwaiti employees.

j) Financial instruments

*Classification and measurements of financial assets*

The Company determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cash flow characteristics of the financial assets.

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*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. 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 a number of observable factors. The information considered includes:

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

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the 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.

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

The Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Company considers:

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

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

The Company classifies its financial assets upon initial recognition into the following categories:

- Financial assets carried at amortised cost;
- Equity investments carried at fair value through other comprehensive income (FVOCI);

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- Debt investments carried at fair value through other comprehensive income (FVOCI); and
- Financial assets carried at fair value through profit or loss (FVTPL).

*Financial assets carried at Amortised cost:*

A financial asset is carried at amortised cost if it meets both of the following conditions:

- 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.

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. Impairment is 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. The Company's financial assets at amortised cost include receivables from parent company, advances and other receivables, amounts due from group companies, and cash and cash equivalents.

*Reclassification of financial assets*

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

The Company does not have instrument at FVOCI or FVTPL category as at the reporting date.

*Derecognition of financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the 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.

*Impairment of financial assets*

The Company recognises loss allowances for expected credit ("ECL") loss on financial measured at amortised cost. The Company applies a three stage approach to measure the expected credit loss as follows:

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**Stage 1: 12-month ECL**

The Company measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date.

**Stage 2: Lifetime ECL- not credit impaired**

The Company measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

**Stage 3: Lifetime EC- credit impaired**

The Company measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

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

*Determining the stage of impairment*

At each reporting date, the Company assesses whether a financial asset or group of financial assets is credit impaired. The Company considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due.

Financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

*Measurement of ECLs*

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

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

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

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For certain financial assets carried at amortised cost and without significant financing element, IFRS 9 allows to apply simplified approach in calculating ECLs. Under this approach, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs.

*Financial liabilities*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in statement of profit or loss and other comprehensive income. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit or loss and other comprehensive income. Any gain or loss on derecognition is also recognised in statement of profit or loss and other comprehensive income.

The Company's financial liabilities includes Due to Parent Company, Accounts payable and other liabilities and dividend payable.

*Derecognition of financial liabilities*

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. 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.

*Offsetting*

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

k) Impairment non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

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

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

A reversal of an impairment loss is recognized immediately in profit or loss.

1) Standards and interpretations 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.

- Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- 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)

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

**4. Use of estimates and judgments**

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

The estimates and associated 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized 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.

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Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is described below:

*Treatment of exploration costs as abortive*

Capitalized exploration drilling costs are considered abortive and expensed when commercially exploitable reserves of crude oil and gas are not found, if they are not subject to further appraisal activity or when temporarily abandoned with no plans for re-entry in the foreseeable future. In making judgments about whether to continue to capitalize exploration drilling costs, it is necessary to make judgments about the satisfaction of each of these conditions. If there is a change in one of these judgments in a subsequent period, then the related capitalized exploration drilling costs would be expensed in that period as abortive in the profit or loss.

*Impairment of non-financial assets*

At each reporting date, management assesses whether there is any indication that property, plant and equipment, intangible assets and inventories may be impaired. The determination of impairment requires considerable judgment and involves evaluating factors including industry conditions, technical innovation and market conditions.

*Measurement of ECL*

The measurement of ECL on financial assets involves complex estimations. ECL is the probability weighted estimate of credit losses and is measured as the present value of all cash shortfalls discounted at the effective profit rate of the financial instrument. Cash shortfall represent the difference between cashflows due to the Company in accordance with the contract and the cashflows that the Company expects to receive. The key elements in the measurement of ECL include probability of default, loss given default and exposure at default.

Probability of Default (“PD”) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the financial asset has not been previously derecognized and is still in the portfolio.

Exposure at Default (“EAD”) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities.

Loss Given Default (“LGD”) is an estimate of the loss arising in the case where a default occurs at a given time.

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5. Property, plant and equipment

	Oil and gas properties							Other property, plant and equipment							Capital work in progress	Drilling, exploration and other assets under construction (KD'000)	Total (KD'000)
	Plant and machinery (KD'000)	Tankage, pipelines and jetties (KD'000)	Wells and surveys (KD'000)	Service plant (KD'000)	Drilling plant (KD'000)	Marine craft (KD'000)	Building and roads (KD'000)	Office furniture and equipment (KD'000)	Lorries and trailers (KD'000)	Computers (KD'000)							
<b>Cost</b>																	
At 1 April 2022	3,259,207	2,834,823	6,467,038	76,229	1,800	109,825	1,003,759	4,413	15,519	103,960	8,224,584	22,101,157					
Additions to capital work in progress	-	-	-	-	-	-	-	-	-	-	1,262,876	1,262,876					
Transfer from capital work in progress	498,958	490,229	1,025,595	1,944	-	1,170	332,211	155	671	15,480	(2,366,413)	-					
Internal transfers	224	-	(224)	-	-	-	-	-	-	-	-	-					
Write-off	(663)	-	-	(560)	(8)	(350)	(293)	(9)	(2,082)	(2,895)	-	(6,860)					
At 31 March 2023	3,757,726	3,325,052	7,492,409	77,613	1,792	110,645	1,335,677	4,559	14,108	116,545	7,121,047	23,357,173					
<b>Accumulated depreciation and impairment losses</b>																	
At 1 April 2022	1,511,556	1,233,891	2,715,245	68,526	1,800	57,065	360,356	3,178	14,043	55,536	-	6,021,196					
Charge for the year	105,333	106,591	291,423	3,702	-	6,929	44,255	333	578	16,242	-	575,386					
Internal transfers	2	-	(2)	-	-	-	-	-	-	-	-	-					
Write-off	(565)	-	-	(557)	(8)	(350)	(266)	(9)	(2,082)	(2,895)	-	(6,732)					
At 31 March 2023	1,616,326	1,340,482	3,006,666	71,671	1,792	63,644	404,345	3,502	12,539	68,883	-	6,589,850					
<b>Carrying value</b>																	
At 31 March 2023	2,141,400	1,984,570	4,485,743	5,942	-	47,001	931,332	1,057	1,569	47,662	7,121,047	16,767,323					

Exploration and evaluation costs included under drilling, exploration and other assets under construction amounted to KD 4,813 thousands (31 March 2022: KD 22,900 thousands).

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5 Property, plant and equipment (continued)

	Oil and gas properties				Other property, plant and equipment								Capital work in progress	Total
	Plant and machinery (KD'000)	Tankage, pipelines and jetties (KD'000)	Wells and surveys (KD'000)	Service plant (KD'000)	Drilling plant (KD'000)	Marine craft (KD'000)	Building and roads (KD'000)	Office furniture and equipment (KD'000)	Lorries and trailers (KD'000)	Computers (KD'000)	assets under construction (KD'000)		(KD'000)	
<b>31 March 2022</b>														
Cost														
At 1 April 2021	2,929,795	2,633,999	6,231,109	75,799	1,800	112,614	919,685	4,883	33,722	75,827	7,981,186	21,000,419		
Additions to capital work in progress	-	-	-	-	-	-	-	-	-	-	1,168,498	1,168,498		
Transfer from capital work in progress	359,984	209,696	235,929	2,405	-	-	87,745	-	-	29,341	(925,100)	-		
Internal transfers	(1)	3,276	-	1	-	-	(3,276)	-	-	-	-	-		
Write-off	(30,571)	(12,148)	-	(1,976)	-	(2,789)	(395)	(470)	(18,203)	(1,208)	-	(67,760)		
At 31 March 2022	3,259,207	2,834,823	6,467,038	76,229	1,800	109,825	1,003,759	4,413	15,519	103,960	8,224,584	22,101,157		
<b>Accumulated depreciation and impairment losses</b>														
At 1 April 2021	1,449,533	1,143,432	2,460,368	66,740	1,800	52,832	325,466	3,317	31,706	43,624	-	5,578,818		
Charge for the year	88,059	97,624	254,877	3,759	-	6,950	37,582	331	540	13,120	-	502,842		
Internal transfers	(1)	2,403	-	1	-	-	(2,403)	-	-	-	-	-		
Write-off	(26,035)	(9,568)	-	(1,974)	-	(2,717)	(289)	(470)	(18,203)	(1,208)	-	(60,464)		
At 31 March 2022	1,511,556	1,233,891	2,715,245	68,526	1,800	57,065	360,356	3,178	14,043	55,536	-	6,021,196		
<b>Carrying value</b>														
At 31 March 2022	1,747,651	1,600,932	3,751,793	7,703	-	52,760	643,403	1,235	1,476	48,424	8,224,584	16,079,961		

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6. Leases

31 March 2023	Right of use of assets			
	Rigs (KD'000)	Heavy equipment (KD'000)	Motor vehicles and helicopters (KD'000)	Total (KD'000)
<b>Cost</b>				
At 1 April 2022	1,725,119	11,229	14,060	1,750,408
Additions	368,673	-	-	368,673
At 31 March 2023	<u>2,093,169</u>	<u>11,229</u>	<u>14,060</u>	<u>2,119,081</u>
<b>Accumulated depreciation and impairment losses</b>				
At 1 April 2022	984,409	7,852	9,430	1,001,691
Charged to profit and loss	117,563	2,574	3,205	123,342
Capitalized to capital work in progress	225,084	-	-	225,084
At 31 March 2023	<u>1,327,056</u>	<u>10,426</u>	<u>12,635</u>	<u>1,350,117</u>
<b>Carrying value</b>				
At 31 March 2023	<u>766,736</u>	<u>803</u>	<u>1,425</u>	<u>768,964</u>
31 March 2022	Rigs (KD'000)	Heavy equipment (KD'000)	Motor vehicles and helicopters (KD'000)	Total (KD'000)
<b>Cost</b>				
At 1 April 2021	1,437,631	10,669	14,060	1,462,360
Additions	287,488	560	-	288,048
At 31 March 2022	<u>1,725,119</u>	<u>11,229</u>	<u>14,060</u>	<u>1,750,408</u>
<b>Accumulated depreciation and impairment losses</b>				
At 1 April 2021	666,048	5,091	6,376	677,515
Charged to profit and loss	99,208	2,761	3,054	105,023
Capitalized to capital work in progress	219,153	-	-	219,153
At 31 March 2022	<u>984,409</u>	<u>7,852</u>	<u>9,430</u>	<u>1,001,691</u>
<b>Carrying value</b>				
At 31 March 2022	<u>740,710</u>	<u>3,377</u>	<u>4,630</u>	<u>748,717</u>

Amounts recognised in profit or loss

	31 March 2023 KD'000	31 March 2022 KD'000
Expense relating to short term leases	87,069	67,023
Expense relating to leases of low value assets	14,996	14,139

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	<b>Lease liabilities</b>	
	<b>2023</b>	<b>2022</b>
	<b>KD'000</b>	<b>KD'000</b>
As at 1 April	863,102	938,492
Additions	368,673	288,048
Finance cost charged to profit and loss	10,573	6,081
Finance cost capitalized	16,742	21,693
Lease payments	<u>(317,946)</u>	<u>(391,212)</u>
<b>As at 31 March</b>	<b><u>941,144</u></b>	<b><u>863,102</u></b>

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

	<b>Lease liabilities</b>	
	<b>2023</b>	<b>2022</b>
	<b>KD'000</b>	<b>KD'000</b>
Current lease liability	392,725	267,764
Non-current lease liability	<u>548,419</u>	<u>595,338</u>
<b>As at 31 March</b>	<b><u>941,144</u></b>	<b><u>863,102</u></b>

**7. Intangible assets**

<b>31 March 2023</b>	<b>Seismic surveys</b>	<b>Others</b>	<b>Total</b>
	<b>KD'000</b>	<b>KD'000</b>	<b>KD'000</b>
<b>Cost</b>			
As at 1 April 2022	240,423	5,462	245,885
Additions during the year	1,716	-	1,716
Write-off	-	(399)	(399)
<b>At 31 March 2023</b>	<u>242,139</u>	<u>5,063</u>	<u>247,202</u>
<b>Accumulated amortization and impairment losses</b>			
At 1 April 2022	93,959	5,462	99,421
Amortised during the year	8,873	-	8,873
Write-off	-	(399)	(399)
<b>At 31 March 2023</b>	<u>102,832</u>	<u>5,063</u>	<u>107,895</u>
<b>Net book value</b>			
<b>At 31 March 2023</b>	<u>139,307</u>	<u>-</u>	<u>139,307</u>

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31 March 2022	Seismic surveys KD'000	Others KD'000	Total KD'000
<b>Cost</b>			
As at 1 April 2021	161,734	5,462	167,196
Additions during the year	78,689	-	78,689
<b>At 31 March 2022</b>	<b>240,423</b>	<b>5,462</b>	<b>245,885</b>
<b>Accumulated amortization and impairment losses</b>			
At 1 April 2021	86,754	5,462	92,216
Amortised during the year	7,205	-	7,205
<b>At 31 March 2022</b>	<b>93,959</b>	<b>5,462</b>	<b>99,421</b>
<b>Net book value</b>			
<b>At 31 March 2022</b>	<b>146,464</b>	<b>-</b>	<b>146,464</b>

8. Inventories

	2023 KD'000	2022 KD'000
Inventories at cost	450,934	397,591
Net provision for obsolete and slow-moving items	(4,549)	(7,835)
	<b>446,385</b>	<b>389,756</b>
<i>Classified in statement of financial position as:</i>		
Construction inventories	308,950	266,036
Consumable inventories	137,435	123,720
	<b>446,385</b>	<b>389,756</b>

The movement in the provision for obsolete and slow-moving inventories was as follows:

	2023 KD	2022 KD
Balance at the beginning of year	7,835	8,764
Reversal for the year	(92)	(929)
Charge for the year	5	-
Write offs	(3,199)	-
<b>Balance at the end of year</b>	<b>4,549</b>	<b>7,835</b>

9. Advances and other receivables

	2023 KD'000	2022 KD'000
Advances to contractors	81,186	100,583
Prepaid expenses	3,044	2,480
Staff advances	34,697	32,906
Other receivables	114,544	71,152
	<b>233,471</b>	<b>207,121</b>

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**10. Due to the Parent Company, net**

Due to the Parent Company, net represents the net balance of amounts due from and to the Parent Company. Movements on this balance during the year were as follows:

	<b>2023</b>	<b>2022</b>
	<b>KD'000</b>	<b>KD'000</b>
At 1 April	12,061,492	12,050,480
Net revenue receivables (note 17)	(5,089,165)	(3,957,112)
Net funds transfer	3,025,343	2,560,995
Dividend distributed (note 15)	535,658	15,398
Contribution to shareholder (note 23)	1,977,337	1,377,404
Other movements	4,534	14,327
<b>At 31 March</b>	<u>12,515,199</u>	<u>12,061,492</u>
<b>Non-current receivables</b>		
Receivable from Parent Company (relating to transfer of statutory reserve)	<u>(15,094)</u>	<u>(15,094)</u>
	<u>12,500,105</u>	<u>12,046,398</u>

In accordance with the Company's Article of Association, an amount equal to statutory reserve is transferred to the Parent Company. The net funds to the Parent Company is unsecured and carries an average interest of 6% (2022: Nil) with no fixed terms of payment. This has been classified as non-current as Parent Company does not intend to request repayment in the short-term.

**11. Cash and cash equivalents**

	<b>2023</b>	<b>2022</b>
	<b>KD'000</b>	<b>KD'000</b>
Cash in hand	13	19
Cash at banks	21,443	15,747
	<u>21,456</u>	<u>15,766</u>

**12. Equity**

*Share capital*

The authorized, issued and fully paid up share capital of the Company comprises of 30,188,291 (31 March 2022: 30,188,291) shares of KD 1 each. The share capital is contributed in cash.

*Shareholder's current account*

This account represents interest free contributions from the Parent Company and is classified as owner's equity as the Parent Company has given the Company the discretion to determine the timing and amounts of repayment.

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*Statutory reserve*

In accordance with the Companies Law No. 1 of 2016, as amended, and its Executive Regulations and the Company's Articles of Association, 10% of the profit for the year is transferred to statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital.

As permitted by the Companies Law No. 1 of 2016, and its Executive Regulations, the Board of Directors resolved to limit this reserve to 50% of the share capital and accordingly only KD 15,094 thousands has been appropriated to the statutory reserve. This has been approved by the shareholder.

**13. Post-employment benefits**

	<b>2023</b>	<b>2022</b>
	<b>KD'000</b>	<b>KD'000</b>
Balance at beginning of the year	726,104	692,267
Charge for post-employment benefits	77,402	73,659
Payments made during the year	<u>(38,388)</u>	<u>(39,822)</u>
Balance at end of the year	<u>765,118</u>	<u>726,104</u>

**14. Accounts payable and other liabilities**

	<b>2023</b>	<b>2022</b>
	<b>KD'000</b>	<b>KD'000</b>
Accounts payable	344,288	430,372
Contractor and suppliers retentions	301,848	274,858
Liquidated damages	474,869	418,091
Staff payables	87,236	117,869
Accrued expenses	42,556	15,276
Others	<u>17,738</u>	<u>33,573</u>
	<u>1,268,535</u>	<u>1,290,039</u>

**15. Dividend payable**

The Company's Articles of Association stipulate that the net profit for the year after transfer to statutory reserve is payable as dividend. Upon the approval of these financial statements, dividend payable will be transferred to the Parent Company (note 10).

**16. Related party transactions**

Related parties include the shareholder and executive officers of the Company, close members of their families and companies of which they are the principal owners or over which they are able to exercise significant influence.

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

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

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a) *Transactions with related parties:*

The Company has entered into transactions with related parties on terms approved by the management.

- i. Costs recoverable from group companies for services provided by the Company are disclosed in note 20.
- ii. All of the Company's net revenue for the year amounted to KD 5,089,165 thousand (31 March 2022: KD 3,957,112 thousand) represent net sales by the Parent Company (note 17).
- iii. Training costs charged by the Parent Company amounted to KD 153 thousand (31 March 2022: KD 5,123 thousand) (note 21).
- iv. The Company extracted and transferred gas to Kuwait National Petroleum Company K.S.C., On behalf of the Parent Company for which no separate revenue arrangement is in place (note 17).

**Key management compensation**

	<b>2023</b>	<b>2022</b>
	<b>KD'000</b>	<b>KD'000</b>
Salaries and other employee benefits	1,117	1,094

b) *Balances with related parties under the common control of the Parent Company:*

	<b>2023</b>	<b>2022</b>
	<b>KD'000</b>	<b>KD'000</b>
<b>Due from group companies:</b>		
Kuwait Integrated Petroleum Industries Company	8,538	4,769
Kuwait National Petroleum Company K.S.C.	8,344	18,477
Kuwait Gulf Oil Company K.S.C. (Closed)	4,102	2,107
Kuwait Oil Tanker Company S.A.K.	3,045	5,677
Petrochemical Industries Company K.S.C.	1,555	1,927
Kuwait Foreign Petroleum Exploration Company K.S.C.	721	159
Kuwait Petroleum International Limited	445	312
Oil Sector Services Company K.S.C. (Closed)	174	58
Kuwait Aviation Fueling Company K.S.C.	109	103
	<u>27,033</u>	<u>33,589</u>

**17. Revenue**

The Company earns revenue from the exploration and extraction of crude oil which belongs to the State of Kuwait. Revenue from these services is computed based on the sale value of crude oil by the Parent Company less allocated costs as follows:

	<b>2023</b>	<b>2022</b>
	<b>KD'000</b>	<b>KD'000</b>
Gross revenue	27,070,033	21,048,465
Royalty	(5,414,007)	(4,209,693)
Fiscal levy	(16,025,460)	(12,460,691)
Marketing fees	(541,401)	(420,969)
Net revenue (note 10)	<u>5,089,165</u>	<u>3,957,112</u>

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Applicable percentages on above allocation are disclosed under revenue recognition policy (see note 3(f)). In the absence of a separate revenue arrangement for exploration and extraction of gas, the above revenue deemed to be attributable to extraction of crude oil and gas at KD 5,023,242 thousands (2022: KD 3,906,486 thousand) and KD 65,923 thousands (2022: KD 50,626 thousands) respectively. This allocation is based on a relative standalone selling price basis that depicts the amount of consideration to which the Company expects in exchange for extracting the goods to the Parent Company.

The Company and the Parent Company is in the process of establishing a mechanism to determine the extraction charge for gas.

**18. Total cost**

Total cost consists of the following:

	Note	2023 KD'000	2022 KD'000
Total operating cost		2,305,874	2,076,693
Add: General and administration expenses	21	229,037	127,355
Less: Other operating income	19	(48,614)	(27,075)
Total cost		<u>2,486,297</u>	<u>2,176,973</u>

**19. Other operating income**

	2023 KD'000	2022 KD'000
Port fees	21,218	19,949
Other income	27,396	7,126
	<u>48,614</u>	<u>27,075</u>

**20. Recoverable costs**

	2023 KD'000	2022 KD'000
Kuwait National Petroleum Company K.S.C.	23,506	20,542
Kuwait Gulf Oil Company K.S.C.	2,104	1,336
Kuwait Integrated Petroleum Industries Company K.S.C.C.	1,744	61
Kuwait Petroleum Corporation	329	643
Kuwait Oil Tanker Company S.A.K.	10	11
Group companies for medical services	126,059	116,429
	<u>153,752</u>	<u>139,022</u>

Costs reimbursable by Kuwait National Petroleum Company K.S.C. mainly represent marine services provided for export operations.

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**21. General and administrative expenses**

	<b>2023</b>	<b>2022</b>
	<b>KD'000</b>	<b>KD'000</b>
Utilities	102,125	83,252
Finance charges	57,535	-
Medical costs	32,847	22,251
Insurance	10,105	10,675
Training costs (note 16)	153	5,123
Others	26,272	6,054
	<u>229,037</u>	<u>127,355</u>

Training costs represent the Company's share of costs charged by the Parent Company. Staff costs are included in cost of production as employee cost and are disclosed separately in the statement of profit or loss and other comprehensive income.

**22. Directors' remuneration**

Board of Directors' remuneration of KD 42 thousand (31 March 2022: KD 42 thousand) is subject to the approval of the shareholder at the general assembly meeting.

**23. Contribution to the shareholder**

In accordance with the reporting structure of the Company as a profit center (see note 1 and 10), 72% of the net profit for the year is payable to the Parent Company.

**24. Financial instruments**

**Financial risk management**

*Overview*

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

- credit risk;
- market risk;
- liquidity 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. Further quantitative disclosures are included throughout these financial statements.

The Company continuously reviews its financial risk exposures and takes measures to limit these to acceptable levels. Financial risk management is carried out by the Company's Financial Services Group, under policies approved by the Board of Directors. The Financial Services Group identifies and evaluates financial risks in close co-operation with the operating units of the Company. The Board provides written principles for overall financial risk management, as well as written policies covering specific areas, such as credit risk, market risk and liquidity risk which are discussed below:

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a. Credit risk

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from bank balances, advances and other receivables and amounts due from group companies.

The Company's total sales are to the Parent Company inside Kuwait and, therefore, there

The maximum exposure to credit risk for financial assets at the reporting date was:

	<b>2023</b>	<b>2022</b>
	<b>KD'000</b>	<b>KD'000</b>
Receivable from the Parent Company (note 10)	15,094	15,094
Advances and other receivables	152,285	100,244
Amounts due from group companies (note 16)	27,033	33,589
Cash and bank balances (note 11)	21,456	15,747
	<u>215,868</u>	<u>164,674</u>

The Company under instructions from the Parent Company deposits surplus cash with various local financial institutions of high credit rating. There are no past due or impaired receivables and the Company does not hold any collateral against these receivables.

The Company monitors changes in credit risk on these exposures by tracking published external credit ratings of the counterparties.

b. Market risk

Market risk is the risk that changes in the 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 optimizing the return.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no significant interest bearing assets or liabilities and therefore the Company's future performance and cash flows are independent of changes in market interest rates.

*Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar primarily US Dollar and Euro. The Financial Services Group monitors and measures currency exposures on recognized assets and liabilities on a regular basis.

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The Company manages foreign currency risk by matching assets and liabilities of similar currency exposures and by obtaining advances in foreign currencies from the Parent Company to pay of its foreign currency third party liabilities. Therefore the fair value of future cash flows of the Company's financial instruments are not significantly affected due to changes in foreign currency rates.

*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.

c. 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.

The Company's financial liabilities essentially mature within one year except for due to Parent Company, net. However, its activities are solely funded by the Parent Company which significantly minimizes liquidity risk, except lease liability.

The table below set out the contractual maturities of financial liabilities at the reporting date:

	Carrying value KD	One year or less KD	More than one year KD
<b>2023</b>			
<b>Financial Liabilities</b>			
Accounts payable and other liabilities	1,268,535	1,268,535	-
Lease liabilities	941,144	392,725	558,992
Due to the Parent Company	12,515,199	-	12,515,199
	<u>14,724,878</u>	<u>1,661,260</u>	<u>13,074,191</u>
<b>2022</b>			
<b>Financial Liabilities</b>			
Accounts payable and other liabilities	1,290,039	1,290,039	-
Lease liabilities	863,102	267,764	601,419
Due to the Parent Company	12,061,492	-	12,061,492
	<u>14,214,633</u>	<u>1,557,803</u>	<u>12,662,911</u>

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**25. Fair value**

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, except for receivable from / due to Parent Company, that are not carried at fair value at the reporting date is not materially different from their carrying value.

**26. Capital risk management**

The Company's capital management objectives are to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the costs of capital. The Company's exposure to capital risk is limited as there are no external financing as at the reporting date.

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.

**27. Commitments and contingencies**

Commitments for future capital expenditure in relation to lump sum contracts and purchase orders amounted to KD 1,692 million (31 March 2022: KD 871 million).

**28. Claims and litigations**

The Company is also involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Company's financial statements if disposed unfavorably.