



His Excellency, The First Deputy Prime Minister and
Chairman of the Supreme Council for
Petroleum, State of Kuwait

I have audited the accompanying consolidated balance sheet of Kuwait Petroleum Corporation and subsidiaries as of June 30, 1995, and the related consolidated statements of income and appropriations and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on the audit.

The audit was conducted in accordance with International Standards on Auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit conducted provides a reasonable basis for my opinion.

I did not audit the financial statements of Kuwait National Petroleum Company K.S.C., Kuwait Oil Tanker Company S.A.K., Petrochemical Industries Company K.S.C., SFIC Holdings (Cayman) Inc. and Kuwait Oil Company K.S.C., which statements reflect total assets of 30 percent and total revenues of 4 percent at June 30, 1995, of the related consolidated totals. These statements were audited by other auditors, whose reports have been furnished to me and my opinion, insofar as it relates to the amounts

included for those entities, is based solely on the reports of other auditors. I obtained the information that I required to perform my examination.

In my opinion, based on my audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kuwait Petroleum Corporation at June 30, 1995, and the consolidated results of its operations and its cash flows for the year then ended in conformity with International Accounting Standards.

Also, in my opinion, the statements include the disclosures required by the Law Decree No. 6 of 1980, and I obtained the information I required to perform my audit. In addition, proper books of account have been kept by the Corporation and its subsidiaries, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Directors' Report is in agreement with the Corporation's books. According to the information available to me, there were no contraventions during the year of the Corporation's Law which might have materially affected the Corporation's consolidated financial position or consolidated results of its operations.

Bader Al-Bazie

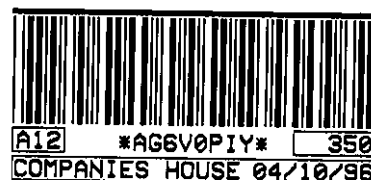
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State of Kuwait

September 5, 1995



UNITED BANK OF KUWAIT
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Kuwait Petroleum Corporation and Subsidiaries**Consolidated Balance Sheet**

As at June 30, 1995

Exhibit A

	1995 KD (Thousands)	1994 KD (Thousands)
ASSETS		
Current assets:		
Cash and deposits at banks	1,671,734	1,793,416
Trade receivables	542,357	469,521
Inventories (Note 4)	540,036	581,021
Advance to Ministry of Finance	237,579	—
Other current assets and receivables	289,016	163,392
Total current assets	3,280,722	3,007,350
Investments:		
Securities	2,252,442	1,810,678
Unconsolidated subsidiary, associated companies and other investments (Note 5)	130,843	131,987
	2,383,285	1,942,665
Cost in excess of fair value of subsidiaries' net assets acquired (Note 6)	77,290	85,207
Other non-current assets	43,256	39,861
Fixed assets:		
Cost	5,206,481	5,227,353
Accumulated depreciation, depletion and amortisation	(2,748,278)	(2,591,277)
Net book value (note 7)	2,458,203	2,636,076
	8,242,756	7,711,159
LIABILITIES AND OWNER'S EQUITY		
Current liabilities:		
Trade payables	19,056	22,183
Other payables and accruals (Note 8)	602,789	610,090
Amounts due to Ministry of Finance (Note 9)	—	105,527
Amounts due to Ministry of Oil (Note 10)	201,265	169,984
Profits available for distribution (Note 11)	729,588	328,341
Total current liabilities	1,552,698	1,236,125
Non-current liabilities (Note 12)	338,529	335,042
Owner's equity:		
Authorised and paid-in capital	2,500,000	2,500,000
Statutory reserve	398,713	317,641
Capital reserve (Note 13)	232,945	232,945
General reserve (Note 14)	1,589,529	1,589,529
Provision for replacement and renewal of fixed assets (Note 15)	1,298,691	1,298,691
Foreign currency translation adjustments	331,651	201,186
Total Owner's equity	6,351,529	6,139,992
	8,242,756	7,711,159

The accompanying notes are an integral part of the financial statements

Tesfayim
3 October 1996
Authorised to accept service
of Notices on Behalf
of the Company

Kuwait Petroleum Corporation and Subsidiaries

Exhibit B

Consolidated Statement of Income and Appropriations

For the year ended June 30, 1995

	1995 KD (Thousands)	1994 KD (Thousands)
Sales of crude oil, gas and refined products	4,768,763	4,149,061
Drilling, engineering and other operations (Note 16)	186,956	193,356
Other income and costs, net (Note 17)	433,801	304,839
	<u>5,389,520</u>	<u>4,647,256</u>
Cost of sales	4,300,621	3,942,598
Drilling, engineering and other operational costs	173,114	200,099
General and administrative expenses	98,940	94,317
	<u>4,572,675</u>	<u>4,237,014</u>
Net profit before extraordinary item	816,845	410,242
Extraordinary item (Note 3)	(6,120)	266
Net profit for the year before appropriations	<u>810,725</u>	<u>410,508</u>
Proposed appropriations:		
Statutory reserve	81,072	41,051
General reserve (Note 14)	—	41,051
Directors' remuneration	65	65
Profits available for distribution (Note 11)	<u>729,588</u>	<u>328,341</u>
	<u>810,725</u>	<u>410,508</u>

Kuwait Petroleum Corporation and Subsidiaries

Exhibit C

Consolidated Statement of Cash Flows

For the year ended June 30, 1995

	1995 KD (Thousands)	1994 KD (Thousands)
Cash flows from operating activities:		
Net income before extraordinary item	816,845	410,242
Adjustments to reconcile net income before extraordinary item to net cash provided by operating activities:		
Depreciation, depletion and amortization	343,961	340,247
Amortization of costs in excess of fair value of subsidiaries' net assets acquired	8,682	7,962
Net change in provision for employees' terminal benefits	8,855	8,044
Reduction in provision for diminution in value of investments in subsidiaries	—	(112,372)
Minority interests	(864)	(250)
Deferred income taxes	2,986	3,951
Net book amounts of fixed asset disposals including adjustments due to invasion	70,725	19,243
Operating profit before working capital changes	1,251,190	677,067
Advance to Ministry of Finance	(237,579)	—
(Increase) decrease in trade receivables	(72,836)	78,916
(Increase) decrease in sundry receivables	(125,624)	20,416
Decrease (increase) in inventories	40,985	(125,003)
Net amounts due to/from Ministry of Oil	31,281	204,355
(Decrease) increase in trade payables	(3,127)	270
(Decrease) in amounts due to Ministry of Finance	(105,527)	—
(Decrease) increase in other payables and accruals	(7,366)	22,897
Cash flow from operations before extraordinary item	771,397	878,918
Extraordinary item	(6,120)	266
Net cash provided by operating activities	765,277	879,184
Cash flows from investing activities:		
Purchase of fixed assets	(236,813)	(383,340)
Cost in excess of fair value of subsidiaries' net assets acquired	(765)	(5,891)
Net movement in unconsolidated subsidiary, associated companies and other investments	1,144	(15,775)
Net (increase) decrease in investments in securities	(441,764)	330,029
Net cash used in investing activities	(678,198)	(74,977)

(Continued on the following page)

Kuwait Petroleum Corporation and Subsidiaries

Exhibit C (Continued)

Consolidated Statement of Cash Flows

For the year ended June 30, 1995

	1995 KD (Thousands)	1994 KD (Thousands)
Cash flows from financing activities:		
Increase in other non-current assets	(3,395)	(2,513)
Payment of long-term loans and capital lease obligations	(21,106)	(47,888)
Net increase (decrease) in other non-current liabilities	13,616	(2,227)
Profits distributed	(328,341)	(316,418)
Net cash used in financing activities	(339,226)	(369,046)
Foreign currency translation adjustments	130,465	29,056
Net (decrease) increase in cash on hand and at banks	(121,682)	464,217
Cash on hand and at banks at beginning of year	1,793,416	1,329,199
Cash on hand and at banks at end of year	1,671,734	1,793,416

The accompanying notes are an integral part of the financial statements

Kuwait Petroleum Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

For the year ended June 30, 1995

1. Organization and activities

Kuwait Petroleum Corporation (the Corporation) is wholly owned by the Government of the State of Kuwait. The Corporation was established by the Law Decree No. 6 of 1980 which came into effect on January 27, 1980. The Corporation's principal activities include exploration, drilling, production, storage, refining, processing, transportation, distribution and marketing of crude oil, natural gas, chemical, petrochemical and associated products. All of the Corporation's activities, except for marketing of Kuwait crude oil and petroleum products, are carried out through its subsidiaries and associated companies. The principal subsidiaries and associated companies are set out in Note 19.

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

2. Significant accounting policies

a. Accounting convention

The financial statements are prepared under the historical cost convention and the Law Decree No. 6 of 1980.

b. Accounting periods of group companies

The Corporation's fiscal year is from July 1 to June 30. The fiscal year of the Corporation's directly owned subsidiaries is the same as that of the Corporation with the exception of Kuwait Foreign Petroleum Exploration Company (KUFPEC) and Gulf Industrial Investment Company (E.C.) (GIIC), whose fiscal year is from January 1 to December 31. Accordingly, the consolidated financial statements include a provision for estimated results during the six months following their year-ends (Note 17).

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and its principal subsidiaries. Significant intercompany accounts and transactions between the Corporation and subsidiary companies are eliminated on consolidation.

The financial statements of a subsidiary, Gulf Industrial Investment Company (E.C.), have not been consolidated, but have been accounted for on an equity basis, since the total value of its assets amounted to less than 1% of the group's total assets.

d. Fixed assets

(i) Oil, gas and geothermal properties

The Corporation uses the "successful efforts" method of accounting for oil and gas exploration and producing

activities, whereby costs of geological and geophysical operations and exploratory drilling costs proven to be non-productive are expensed.

Successful exploratory and developmental drilling costs are capitalized and amortized using the unit-of-production method or the straight line method for operations outside the State of Kuwait.

Exploration and productive drilling costs for operations in the State of Kuwait are capitalized and amortized on a straight-line basis over 10 years.

The Corporation amortizes its geothermal plant purchased under capital leases on the straight-line method over the related lease term.

(ii) Other fixed assets

The cost of other fixed assets is depreciated on the straight-line method over the expected useful lives of the assets, with the exception of freehold land which is not depreciated and drilling rigs which are principally depreciated on the basis of expected operating days.

e. Investments

Investments are valued as follows:

- Marketable securities at the lower of aggregate cost or market value;
- Non-marketable securities at cost unless there is a permanent decline in value of such securities, in which case provision is made to account for the decline in value;
- Associated companies and unconsolidated subsidiaries in accordance with the equity method of accounting;
- Neutral Zone production concession assets at cost.

f. Cost in excess of fair value of subsidiaries' net assets acquired

On acquisition of a subsidiary, the cost of acquisition is assigned to the net assets at their fair values. Any excess of the acquisition cost over the net assets acquired is amortized by the subsidiaries using the straight-line method, over periods up to forty years. When there has been a diminution in value of the investment in such subsidiaries, a provision is established in consolidation to the extent of such recorded excess acquisition cost.

g. Inventories

(i) Crude oil and petroleum products

Crude oil is valued at the lower of average cost or market value at year end. The cost of crude oil to the Corporation is determined by the Government of Kuwait in accordance with the Decree issued on January 17, 1981.

Liquefied petroleum gas and finished products are valued at the lower of cost, determined by the weighted

average cost method, or net realizable value. Cost is calculated on an individual product basis, using the cost of crude oil and natural gas supplied to refineries and gas processing plants with an allocation of refining and processing costs and overheads to each product based on their relative market values.

(ii) Other

Other inventories, comprising mainly spare parts, materials and supplies are valued at cost, determined principally by the weighted average cost method, less allowance for any obsolete or slow-moving items.

h. Employees' terminal benefits

Provision is made for amounts payable under the Kuwait Labour Law, Kuwait Social Security Law and the terms of employment of the Corporation and its subsidiaries.

i. Petroleum personnel provident fund scheme

Provision is made for the Corporation's and its State of Kuwait subsidiaries' contribution to the petroleum personnel provident fund scheme in accordance with the terms of the provident fund plan for Kuwaiti personnel employed in the oil sector, which represents a defined benefit plan.

j. Foreign currencies

Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the year-end rates of exchange. Transactions during the year in foreign currencies are converted to Kuwaiti Dinars at the previous month's average rates of exchange. Assets and liabilities consolidated from foreign currency financial statements are translated at the exchange rates ruling at the subsidiary's period end. Operating results consolidated from foreign currency financial statements are translated at average rates of exchange for the subsidiary's period of operations. Exchange gains and losses arising from translation of financial statements of subsidiaries and affiliated companies are accumulated as a separate component of the owner's equity (as foreign currency translation adjustments). Other exchange gains and losses are reported in the statement of income and appropriations.

k. Taxes on income

Certain of the Corporation's subsidiaries are subject to taxes on income in various foreign countries of operation. Provision is made for such taxes in the subsidiaries financial statements and incorporated in the consolidated financial statements. Provision for deferred income taxes is made for the timing differences between financial and income tax reporting.

l. Income recognition

Revenues are recognized at the date title passes to the customer in accordance with the contract of sale.

3. Extraordinary Item

On August 2, 1990, Iraq invaded the State of Kuwait and disrupted the Corporation's Kuwait operations including those of its subsidiaries and affiliates. Wells, facilities and equipment were damaged or destroyed and inventories and other assets were stolen. The related carrying amounts of assets damaged or stolen and the other expenses related to the invasion have been reflected as an extraordinary item in the statement of income and appropriations.

The amounts reported for the years ended June 30, 1995 and 1994 represent revisions to the original estimated amounts totalling approximately KD 99.8 million recorded as extraordinary losses, which were based on the information available at the time. The revisions are based on the detailed findings of the asset committees which were established in the subsidiaries to carry out a detailed assessment of each property unit.

Under the terms of the Amiri Decree issued on January 17, 1981, costs relating to crude oil production are to be reduced from the amounts due to the Government through the Ministry of Oil. Accordingly, all losses incurred by Kuwait Oil Company K.S.C. relating to wells, facilities and equipment damaged or destroyed and parts, supplies and other assets stolen during the Iraqi invasion normally utilised in crude oil production are borne by the Ministry of Oil.

The Corporation is pursuing claims against Iraq for the recovery of losses suffered by the Corporation during the Iraqi invasion. The accompanying financial statements do not include amounts related to these potential claims.

Kuwait Petroleum Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

For the year ended June 30, 1995

	1995 KD (Thousands)	1994 KD (Thousands)
4. Inventories		
Crude oil	96,244	139,448
Liquefied petroleum gas	1,046	903
Finished petroleum products	222,891	222,959
Finished petrochemical products	3,705	2,521
Spare parts, materials and supplies	216,150	215,190
	<u>540,036</u>	<u>581,021</u>
5. Investments in unconsolidated subsidiary, associated companies and other investments		
Investment in unconsolidated subsidiary	40,834	38,574
Investment in associated companies	51,596	43,927
Interest in Neutral Zone production concession assets	32,684	28,548
Other investments	5,729	20,938
	<u>130,843</u>	<u>131,987</u>
6. Cost in excess of fair value of subsidiaries' net assets acquired		
Net book value at beginning of the year	85,207	88,112
(Disposals) additions during the year	(2,240)	5,891
Amortization for the year	(8,682)	(7,962)
Foreign currency translation	3,005	(834)
Net book value at end of the year	<u>77,290</u>	<u>85,207</u>

	Annual rate of depreciation, depletion or amortisation %	1995 Cost KD'000	1995 Accumulated depreciation, depletion and amortisation KD'000	1995 Net book value KD'000	1994 Net book value KD'000
7. Fixed assets					
a) Oil, gas and geothermal properties	Note 2 (d) (i)	789,457	328,035	461,422	535,696
b) Other fixed assets:					
Tankage, pipelines and jetties	4-20	741,268	360,718	380,550	410,671
Plant and machinery	4-33	1,755,721	1,083,440	672,281	648,276
Oil and gas tankers	5-20	404,791	233,407	171,384	206,235
Drilling equipment	5-33	367,822	202,467	165,355	178,865
Drilling equipment under capital leases	16	33,860	26,767	7,093	7,968
Camps, buildings and facilities	3-33	429,635	203,694	225,941	199,432
Vehicles and transportation equipment	14-33	84,617	60,059	24,558	26,608
Construction and general equipment	20	419	112	307	245
Well drilling and seismic surveys	10	393,916	239,026	154,890	129,389
Other completed assets	4-33	16,290	10,553	5,737	10,083
Assets under construction	—	188,685	—	188,685	282,608
Total other fixed assets		4,417,024	2,420,243	1,996,781	2,100,380
		5,206,481	2,748,278	2,458,203	2,636,076

The depreciation, depletion and amortisation charge for the year amounted to KD 343,960,879 (1994: KD 340,247,038).

	1995 KD (Thousands)	1994 KD (Thousands)
8. Other payables and accruals		
Taxes	165,736	151,997
Provision for annual leave and accrued compensation	29,348	32,847
Contractors	43,692	36,453
Accruals	27,402	28,452
Other creditors	253,144	283,910
Invasion costs	5,144	13,856
Short-term loans and current portion of long-term loans	78,323	62,575
	602,789	610,090

9. Amounts due to Ministry of Finance

Amounts due to the Ministry of Finance are in respect of crude oil supplied to the Corporation by the Government of Kuwait in exchange for crude oil and refined products which had been in storage with the Gulf Oil Corporation entities in Benelux and Scandinavia when they were acquired by the Corporation. The Corporation settled the liability on January 1, 1995 in one lump sum at the official price of the crude prevailing at that date, in accordance with the agreement reached between the two parties. The difference between the amount recorded in the prior years and the settlement amount, approximately KD 51 million, has been included in other income (Note 17).

Kuwait Petroleum Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

For the year ended June 30, 1995

10. Amounts due to Ministry of Oil

Amounts due to the Ministry of Oil represent the net amounts payable for purchases of crude oil and natural gas and for certain activities performed by the Corporation and its subsidiaries on behalf of the Ministry of Oil (as described in Note 21). Production costs, including the prior year extraordinary item, of Kuwait Oil Company K.S.C. are charged to this account.

During the year ended June 30, 1993, an agreement was reached with the Ministry such that part of the costs charged to the Ministry resulting from the Iraqi invasion would be repaid over a period of thirty-six months. The repayment is in the form of a monthly deduction from the cost of crude oil charged by the Ministry to the Corporation. At June 30, 1995, five instalments were outstanding and amounted to approximately KD 27 million.

	1995 KD (Thousands)	1994 KD (Thousands)
11. Profits available for distribution		
Balance at beginning of the year	328,341	316,418
Profits distributed during the year	(328,341)	(316,418)
Profit for the year available for distribution	729,588	328,341
Balance at end of the year	729,588	328,341
12. Non-current liabilities		
Fixed maturity liabilities:		
Capital lease obligations	48,810	49,763
Long-term loans	116,624	142,441
	165,434	192,204
Current portion due within one year	(3,835)	(9,499)
	161,599	182,705
Others:		
Employees' terminal benefits and pensions	96,423	87,568
Deferred income taxes (Note 12. a)	30,286	27,300
Minority interests (Note 12. b)	425	1,289
Provision for subsidiaries' and affiliates' losses	—	1,806
Others	49,796	34,374
	176,930	152,337
Total non-current liabilities	338,529	335,042

12.(a) Deferred income taxes primarily arise on account of timing differences on depreciation charges which are not anticipated to reverse in the foreseeable future.

12.(b) Minority interests represent the portion of net assets of subsidiaries outside the State of Kuwait owned by non-group companies.

13. Capital reserve

The capital reserve mainly represents the difference between the Corporation's cost of acquisition of its original subsidiary companies, which were transferred by the Government of Kuwait, and their net asset values at December 31, 1979.

14. General reserve

As required by Article 12 of the Decree Law No. 6 of 1980, 10% of the annual profit has to be appropriated to general reserve. This appropriation was stopped in the current year.

	1995 KD (Thousands)	1994 KD (Thousands)
15. Provision for replacement and renewal of fixed assets		
Balance at the beginning and end of the year	1,298,691	1,298,691

Article 10 of the Law Decree No. 6 of 1980 states that the Corporation may provide a portion of its total profits to meet the costs of replacement and renewal of the Corporation's fixed assets after approval of the Supreme Council for Petroleum. The provision is calculated based on the difference between depreciation calculated on the historical cost of fixed assets of the Corporation and its subsidiaries in the State of Kuwait, and depreciation which would have been charged if those assets had been stated at replacement cost calculated on the basis of their insurance values. The Corporation's management has decided not to appropriate any additional provisions for the years ended June 30, 1995 and 1994.

	1995 KD (Thousands)	1994 KD (Thousands)
16. Revenues from drilling, engineering and other operations		
Engineering and construction	3,090	5,446
Drilling operations	115,516	113,375
Marine operations	51,843	51,880
Vessel charter and other operations	16,507	22,655
	<u>186,956</u>	<u>193,356</u>

	1995 KD (Thousands)	1994 KD (Thousands)
17. Other income and costs, net		
Interest income	117,248	123,260
Interest expense	(26,196)	(20,742)
Recovery of finance costs	56,766	45,213
Investment income	115,828	64,063
Decrease in provision for decline in value of investments	2,252	85,396
Net gain on settlement of amounts due to the Ministry of Finance	51,107	—
Sundry income	31,806	28,540
Gain (loss) on foreign exchange	77,798	(6,137)
Gain on disposal of fixed assets	2,667	1,654
Provision for write-down of fixed assets	—	(3,395)
Provision for results of subsidiaries and affiliated companies	1,078	3,173
Share of results of affiliated and unconsolidated subsidiary companies	19,296	5,443
Amortization and write-down of goodwill	(8,548)	(7,997)
Provisions for preliminary expenses	(1,250)	—
Taxes on income	(5,533)	(13,682)
Minority interests	(135)	50
Provision for doubtful debts	(383)	—
	<u>433,801</u>	<u>304,839</u>

18. Capital commitments

At June 30, 1995, the Corporation had commitments in respect of contracts and purchase orders relating to major capital expenditure amounting to approximately KD 557 million (1994: KD 740 million).

Kuwait Petroleum Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

For the year ended June 30, 1995

19. Subsidiaries and associated companies	Authorised capital KD (Thousands)	Paid-up capital KD (Thousands)	Shareholder's equity KD (Thousands)	Principal activities
a) Principal directly and wholly-owned subsidiaries incorporated in the State of Kuwait				
Kuwait Oil Company K.S.C.	30,188	30,188	598,888	Exploration for and production of crude oil and natural gas in the State of Kuwait including processing and export.
Kuwait National Petroleum Company K.S.C.	260,000	260,000	218,288	Refining, LPG manufacturing, export and local marketing of refined products.
Kuwait Oil Tanker Company S.A.K.	200,000	200,000	213,656	Operations of a fleet of crude oil tankers and liquefied petroleum gas and oil product carriers.
Petrochemical Industries Company K.S.C.	315,000	101,446	102,856	Production of petrochemical products and their distribution and marketing.
Kuwait Foreign Petroleum Exploration Company K.S.C.	200,000	200,000	114,387	Exploration and development of oil and gas outside the State of Kuwait.
Kuwait Santa Fe for Engineering and Petroleum Projects Company K.S.C.	1,000	1,000	2,853	Provide designing, engineering and related services to the petroleum industry.
Kuwait Aviation Fuelling Company K.S.C.	30	30	9,187	Supply of aviation fuel.

19. Subsidiaries and associated companies	Country of incorporation	Paid-up capital KD (Thousands)	Shareholder's equity KD (Thousands)	Principal activities
b) Principal directly and wholly-owned subsidiaries incorporated outside the State of Kuwait				
SFIC Holdings (Cayman), Inc.	Cayman Islands	374,242	405,637	International contract drilling, oil, gas and geothermal exploration, development and production.
KPC Holdings (Aruba) A.E.C.	Aruba	501,562	391,306	Refining and marketing of refined products.
Petrochemical Industries Holdings N.V.	Netherlands Antilles	101,941	(109,105)	Investment in other companies and financing activities.
KP North Sea Holdings Limited	United Kingdom	74,065	8,774	Exploration and production of oil and gas in North West Europe.
Gulf Industrial Investment Company (E.C.)	Bahrain	36,070	38,006	Production of iron ore pellets.
	Country of incorporation		Proportion held	Principal activities
c) Principal associated company				
Kuwait Drilling Company K.S.C.	Kuwait		49%	Contract drilling.

20. Discontinued operations

On December 31, 1994, SFIC Holdings (Cayman), Inc., (SFIC), a wholly-owned subsidiary, announced its plan for discontinuing its natural gas and crude oil exploration and production business through the sale of its producing property and mineral interests. Subsequently, SFIC has entered into definitive purchase and sales agreements with six separate purchasers covering all of its properties. SFIC expects to recognize a net gain from the sale of these assets, which will be reported when realized during the year ending June 30, 1996. The net assets of discontinued operations have been included in other current assets, since the total value of these assets is less than 1% of the group's total assets.

21. Activities on behalf of Ministry of Oil

The Corporation and its subsidiaries perform certain activities on behalf of the Ministry of Oil primarily in relation to (a) the exploration for and production of crude oil and natural gas in the State of Kuwait and (b) the local marketing (within the State of Kuwait) of refined products and liquefied petroleum gas.

Kuwait Petroleum Corporation

Exhibit A

Balance Sheet

As at June 30, 1995

	1995 KD (Thousands)	1994 KD (Thousands)
ASSETS		
Current assets:		
Cash and deposits at banks	1,406,168	1,591,775
Trade receivables	262,155	233,874
Inventories	161,674	193,579
Advance to Ministry of Finance	237,578	—
Amounts due from subsidiary companies	259,965	176,833
Finance advances to subsidiary company	33,179	—
Sundry receivables	35,836	30,774
Total current assets	2,396,555	2,226,835
Investments:		
Subsidiary and associated companies	2,360,677	2,248,786
Neutral Zone concession	32,684	28,548
Securities	1,463,239	1,145,963
	3,856,600	3,423,297
Loans to subsidiary companies	683,952	629,705
Finance advances to subsidiary companies	482,966	592,615
Fixed assets:		
Cost	2,043	1,718
Accumulated depreciation	(1,459)	(1,102)
	584	616
	7,420,657	6,873,068
LIABILITIES AND OWNER'S EQUITY		
Current liabilities:		
Trade payables	197	1,611
Other payables and accruals	24,644	25,974
Amounts due to Ministry of Finance	—	105,527
Amounts due to Ministry of Oil	205,140	173,048
Amounts due to subsidiary companies	96,737	94,117
Profits available for distribution	729,588	328,341
Total current liabilities	1,056,306	728,618
Other provisions	12,822	4,458
Owner's equity:		
Authorised and paid-in capital	2,500,000	2,500,000
Statutory reserve	398,713	317,641
Capital reserve	232,945	232,945
General reserve	1,589,529	1,589,529
Provision for replacement and renewal of fixed assets	1,298,691	1,298,691
Foreign currency translation adjustments	331,651	201,186
Total Owner's equity	6,351,529	6,139,992
	7,420,657	6,873,068

Kuwait Petroleum Corporation

Exhibit B

Statement of Income and Appropriations

For the year ended June 30, 1995

	1995 KD (Thousands)	1994 KD (Thousands)
Sales	3,740,745	3,097,280
Cost of sales	(3,373,464)	(2,971,147)
Gross trading profit	367,281	126,133
Net results of subsidiaries and associated companies	23,525	(28,849)
Investment and interest income	225,941	189,897
Provisions no longer required	—	87,255
Other income	205,524	53,980
	822,271	428,416
General and administrative expenses	10,809	9,128
Other costs and expenses	737	8,780
	11,546	17,908
Net profit for the year before appropriations	810,725	410,508
Proposed appropriations:		
Statutory reserve	81,072	41,051
General reserve	—	41,051
Directors' remuneration	65	65
Profits available for distribution	729,588	328,341
	810,725	410,508