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Kuwait Petroleum Corporation
FINANCIAL STATEMENTS

31 MARCH 2001



His Excellency, The Minister of Oil,
Chairman of the Board of Directors and
Members of the Board of Directors of
Kuwait Petroleum Corporation
State of Kuwait

We have audited the accompanying balance sheet of Kuwait Petroleum Corporation as of 31 March 2001, and the related statements of income, cash flows and changes in equity for the period then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Corporation's subsidiaries and associates, which were accounted for in the accompanying financial statements under the equity method of accounting, were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of other auditors. The investment in these entities represents 29% of total assets and the equity in their net profits represents 36% of net profit for the period.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements present fairly, in all material respects, the financial position of Kuwait Petroleum Corporation as of 31 March 2001, and the results of its operations and its cash flows for the period then ended in conformity with International Accounting Standards.

Furthermore, in our opinion, proper books of account have been kept by the Corporation and the financial statements, together with the contents of the report of the Board of Directors relating to these financial statements are in accordance therewith. We report that the financial statements include the disclosures required by Law Decree No. 6 of 1980. We further report that we obtained all the information and explanations that we required for the purpose of our audit, that an inventory was duly carried out, and that to the best of our knowledge and belief no violations of Law Decree No. 6 of 1980 have occurred during the period ended 31 March 2001 that might have had a material effect on the business of the corporation or on its financial position.



WALEED A. AL-OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG

25 June 2001

State of Kuwait

Kuwait Petroleum Corporation

BALANCE SHEET

31 March 2001

		31 March 2001 KD'000	30 June 2000 KD'000
ASSETS	<i>Notes</i>		
CURRENT ASSETS			
Bank balances and cash	3	1,163,261	515,931
Trade receivables	4	829,370	744,805
Inventories	5	69,028	84,721
Advance to Ministry of Finance	6	-	275,386
Amounts due from subsidiaries		376,046	325,865
Other assets	7	21,865	20,617
Total current assets		2,459,570	1,967,325
INVESTMENTS			
Subsidiaries and associates	8	3,171,743	1,279,862
Securities	9	3,113,081	2,508,427
Total investments		6,284,824	3,788,289
Neutral zone concession	10	51,638	49,438
Loans to subsidiaries	11	1,897,707	2,067,777
Finance advances to subsidiary	12	321,940	342,375
Fixed assets		1,207	996
TOTAL ASSETS		11,016,886	8,216,200
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade payables		4,049	1,789
Other payables and accruals	13	68,735	22,329
Amounts due to Ministry of Oil	14	395,270	531,062
Due to Ministry of Finance	6	423,411	-
Amounts due to subsidiaries		333,770	298,954
Profit available for distribution	15	814,986	705,663
Total current liabilities		2,040,221	1,559,797
NON-CURRENT LIABILITIES			
Other provisions		6,488	4,809
Other non-current liabilities	16	121,614	119,807
Total non-current liabilities		128,102	124,616
EQUITY			
Authorised and paid-up capital		2,500,000	2,500,000
Statutory reserve	17	932,910	842,350
Capital reserve	18	232,945	232,945
General reserve	19	1,673,200	1,673,200
Provision for replacement and renewal of fixed assets	20	1,298,691	1,298,691
Cumulative changes in fair values	21	2,287,125	-
Foreign currency translation adjustments		(76,308)	(15,399)
Total equity		8,848,563	6,531,787
TOTAL LIABILITIES AND EQUITY		11,016,886	8,216,200

Seham Abdul Razzak Razouqi
Managing Director - Finance, Administration and
External Relations

Nader Hamad Sultan
Deputy Chairman and Chief
Executive Officer

The attached notes 1 to 28 form part of these financial statements.

Kuwait Petroleum Corporation

STATEMENT OF INCOME

Period ended 31 March 2001

		9 months ended 31 March 2001 KD'000	12 months ended 30 June 2000 KD'000
	Notes		
Sale of crude oil, gas and refined products		6,701,887	8,519,770
Cost of sales of crude oil, gas and refined products		(6,428,739)	(8,186,887)
GROSS PROFIT		273,148	332,883
General and administration expenses	22	11,860	14,939
Other costs and expenses	23	3,431	27,406
PROFIT FROM OPERATIONS		257,857	290,538
Interest income		103,367	91,754
Investment income		118,849	192,139
Income from subsidiaries and associates	24	329,685	97,581
Other income	25	85,446	112,119
PROFIT BEFORE EXTRAORDINARY ITEM		895,204	784,131
Extraordinary item	26	10,397	-
PROFIT BEFORE DIRECTORS' FEES		905,601	784,131
Directors' fees		(55)	(55)
NET PROFIT FOR THE PERIOD		905,546	784,076

The attached notes 1 to 28 form part of these financial statements.

Kuwait Petroleum Corporation

STATEMENT OF CASH FLOWS

Period ended 31 March 2001

		9 months ended 31 March 2001 KD'000	12 months ended 30 June 2000 KD'000
	Note		
OPERATING ACTIVITIES			
Net profit for the period		905,546	784,076
Less: Extraordinary item		(10,397)	-
		<u>895,149</u>	<u>784,076</u>
Adjustments for:			
Interest income		(103,367)	(91,754)
Investment income		(118,849)	(192,139)
Income from subsidiaries and associates		(329,685)	(97,581)
Profit on sale of subsidiaries		(11,333)	-
Depreciation		290	471
Provision for employees' terminal benefits		1,050	1,076
Directors fees		55	55
		<u>333,310</u>	<u>404,204</u>
Operating profit before working capital changes:		333,310	404,204
Increase in trade receivables		(84,565)	(422,070)
(Increase) decrease in inventories		15,693	(27,960)
Decrease in amounts due from subsidiaries		1,204	111,837
Increase (decrease) in other receivables and prepayments		2,120	(3,617)
Increase in trade payables		2,260	1,451
Increase (decrease) in other payables and accruals		46,351	(6,745)
(Decrease) increase in amounts due to Ministry of Oil		(135,792)	265,990
Increase in amounts due to subsidiaries		34,816	76,339
		<u>215,397</u>	<u>399,429</u>
Cash flow before extraordinary item		215,397	399,429
Proceeds from extraordinary item		10,397	-
		<u>225,794</u>	<u>399,429</u>
INVESTING ACTIVITIES			
Net decrease (increase) in investment in subsidiaries and associates		364,007	(255,874)
Increase in neutral zone concession		(2,200)	(1,052)
Net increase in securities		(107,238)	(134,507)
Repayment of loan from subsidiary		-	127,747
Finance advances to subsidiary		(30,930)	(25,932)
Purchase of fixed assets		(503)	(590)
Interest received		77,115	92,519
Investment income		118,849	192,139
(Increase) decrease in deposits at banks		(774,190)	59,870
		<u>(355,090)</u>	<u>54,320</u>
Net cash from investing activities		(355,090)	54,320
FINANCING ACTIVITIES			
Increase in other non-current liabilities		2,436	2,499
Profit distributed		-	(315,743)
		<u>2,436</u>	<u>(313,244)</u>
Net cash used in financing activities		2,436	(313,244)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(126,860)</u>	<u>140,505</u>
Cash and cash equivalents at beginning of the period		515,931	375,426
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3	<u>389,071</u>	<u>515,931</u>
Short term deposit maturing after 3 months	3	<u>774,190</u>	-
BANK BALANCES AND CASH AT END OF THE PERIOD	3	<u>1,163,261</u>	<u>515,931</u>

The attached notes 1 to 28 form part of these financial statements.

Kuwait Petroleum Corporation

STATEMENT OF CHANGES IN EQUITY

Period ended 31 March 2001

	Authorised and paid-up capital KD '000	Statutory reserve KD '000	Capital reserve KD '000	General reserve KD '000	Provision for replacement and renewal of fixed assets KD '000	Foreign currency translation adjustments KD '000	Cumulative changes in fair values KD '000	Retained earnings KD '000	Total KD '000
Balance at 1 July 2000	2,500,000	842,350	232,945	1,673,200	1,298,691	(15,399)	-	-	6,531,787
Restatement in accordance with IAS 39	-	-	-	-	-	-	2,017,907	-	2,017,907
Net profit for the period	-	-	-	-	-	-	-	905,546	905,546
Transfers	-	90,560	-	-	-	-	-	(90,560)	-
Net movement in cumulative changes in fair values	-	-	-	-	-	-	269,218	-	269,218
Net exchange differences	-	-	-	-	-	(60,909)	-	-	(60,909)
Profit available for distribution	-	-	-	-	-	-	-	(814,986)	(814,986)
Balance at 31 March 2001	2,500,000	932,910	232,945	1,673,200	1,298,691	(76,308)	2,287,125	-	8,848,563
Balance at 1 July 1999	2,500,000	763,937	232,945	1,673,200	1,298,691	88,277	-	-	6,557,050
Net profit for the year	-	-	-	-	-	-	-	784,076	784,076
Transfers	-	78,413	-	-	-	-	-	(78,413)	-
Net exchange differences	-	-	-	-	-	(103,676)	-	-	(103,676)
Profit available for distribution	-	-	-	-	-	-	-	(705,663)	(705,663)
Balance at 30 June 2000	2,500,000	842,350	232,945	1,673,200	1,298,691	(15,399)	-	-	6,531,787

The attached notes 1 to 28 form part of these financial statements.

1 ORGANISATION AND ACTIVITIES

The financial statements of Kuwait Petroleum Corporation (the Corporation) for the period ended 31 March 2001 were authorised for issue in accordance with a resolution of the directors on 25 June 2001. The Corporation is wholly owned by the Government of the State of Kuwait. The Corporation was established by 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. The marketing of crude oil and petroleum products produced by subsidiaries in the state of Kuwait is undertaken by the Corporation. All of the Corporation's other activities, including the marketing of crude oil and petroleum products produced by subsidiaries outside the State of Kuwait, are carried out through its subsidiaries and associates. The principal subsidiaries and associates are set out in Note 8.

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

With effect from 1 July 1995, the Corporation entered into a commercial processing agreement with one of its subsidiaries, Kuwait National Petroleum Company (KNPC), whereby the Corporation sells crude oil and feedstock to KNPC for refining, and then buys back refined products from KNPC. Prices for these transactions are determined by the agreement.

The address of the Corporation's registered office is P.O. Box 26565, Safat 13126, State of Kuwait.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with Law Decree No. 6 of 1980 and International Accounting Standards issued by the International Accounting Standards Committee (IASC) and interpretations issued by the Standing Interpretations Committee of IASC.

The significant accounting policies adopted are as follows:

Accounting convention

The financial statements are prepared under the historical cost convention except for the measurement at fair value of available for sale securities.

The accounting policies have been consistently applied by the Corporation and, except for the change in accounting policy caused by the early adoption of IAS 39 discussed more fully below, are consistent with those used in the previous years.

The financial statements are presented in thousands of Kuwaiti dinars.

Cash and cash equivalents

Cash and cash equivalents for the purpose of preparing the statement of cash flows comprise cash, short-term bank deposits and highly liquid investments with a maturity date not exceeding 3 months from the date of acquisition.

Trade receivables

Trade receivables are stated net of provisions for amounts estimated to be non collectible. An estimate for doubtful accounts is made when collection of the full amount is no longer probable.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Crude oil is valued at the lower of average cost or net realisable value at the period 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. The formula for establishing the cost of crude oil has been revised in accordance with a resolution by the Supreme Council for Petroleum effective July 1, 1997.

Finished petroleum products are valued at the lower of cost or net realisable value. Cost is determined using the weighted average method on an individual product basis as determined by the commercial processing agreement with KNPC.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal.

Subsidiaries and associates

Investments in subsidiaries and associates are accounted for under the equity method of accounting and are carried in the balance sheet at the lower of the equity accounted amount and the recoverable amount. Subsidiaries are enterprises in which the Corporation generally holds greater than 50% of the voting power and over which it exercises a controlling influence. Associates are enterprises in which the Corporation generally holds 20% to 50% of the voting power and over which it exercises significant influence.

Securities

After initial recognition at cost, being the fair value of the consideration given including acquisition charges associated with the investment, investments which are classified "securities" are remeasured at fair value. Unrealised gains and losses on remeasurement to fair value are reported as a separate component of equity until the investment is sold, collected or otherwise disposed of or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of income for the period.

The fair value is determined by reference to stock exchange quoted market bid prices at the close of the balance sheet date.

Impairment

The net carrying value of fixed assets and other non financial assets is reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed this recoverable amount, assets are written down to their recoverable amount. The recoverable amount is determined for the individual asset concerned, or if that is not practicable, for the cash generating unit to which the asset belongs.

Revenue recognition

Sales are recognised at the date title passes to the customer in accordance with the contract of sale.

Interest is recognised on the accrual basis.

Dividend is recognised when shareholders' right to receive payment is established.

Foreign currencies

Foreign currency transactions are recorded in Kuwaiti Dinars at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated to Kuwaiti Dinars at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the translation of the financial statements of subsidiaries and associates together with loans that, in substance, form part of the Corporation's net investment in such entities are accumulated in a separate component of equity (foreign currency translation adjustments) until the disposal of the subsidiary or associate. Other exchange differences are taken to the statement of income.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2001

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial instruments constitute on-balance sheet items for the Corporation. On-balance sheet financial instruments include investments, trade receivables, bank balances and cash, trade payables and certain other assets and liabilities.

Fair values of financial instruments are based on quoted prices for marketable instruments, or estimated fair values, calculated using methods such as net present values of future cash flows.

Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Corporation commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Changes in accounting policies

On 1 July 2000 the Corporation has adopted IAS 39, "Financial Instruments: Recognition and Measurement" before its effective date. This has resulted in changes in accounting policies of the Corporation in respect of recognition and measurement of financial instruments. Previously the Corporation valued marketable securities at cost less provision for any decline other than temporary in the value of the investment. Subsequent to the implementation of IAS 39, the Corporation has remeasured such investments to fair value. The resultant gain was taken to equity on 1 July 2000.

Effect of changes in accounting policies

In accordance with the transitional provisions of the new accounting standard, the Corporation has accounted for the changes in policies with effect from 1 July 2000 (and has not restated comparatives).

3 BANK BALANCES AND CASH

	31 March 2001 KD'000	30 June 2000 KD'000
Cash and current accounts at banks	221	115
Short-term bank deposits and highly liquid investments maturing within 3 months	388,850	515,816
Cash and cash equivalents	389,071	515,931
Short term bank deposits maturing after 3 months	774,190	-
	<u>1,163,261</u>	<u>515,931</u>

Short-term bank deposits are mainly denominated in Kuwaiti Dinars and U.S. Dollars. These deposits carry annual interest rates between 5% to 7% and mature within one year from the balance sheet date. These balances are placed with high credit quality financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2001

4 TRADE RECEIVABLES

The Corporation deals mainly with major state owned and international oil companies. Its 12 largest customers account for 60% of outstanding trade receivables at 31 March 2001 (2000: 74%). Trade receivables are denominated predominantly in US Dollars.

As accounts receivable are stated net of any required provision and are short term in nature, fair value approximates carrying value.

The Corporation's terms of sale are governed by contracts with customers.

5 INVENTORIES

	31 March 2001 KD'000	30 June 2000 KD'000
Finished petroleum products	6,253	7,691
Crude oil	62,775	77,030
	<u>69,028</u>	<u>84,721</u>

6 ADVANCE TO MINISTRY OF FINANCE

This item represents advances made to the Ministry of Finance on account of profit distribution.

During the current financial period, no such advances have been made by the Corporation. The amount due to the Ministry of Finance at 31 March 2001 represents the remaining profit available for distribution for the year ended 30 June 2000.

No interest is payable by the Corporation on this balance.

7 OTHER ASSETS

	31 March 2001 KD'000	30 June 2000 KD'000
Sundry receivables	7,043	10,561
Accrued income	5,589	2,223
Prepaid expenses	1,825	2,302
Deferred expenses	7,408	5,531
	<u>21,865</u>	<u>20,617</u>

Kuwait Petroleum Corporation

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2001

8 SUBSIDIARIES AND ASSOCIATES

a) Directly and wholly-owned subsidiaries incorporated in the State of Kuwait:

<i>Name of company</i>	<i>Principal activities</i>	<i>Net equity reported per the subsidiary's audited financial statements</i>	
		<i>31 March 2001 KD '000</i>	<i>30 June 2000 KD '000</i>
Kuwait Oil Company K.S.C.	Exploration for and production of crude oil and natural gas in the State of Kuwait.	1,020,085	976,165
Kuwait National Petroleum Company K.S.C.	Refining, LPG manufacturing, and local marketing of refined products.	390,000	357,193
Kuwait Oil Tanker Company S.A.K.	Operation of a fleet of crude oil tankers and liquefied petroleum gas and oil product carriers.	224,845	222,389
Petrochemical Industries Company K.S.C.	Production of petrochemical products and their distribution and marketing.	353,617	318,030
Kuwait Foreign Petroleum Exploration Company K.S.C.	Exploration for and development of oil and gas outside the State of Kuwait.	223,482	190,316
Kuwait Santa Fe for Engineering and Petroleum Projects Company K.S.C.	Provision of design, engineering and related services to the petroleum industry.	4,104	4,122
Kuwait Aviation Fuelling Company K.S.C.	Supply of aviation fuel.	9,657	10,347
Kuwait Petroleum Corporation Western Hemisphere K.S.C. (Closed)		4	61
Kuwait Petroleum Corporation Far East K.S.C. (Closed)		249	291
TOTAL (A)		2,226,043	2,078,914

Kuwait Petroleum Corporation

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2001

8 SUBSIDIARIES AND ASSOCIATES (Continued)

b) Directly and wholly-owned subsidiaries incorporated outside the State of Kuwait:

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Net equity reported per the subsidiary's audited financial statements</i>	
			<i>31 March 2001</i>	<i>30 June 2000</i>
			<i>KD '000</i>	<i>KD '000</i>
SPIC Holdings (Cayman), Inc.	Cayman Islands	International contract drilling.	173,444	276,214
KPC Holdings (Aruba) AEC	Aruba	Refining, and marketing of refined products	411,805	420,625
Petrochemical Industries Holding N.V.	Luxembourg	Investment in other companies and financing activities	298,134	366,731
Gulf Industrial Investment Company (E.C.) (Sold during the period - see Note 25)	Bahrain	Production of iron ore pellets	-	36,607
TOTAL (B)			883,383	1,100,177
c) Associates				
<i>Name of company</i>	<i>Country of incorporation</i>	<i>Proportion held</i>	<i>Principal activities</i>	<i>Net equity reported per the associate's audited financial statements</i>
				<i>31 March 2001</i>
				<i>KD '000</i>
Kuwait Drilling Company K.S.C.	Kuwait	49%	Contract drilling	5,229
Others				12
TOTAL (C)				5,241
				5,200

Kuwait Petroleum Corporation

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2001

8 SUBSIDIARIES AND ASSOCIATES (Continued)

Total net equity reported in the audited financial statements of subsidiaries / associates [TOTALS (A), (B), (C) above]

Currency translation adjustments accounted by KPC

Total net equity accounted by KPC

Less:

Reversal of the impact of early application of International Accounting Standard (IAS) 39 applied by PIH. The Corporation has adopted IAS 39 with effect from 1 July 2000, and consequently the unrealised gains recorded by PIH have been taken to equity.

	31 March 2001 KD'000	30 June 2000 KD'000
	3,114,667	3,184,291
	<u>57,076</u>	<u>75,916</u>
	3,171,743	3,260,207
	-	(1,980,345)
	<u>3,171,743</u>	<u>1,279,862</u>

The Corporation's financial period was from 1 July 2000 to 31 March 2001. The financial period of the Corporation's directly owned subsidiaries is the same as that of the Corporation with the exception of Kuwait Foreign Petroleum Exploration Company K.S.C. and SFIC Holdings (Cayman), Inc. whose financial periods were from 1 January 2000 to 31 December 2000. Where such subsidiaries do not prepare financial statements drawn up to the same date as that of the Corporation, adjustments are made for effects of any significant events or transactions which have occurred in the three months following those companies period ends.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2001

9 SECURITIES

	<i>31 March 2001 KD'000</i>	<i>30 June 2000 KD'000</i>
Managed portfolios	2,661,920	2,478,215
Other marketable securities	451,161	30,212
	<u>3,113,081</u>	<u>2,508,427</u>

Securities are denominated predominantly in U.S. Dollars and Deutsche Marks and represent investments in high credit quality bonds and equities quoted in international stock markets.

10 NEUTRAL ZONE CONCESSION

The Neutral zone concession is an oil producing field partitioned equally between the Government of the State of Kuwait and Saudi Arabia. This amount represents net capital expenditure incurred by the Corporation on behalf of the Government of the State of Kuwait.

11 LOANS TO SUBSIDIARIES

The loans to Petrochemical Industries Holdings N.V. (PIH) are denominated in Deutsche Marks. Loans totalling KD 1,483,110 thousand (2000: KD 1,567,897 thousand) carried interest at 4.9% per annum until 1 January 2001 after which the interest rates were revised to 5.25%. Unless agreed otherwise, the annual interest rate will remain the same as in the preceding year. Loans totalling KD 344,437 thousand (2000: KD Nil) carry no interest until 1 August 2002. The principal amounts for all of these loans become due for repayment on 31 December 2010.

Loans of KD 65,301 thousand (2000: KD 440,104 thousand) to Petrochemical Resources Holdings B.V. (PRH), a wholly owned subsidiary of PIH are denominated principally in Deutsche Marks and carry interest at rates varying from 5% to 5.75% per annum. The repayment terms of the loans generally extend beyond 30 June 2002.

During the period, the Corporation purchased KD 445,740 thousand of marketable securities from PRH. The consideration for this transaction was the reduction in loan balances owed to the Corporation.

12 FINANCE ADVANCES TO SUBSIDIARY

	<i>31 March 2001 KD'000</i>	<i>30 June 2000 KD'000</i>
Balance at beginning of the period	342,375	388,608
Advances to finance capital projects	30,929	25,931
Repayment of capital advances	(51,364)	(72,164)
	<u>321,940</u>	<u>342,375</u>
Balance at end of the period		

Finance advances consist of advances for capital projects and purchase of inventories by Kuwait National Petroleum Company K.S.C. (KNPC). No interest is charged on amounts advanced to finance major capital projects. As agreed with KNPC, amounts advanced to finance capital projects are repaid in line with the related depreciation charge for the major capital projects.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2001

13 OTHER PAYABLES AND ACCRUALS

	<i>31 March 2001 KD'000</i>	<i>30 June 2000 KD'000</i>
Payroll and annual leave	1,690	1,706
Marine payables	18,293	16,210
Other payables	4,365	4,413
UN claims payable to the Government of the State of Kuwait (Note 26)	44,387	-
	<u>68,735</u>	<u>22,329</u>

14 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. These activities primarily relate to the exploration for and production of crude oil and natural gas in the State of Kuwait and the local marketing (within the State of Kuwait) of refined products and liquefied petroleum gas. A significant proportion of costs of Kuwait Oil Company K.S.C. is charged to this account.

15 PROFIT AVAILABLE FOR DISTRIBUTION

	<i>31 March 2001 KD'000</i>	<i>30 June 2000 KD'000</i>
Balance at beginning of the period	705,663	517,649
Profit distributed during the period	(705,663)	(517,649)
Profit for the period available for distribution	814,986	705,663
	<u>814,986</u>	<u>705,663</u>
Balance at end of the period		

16 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities represent amounts transferred from local subsidiaries equivalent to the subsidiaries' statutory reserves in accordance with their Articles of Association. The amounts are interest free and do not have a fixed repayment date.

17 STATUTORY RESERVE

As required by Article 12 of Law Decree No. 6 of 1980, 10% of profit is transferred to the statutory reserve. Such transfers will be discontinued when the reserve equals half the capital.

Kuwait Petroleum Corporation

NOTES TO THE FINANCIAL STATEMENTS

31 March 2001

18 CAPITAL RESERVE

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

19 GENERAL RESERVE

No profit has been transferred to the general reserve, in accordance with the resolution passed by Supreme Council for Petroleum at their meeting dated 18 October 2000.

20 PROVISION FOR REPLACEMENT AND RENEWAL OF FIXED ASSETS

Article 10 of Law Decree No. 6 of 1980 states that the Corporation may provide part from its profits to meet the costs of replacement and renewal of the Corporation's and its subsidiaries' fixed assets, after approval of the Supreme Council for Petroleum. The provision is based on the difference between depreciation, calculated on the historical cost of the fixed assets of the Corporation and its Kuwaiti subsidiaries, and depreciation calculated on the replacement cost of assets using their insured (generally replacement) values. No appropriations were made for the periods ended 30 June 1994 through 31 March 2001.

21 CUMULATIVE CHANGES IN FAIR VALUES

In accordance with IAS 39, which the Corporation has adopted with effect from 1 July 2000, the Corporation has remeasured securities to fair value.

The resultant gain of KD 2,017,907 thousand on remeasuring to fair value was taken to equity on 1 July 2000. The net gain in the fair value of securities during the period of KD 269,218 thousand has also been taken to equity.

22 GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses are analysed by nature as follows:

	<i>9 months ended on 31 March 2001 KD'000</i>	<i>12 months ended on 30 June 2000 KD'000</i>
Staff costs	9,521	11,625
Depreciation	290	352
Other expenses	2,049	2,962
	<u>11,860</u>	<u>14,939</u>

At 31 March 2001 the Corporation had 783 employees (30 June 2000: 764 employees).

Kuwait Petroleum Corporation

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23 OTHER COSTS AND EXPENSES

	<i>9 months ended on 31 March 2001 KD'000</i>	<i>12 months ended on 30 June 2000 KD'000</i>
Provision for doubtful debts	2,500	12,807
Other expenses	931	(780)
Loan waiver to subsidiary	-	15,379
	<u>3,431</u>	<u>27,406</u>

24 INCOME FROM SUBSIDIARIES AND ASSOCIATES

This amount represents the Corporation's share in the net results of subsidiaries and associates as follows:

	<i>9 months ended on 31 March 2001 KD'000</i>	<i>12 months ended on 30 June 2000 KD'000</i>
Kuwait National Petroleum Company K.S.C.	66,836	(31,301)
Kuwait Oil Tanker Company S.A.K.	24,694	11,332
Petrochemical Industries Company K.S.C.	32,299	(4,318)
Kuwait Foreign Petroleum Exploration Company K.S.C.	32,301	22,426
Kuwait Santa Fe for Engineering Petroleum Projects Company K.S.C.	642	888
Kuwait Aviation Fueling Company K.S.C.	4,805	5,494
Kuwait Petroleum Corporation (Western Hemisphere) K.S.C. (Closed)	(58)	(220)
Kuwait Petroleum Corporation (Far East) K.S.C. (Closed)	(42)	40
SFIC Holdings (Cayman), Inc.	219,477	30,507
KPC Holdings (Aruba) AEC	15,525	(13,248)
Petrochemical Industries Holding N.V.	(70,982)	76,860
Gulf Industrial Investment Company E.C.	3,816	(1,001)
Kuwait Drilling Company K.S.C.	372	122
	<u>329,685</u>	<u>97,581</u>

25 OTHER INCOME

	<i>9 months ended on 31 March 2001 KD'000</i>	<i>12 months ended on 30 June 2000 KD'000</i>
Profit on sale of subsidiary (Note 8)	11,333	-
Recovery of financing costs	60,172	78,326
Foreign currency exchange gain	4,200	23,478
Miscellaneous income	9,741	10,315
	<u>85,446</u>	<u>112,119</u>

NOTES TO THE FINANCIAL STATEMENTS

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25 OTHER INCOME (continued)

On 17 October 2000, the Corporation disposed its entire holding of Gulf Industrial Investment Company (E.C.) (GIIC), a wholly owned subsidiary. GIIC was not a consolidated subsidiary of the Corporation, being accounted for under equity accounting. The cash inflow from the disposal amounted to KD 57,360 thousand (approximately US \$ 186 million) and resulted in a gain to the Corporation of KD 11,333 thousand which is accounted for as other income.

26 EXTRAORDINARY ITEM

In respect of losses suffered as a result of the Iraqi invasion and occupation of Kuwait in 1990, the Governing Council of the United Nations Claims Commission has approved an amount of US \$ 18,864,058 thousand to the Corporation and the Government of the State of Kuwait for payment as and when funds become available. During 2000, an amount of KD 54,784 thousand was received in part settlement. Of this amount, KD 10,397 thousand is in respect of amounts due to the Corporation. The balance, which is payable to the Government of the State of Kuwait, has been included in other payables (Note 13).

27 FAIR VALUE OF FINANCIAL INSTRUMENTS

In the normal course of business, the Corporation uses primary financial instruments such as cash and deposits, investments, receivables and payables.

The carrying amounts of financial instruments approximate their fair values due to the short-term maturities and the nature of such instruments.

28 PERIOD COVERED BY FINANCIAL STATEMENTS

Pursuant to the Corporation's decision to change its year end from 30 June to 31 March, the current financial statements are for a 9 month period (1 July 2000 to 31 March 2001), compared to a 12 month period for the previous period (1 July 1999 to 30 June 2000). Consequently the comparative amounts stated in the income statement, cash flow statement, statements of changes in equity and related notes are not comparable.

The Corporation changed its reporting date to conform with the fiscal year of the Government of the State of Kuwait.