

008961/30

FC 11069

Kuwait Petroleum Corporation
FINANCIAL STATEMENTS

31 MARCH 2002



A27
COMPANIES HOUSE

AF00JLS3

0563
14/06/03

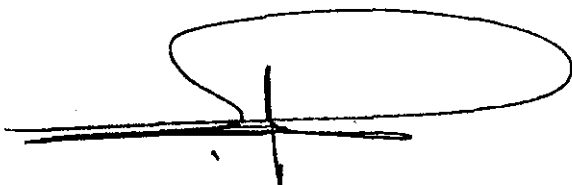
His Excellency, The Minister of Oil,
Chairman of the Board of Directors and
Members of the Board of Directors of
Kuwait Petroleum Corporation
State of Kuwait

We have audited the accompanying balance sheet of Kuwait Petroleum Corporation as of 31 March 2002, and the related statements of income, cash flows and changes in equity for the year 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 30% of total assets and the equity in their net profits represents 5% of net profit for the year.

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 the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the financial statements present fairly, in all material respects, the financial position of the Corporation as of 31 March 2002, and the results of its operations and its cash flows for the year then ended in accordance 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 year ended 31 March 2002 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

17 July 2002
State of Kuwait

Kuwait Petroleum Corporation

BALANCE SHEET

31 March 2002

		31 March 2002 KD'000	31 March 2001 KD'000
ASSETS	Notes		
CURRENT ASSETS			
Bank balances and cash	3	582,302	1,163,261
Trade receivables	4	466,686	519,441
Inventories	5	56,059	69,028
Amounts due from subsidiaries		449,103	376,046
Other assets	6	22,635	21,865
Total current assets		1,576,785	2,149,641
INVESTMENTS			
Subsidiaries and associates	7	3,015,693	3,171,743
Securities	8	2,824,889	3,113,081
Total investments		5,840,582	6,284,824
Neutral zone concession	9	51,638	51,638
Non-current trade receivables	4	339,355	309,929
Loans to subsidiaries	10	1,846,174	1,897,707
Finance advances to subsidiary	11	344,449	321,940
Fixed assets		1,086	1,207
TOTAL ASSETS		10,000,069	11,016,886
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade payables		2,276	4,049
Other payables and accruals	12	17,232	68,735
Amounts due to Ministry of Oil	13	480,756	395,270
Amounts due to Ministry of Finance		-	423,411
Amounts due to subsidiaries		348,031	333,770
Profit available for distribution	14	478,585	814,986
Total current liabilities		1,326,880	2,040,221
NON-CURRENT LIABILITIES			
Other provisions		6,155	6,488
Other non-current liabilities	15	125,591	121,614
Total non-current liabilities		131,746	128,102
EQUITY			
Authorised and paid-up capital		2,500,000	2,500,000
Statutory reserve	16	986,093	932,910
Capital reserve	17	232,945	232,945
General reserve	18	1,673,200	1,673,200
Reserve for replacement and renewal of fixed assets	19	1,298,691	1,298,691
Cumulative changes in fair values		1,937,493	2,287,125
Foreign currency translation adjustments		(86,979)	(76,308)
Total equity		8,541,443	8,848,563
TOTAL LIABILITIES AND EQUITY		10,000,069	11,016,886

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 30 form part of these financial statements.

Kuwait Petroleum Corporation

STATEMENT OF INCOME

31 March 2002

		12 months ended 31 March 2002 KD'000	9 months ended 31 March 2001 KD'000
	Notes		
Sale of crude oil, gas and refined products		7,293,184	6,701,887
Cost of sales of crude oil, gas and refined products		(7,039,496)	(6,428,739)
GROSS PROFIT		253,688	273,148
General and administration expenses	20	(19,052)	(11,860)
Other costs and expenses	21	(16,841)	(3,431)
PROFIT FROM OPERATIONS		217,795	257,857
Interest income		94,015	103,367
Investment income		123,847	118,849
Income from subsidiaries and associates	22	26,591	329,685
Other income	23	63,470	85,446
PROFIT BEFORE EXTRAORDINARY ITEM AND DIRECTORS' FEES		525,718	895,204
Extraordinary item	24	6,109	10,397
PROFIT BEFORE DIRECTORS' FEES		531,827	905,601
Directors' fees	25	(59)	(55)
NET PROFIT FOR THE YEAR		531,768	905,546

The attached notes 1 to 30 form part of these financial statements.

Kuwait Petroleum Corporation

STATEMENT OF CASH FLOWS

31 March 2002

		12 months ended 31 March 2002 KD'000	9 months ended 31 March 2001 KD'000
	Note		
OPERATING ACTIVITIES			
Net profit for the year		531,768	905,546
Less: Extraordinary item		(6,109)	(10,397)
		<u>525,659</u>	<u>895,149</u>
Adjustments for:			
Interest income		(94,015)	(103,367)
Investment income		(123,847)	(118,849)
Income from subsidiaries and associates		(26,591)	(329,685)
Profit on sale of subsidiaries		-	(11,333)
Depreciation		542	290
Gain on disposal of fixed assets		(102)	-
Provision for employees' terminal benefits		1,704	1,050
Directors fees		59	55
		<u>283,409</u>	<u>333,310</u>
Operating profit before working capital changes:			
Decrease (increase) in trade receivables		23,329	(84,565)
Decrease in inventories		12,969	15,693
(Increase) decrease in amounts due from subsidiaries		(16,866)	1,204
(Increase) decrease in other receivables and prepayments		(5,059)	2,120
(Decrease) increase in trade payables		(1,773)	2,260
(Decrease) increase in other payables and accruals		(51,561)	46,351
Increase (decrease) in amounts due to Ministry of Oil		85,486	(135,792)
Increase in amounts due to subsidiaries		14,261	34,816
		<u>344,195</u>	<u>215,397</u>
Cash flow before extraordinary item			
Proceeds from extraordinary item		6,109	10,397
		<u>350,304</u>	<u>225,794</u>
INVESTING ACTIVITIES			
Net (increase) decrease in investment in subsidiaries and associates		(72,319)	364,007
Increase in neutral zone concession		-	(2,200)
Net decrease (increase) in securities		234,381	(107,238)
Finance advances to subsidiary		(78,700)	(30,930)
Purchase of fixed assets		(410)	(503)
Disposal of fixed assets		91	-
Interest received		98,304	77,115
Investment income		123,847	118,849
Decrease (increase) in deposits at banks		653,192	(774,190)
		<u>958,386</u>	<u>(355,090)</u>
FINANCING ACTIVITIES			
Increase in other non-current liabilities		1,940	2,436
Profit distributed		(1,238,397)	-
		<u>(1,236,457)</u>	<u>2,436</u>
Net cash (used in) from financing activities			
		<u>72,233</u>	<u>(126,860)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the year		389,071	515,931
		<u>461,304</u>	<u>389,071</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	3		
Short term deposits maturing after 3 months	3	120,998	774,190
		<u>582,302</u>	<u>1,163,261</u>
BANK BALANCES AND CASH AT END OF THE YEAR	3		

The attached notes 1 to 30 form part of these financial statements.

Kuwait Petroleum Corporation

STATEMENT OF CHANGES IN EQUITY

31 March 2002

	Authorised and paid-up capital KD '000	Statutory reserve KD '000	Capital reserve KD '000	General reserve KD '000	Reserve 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 April 2001	2,500,000	932,910	232,945	1,673,200	1,298,691	(76,308)	2,287,125	-	8,848,563
Net profit for the year	-	-	-	-	-	-	-	531,768	531,768
Transfers	-	53,183	-	-	-	-	-	(53,183)	-
Net movement in cumulative changes in fair values	-	-	-	-	-	-	(349,632)	-	(349,632)
Net exchange differences	-	-	-	-	-	(10,671)	-	-	(10,671)
Profit available for distribution	-	-	-	-	-	-	-	(478,585)	(478,585)
Balance at 31 March 2002	<u>2,500,000</u>	<u>986,093</u>	<u>232,945</u>	<u>1,673,200</u>	<u>1,298,691</u>	<u>(86,979)</u>	<u>1,937,493</u>	<u>-</u>	<u>8,541,443</u>
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	<u>2,500,000</u>	<u>932,910</u>	<u>232,945</u>	<u>1,673,200</u>	<u>1,298,691</u>	<u>(76,308)</u>	<u>2,287,125</u>	<u>-</u>	<u>8,848,563</u>

The attached notes 1 to 30 form part of these financial statements.

1 ORGANISATION AND ACTIVITIES

The financial statements of Kuwait Petroleum Corporation (the Corporation) for the year ended 31 March 2002 were authorised for issue in accordance with a resolution of the directors on 17 June 2002. 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 7.

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 K.S.C. (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.

These financial statements represent the non-consolidated financial statements of the Corporation. Separate consolidated financial statements have been prepared.

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 Board (IASB) and interpretations issued by the Standing Interpretations Committee of the IASB.

The significant accounting policies adopted are as follows:

Accounting convention

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

The accounting policies have been consistently applied by the Corporation and are consistent with those used in the previous period.

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 at original invoice amount less 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 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. 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 completion and 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.

Available for sale 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 as "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 year.

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.

Kuwait Petroleum Corporation

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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.

3 BANK BALANCES AND CASH

	2002 KD'000	2001 KD'000
Cash and current accounts at banks	342	221
Short-term bank deposits and highly liquid investments maturing within 3 months	460,962	388,850
Cash and cash equivalents	461,304	389,071
Short term bank deposits maturing after 3 months	120,998	774,190
	<u>582,302</u>	<u>1,163,261</u>

Short-term bank deposits are mainly denominated in Kuwaiti Dinars and U.S. Dollars. These deposits carry annual interest rates between 2% to 4% (2001: 5% to 7%) and mature within one year from the balance sheet date. These balances are placed with high credit quality financial institutions.

4 TRADE RECEIVABLES

The Corporation deals mainly with major state owned and international oil companies. Its 12 largest customers account for 78% of outstanding trade receivables at 31 March 2002 (2001: 60%). Trade receivables are denominated predominantly in US Dollars and Kuwaiti Dinars.

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

Non-current trade receivables represent amounts due from the Ministry of Electricity and Water and do not carry any interest or fixed or determinable repayment dates. This balance is stated net of a provision of KD 40 million (2001: KD 22 million).

Kuwait Petroleum Corporation

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

5 INVENTORIES

	<i>2002</i> <i>KD'000</i>	<i>2001</i> <i>KD'000</i>
Finished petroleum products	1,320	6,253
Crude oil	54,739	62,775
	<u>56,059</u>	<u>69,028</u>

6 OTHER ASSETS

	<i>2002</i> <i>KD'000</i>	<i>2001</i> <i>KD'000</i>
Sundry receivables	7,793	7,043
Accrued income	1,300	5,589
Prepaid expenses	1,261	1,825
Deferred expenses	12,281	7,408
	<u>22,635</u>	<u>21,865</u>

Included within deferred expenses are amounts of KD 10,952 thousand (2001: KD 6,155 thousand) relating to capital projects which are in progress at the year end.

Kuwait Petroleum Corporation

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2002

7 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>2002</i> <i>KD '000</i>	<i>2001</i> <i>KD '000</i>
Kuwait Oil Company K.S.C.	Exploration for and production of crude oil and natural gas in the State of Kuwait.	1,079,605	1,020,085
Kuwait National Petroleum Company K.S.C.	Refining, LPG manufacturing, and local marketing of refined products.	377,677	390,000
Kuwait Oil Tanker Company S.A.K.	Operation of a fleet of crude oil tankers and liquefied petroleum gas and oil product carriers.	227,580	224,845
Petrochemical Industries Company K.S.C.	Production of petrochemical products and their distribution and marketing.	358,926	353,617
Kuwait Foreign Petroleum Exploration Company K.S.C.	Exploration for and development of oil and gas outside the State of Kuwait.	239,124	223,482
Kuwait Santa Fe for Engineering and Petroleum Projects Company K.S.C.	Provision of design, engineering and related services to the petroleum industry.	4,303	4,104
Kuwait Aviation Fuelling Company K.S.C.	Supply of aviation fuel.	10,893	9,657
Kuwait Gulf Oil Company K.S.C.	Exploration for and production of crude oil and natural gas within the Neutral Zone concession	24,000	-
Kuwait Petroleum Corporation Western Hemisphere K.S.C. (Closed)		1	4
Kuwait Petroleum Corporation Far East K.S.C. (Closed)		227	249
TOTAL (A)		2,322,336	2,226,043

Kuwait Petroleum Corporation

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2002

7 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>2002 KD '000</i>	<i>2001 KD '000</i>
SFIC Holdings (Cayman), Inc.	Cayman Islands	International contract drilling	183,764	173,444
KPC Holdings (Aruba) AEC	Aruba	Refining, and marketing of refined products	434,412	411,805
Petrochemical Industries Holding N.V.	Luxembourg	Investment in other companies and financing activities	17,678	298,134
TOTAL (B)			635,854	883,383
c) Associates				
<i>Name of company</i>	<i>Country of incorporation</i>	<i>Proportion held</i>	<i>Net equity reported per the associate's audited financial statements</i>	
			<i>2002 KD '000</i>	<i>2001 KD '000</i>
Kuwait Drilling Company K.S.C.	Kuwait	49% Contract drilling	5,260	5,229
Others			13	12
TOTAL (C)			5,273	5,241

Kuwait Petroleum Corporation

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2002

7 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 the Corporation

Total net equity accounted by the Corporation

2002 KD'000	2001 KD'000
2,963,463	3,114,667
52,230	57,076
<u>3,015,693</u>	<u>3,171,743</u>

The Corporation's financial year was from 1 April 2001 to 31 March 2002. The financial 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 K.S.C. and SFIC Holdings (Cayman), Inc. whose financial periods were from 1 January 2001 to 31 December 2001. Where such subsidiaries do not prepare financial statements drawn up to the same date as that of the Corporation, adjustments are made for the effects of any significant events or transactions which have occurred in the months following those companies year ends.

Kuwait Petroleum Corporation

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

8 SECURITIES

	2002 KD'000	2001 KD'000
Managed portfolios	2,426,745	2,661,920
Other marketable securities	398,144	451,161
	<u>2,824,889</u>	<u>3,113,081</u>

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

9 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.

A floating commercial rate of interest is charged on this balance.

10 LOANS TO SUBSIDIARIES

The loans to Petrochemical Industries Holdings N.V. (PIH) are denominated in Euros. Loans totalling KD 1,429,795 thousand (2001: KD 1,483,110 thousand) carried interest at 5.25% per annum (2001: 5.25%). Unless agreed otherwise, the annual interest rate will remain the same as in the preceding period. Loans totalling KD 365,383 thousand (2001: KD 344,437 thousand) 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 50,996 thousand (2001: KD 65,301 thousand) to Petrochemical Resources Holdings B.V. (PRH), a wholly owned subsidiary of PIH, are denominated principally in Euros and carried interest at 5.1% per annum (2001: rates varying from 5% to 5.75% per annum). The principal amounts of these loans become due for repayment on 31 October 2004.

11 FINANCE ADVANCES TO SUBSIDIARY

	2002 KD'000	2001 KD'000
Balance at beginning of the year	321,940	342,375
Capital advances made during the year	78,700	30,929
Repayment of capital advances	(56,191)	(51,364)
Balance at end of the year	<u>344,449</u>	<u>321,940</u>

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 by the Corporation. 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 2002

12 OTHER PAYABLES AND ACCRUALS

	<i>2002</i> <i>KD'000</i>	<i>2001</i> <i>KD'000</i>
Payable to employees	1,719	1,690
Marine payables	10,910	18,293
Other payables	4,603	4,365
UN claims payable to the Government of the State of Kuwait (Note 24)	-	44,387
	<u>17,232</u>	<u>68,735</u>

13 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. The costs of Kuwait Oil Company K.S.C. are charged to this account.

14 PROFIT AVAILABLE FOR DISTRIBUTION

	<i>2002</i> <i>KD'000</i>	<i>2001</i> <i>KD'000</i>
Balance at beginning of the year	814,986	705,663
Profit distributed during the year	(814,986)	(705,663)
Profit for the year available for distribution	<u>478,585</u>	<u>814,986</u>
Balance at end of the year	<u>478,585</u>	<u>814,986</u>

In accordance with Article 12 of Law Decree No. 6 of 1980, the net profit for the year, after transfer to reserves, is payable to the Government of the State of Kuwait.

15 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.

16 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 authorised and paid-up capital.

17 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.

18 GENERAL RESERVE

No profit has been transferred to the general reserve during the year.

19 RESERVE 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 reserve 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 2002.

20 GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses are analysed as follows:

	<i>12 months ended 31 March 2002 KD'000</i>	<i>9 months ended 31 March 2001 KD'000</i>
Staff costs	14,469	9,521
Depreciation	395	290
Other expenses	4,188	2,049
	<u>19,052</u>	<u>11,860</u>

At 31 March 2002 the Corporation had 795 employees (2001: 783 employees).

Kuwait Petroleum Corporation

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

21 OTHER COSTS AND EXPENSES

	<i>12 months ended 31 March 2002 KD'000</i>	<i>9 months ended 31 March 2001 KD'000</i>
Provision for doubtful debts	16,828	2,500
Other expenses	13	931
	<u>16,841</u>	<u>3,431</u>

22 INCOME FROM SUBSIDIARIES AND ASSOCIATES

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

	<i>12 months ended 31 March 2002 KD'000</i>	<i>9 months ended 31 March 2001 KD'000</i>
Kuwait National Petroleum Company K.S.C.	(12,323)	66,836
Kuwait Oil Tanker Company S.A.K.	27,301	24,694
Petrochemical Industries Company K.S.C.	2,838	32,299
Kuwait Foreign Petroleum Exploration Company K.S.C.	26,559	32,301
Kuwait Santa Fe for Engineering Petroleum Projects Company K.S.C.	841	642
Kuwait Aviation Fuelling Company K.S.C.	6,041	4,805
Kuwait Petroleum Corporation (Western Hemisphere) K.S.C. (Closed)	(3)	(58)
Kuwait Petroleum Corporation (Far East) K.S.C. (Closed)	(22)	(42)
SFIC Holdings (Cayman), Inc.	14,936	219,477
KPC Holdings (Aruba) AEC	28,122	15,525
Petrochemical Industries Holding N.V.	(68,062)	(70,982)
Gulf Industrial Investment Company E.C.	-	3,816
Kuwait Drilling Company K.S.C.	363	372
	<u>26,591</u>	<u>329,685</u>

23 OTHER INCOME

	<i>12 months ended 31 March 2002 KD'000</i>	<i>9 months ended 31 March 2001 KD'000</i>
Profit on sale of subsidiary	-	11,333
Recovery of financing costs	59,722	60,172
Foreign currency exchange (loss) gain	(2,455)	4,200
Miscellaneous income	6,203	9,741
	<u>63,470</u>	<u>85,446</u>

24 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 the year, an amount of KD 26,960 thousand (2001: KD 54,784 thousand) was received in part settlement. Of this amount, KD 6,109 thousand (KD 10,397 thousand) is in respect of amounts due to the Corporation. The balance has been paid to the Government of the State of Kuwait.

25 DIRECTORS' FEES

The directors' fees are subject to approval at the General Assembly Meeting.

26 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Non-current trade receivables totalling KD 339,355 thousand (2001: KD 309,929 thousand) are due from the Ministry of Electricity and Water. Since this balance does not carry a fixed or determinable date of future payment it is not possible to estimate with sufficient reliability its fair value. However, since the balance does not carry interest, fair value is below carrying value.

27 RISK MANAGEMENT

Information on the financial risks of the Corporation's financial instruments is set out below:

Interest rate risk

The Corporation is exposed to interest rate risk on its interest bearing assets (being bank deposits and loans to subsidiaries). The Corporation manages the interest rate risk by placing its deposits on a short term basis with banks.

Credit risk

The Corporation is exposed to credit risk in respect of losses that would have to be recognised if counterparties fail to perform as contracted. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Credit risk with respect to trade receivables is limited due to the Corporation dealing mainly with state owned and major international oil companies, the use of letter of credit arrangements and the active monitoring of outstanding receivables.

The Corporation controls credit risk in relation to its securities and bank balances by rigorous screening and credit assessment of all proposed dealing counterparties and placing limits on the total financial exposure with each institution.

Liquidity risk

The Corporation has limited its liquidity risk by maintaining its managed portfolios of securities in quoted marketable bonds and equities. The Corporation's terms of sales are governed by contracts with customers but generally require payment within 30 days of the date of sale. Amounts due to the Ministry of Oil are normally settled within 30 days of the date of purchase.

27 RISK MANAGEMENT (continued)

Currency risk

The Corporation does not use derivative forward foreign exchange contracts to hedge against foreign exchange currency risk.

However, other than securities, loans and subsidiaries incorporated outside of the State of Kuwait which are denominated in foreign currencies, mainly Euros, the Corporation is not exposed to significant currency risk.

As the Kuwaiti Dinar movements approximate that of the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

Market risk

Market risk arises from fluctuations in interest rates, foreign exchange rates, equity prices and oil prices. The Corporation sets limits on the value of risk that may be accepted and the market risk of equities is monitored on a weekly basis by a Board management committee. The Corporation considers that volatility in oil prices is a regular part of its business.

28 CONTINGENT ASSETS

The High Court of Justice, Queen's Bench Division Commercial Court in the UK has awarded the Corporation legal costs of UK Pounds 1.4 million. This relates to the successful defense of a counter-claim raised by one of the defendants in a claim raised by one of the Corporation's subsidiaries. The Corporation is presently seeking to recover these costs from the defendant.

29 PERIOD COVERED BY FINANCIAL STATEMENTS

The current financial statements are for a 12 month period (1 April 2001 to 31 March 2002), compared to a 9 month period for the previous period (1 July 2000 to 31 March 2001). 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 in 2001 to conform with the fiscal year of the Government of the State of Kuwait.

30 COMPARATIVE AMOUNTS

The corresponding figures for 2001 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect previously reported net profit or equity.