

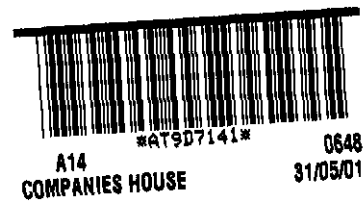
N.B of Kuwait
L45 x 3 008 758

FC 11069

**KUWAIT PETROLEUM CORPORATION
STATE OF KUWAIT**

FINANCIAL STATEMENTS

30 JUNE 2000



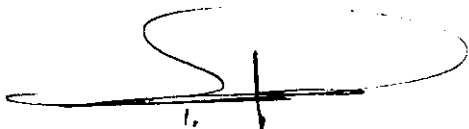
His Excellency, The Minister of Oil,
Chairman of the Board of Directors and
Members of the Board of Directors of
Kuwait Petroleum Corporation
State of Kuwait

We have audited the accompanying balance sheet of Kuwait Petroleum Corporation as of 30 June 2000, 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 the 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 16% of total assets and the equity in their net profits represents 12% 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 the audit conducted 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 30 June 2000, and the results of its operations and its cash flows for the year 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 year ended 30 June 2000 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

State of Kuwait

23 October 2000

Kuwait Petroleum Corporation- State of Kuwait

BALANCE SHEET

30 June 2000

	Note	2000 KD'000	1999 KD'000
ASSETS			
CURRENT ASSETS			
Bank balances and cash	3	515,931	435,296
Trade receivables	4	744,805	322,735
Inventories	5	84,721	56,761
Advance to Ministry of Finance	6	275,386	477,292
Amounts due from subsidiaries		325,865	365,537
Other receivables and prepayments	7	20,617	17,766
Total current assets		<u>1,967,325</u>	<u>1,675,387</u>
INVESTMENTS			
Subsidiaries and associates	8	2,847,759	2,597,980
Neutral zone concession		49,438	48,386
Marketable securities	9	<u>2,508,427</u>	<u>2,373,920</u>
		5,405,624	5,020,286
Loans to subsidiaries	10	499,880	627,627
Finance advances to subsidiary	11	342,375	388,608
Fixed assets		996	877
TOTAL ASSETS		<u>8,216,200</u>	<u>7,712,785</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade payables		1,789	338
Other payables and accruals	12	22,329	29,019
Amounts due to Ministry of Oil	13	531,062	265,072
Amounts due to subsidiaries		298,954	222,615
Profit available for distribution	14	<u>705,663</u>	<u>517,649</u>
Total current liabilities		1,559,797	1,034,693
NON-CURRENT LIABILITIES			
Other provisions		4,809	5,436
Other non-current liabilities	15	<u>119,807</u>	<u>115,606</u>
EQUITY			
Authorised and paid-up capital		2,500,000	2,500,000
Statutory reserve	16	842,350	763,937
Capital reserve	17	232,945	232,945
General reserve	18	1,673,200	1,673,200
Provision for replacement and renewal of fixed assets	19	1,298,691	1,298,691
Foreign currency translation adjustments		<u>(15,399)</u>	<u>88,277</u>
Total owner's equity		<u>6,531,787</u>	<u>6,557,050</u>
TOTAL LIABILITIES AND EQUITY		<u>8,216,200</u>	<u>7,712,785</u>

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 25 form part of these financial statements.

Kuwait Petroleum Corporation- State of Kuwait

STATEMENT OF INCOME

Year ended 30 June 2000

	<i>Note</i>	<i>2000</i> <i>KD'000</i>	<i>1999</i> <i>KD'000</i>
Sale of crude oil, gas and refined products		8,519,770	4,315,908
Cost of sales of crude oil, gas and refined products		(8,186,887)	(4,159,345)
GROSS PROFIT		332,883	156,563
General and administration expenses	20	14,939	15,738
Other costs and expenses	21	27,406	10,637
PROFIT FROM OPERATIONS		290,538	130,188
Interest income		91,754	94,315
Investment income		192,139	181,208
Income from subsidiaries and associates	22	97,581	109,822
Other income	23	112,119	59,683
PROFIT BEFORE DIRECTORS' FEES		784,131	575,216
Directors' fees		(55)	(45)
NET PROFIT FOR THE YEAR		784,076	575,171

The attached notes 1 to 25 form part of these financial statements.

Kuwait Petroleum Corporation- State of Kuwait

STATEMENT OF CASH FLOWS

Year ended 30 June 2000

	Note	2000 KD'000	1999 KD'000
OPERATING ACTIVITIES			
Net profit for the year		784,076	575,171
Adjustments for:			
Interest income		(91,754)	(94,315)
Investment income		(192,139)	(181,208)
Income from subsidiaries and associates		(97,581)	(109,822)
Depreciation		471	463
Provision for employees' terminal benefits		1,076	1,146
Directors fees		55	45
Operating profit before working capital changes:		404,204	191,480
Increase in trade receivables		(422,070)	(84,837)
(Increase) decrease in inventories		(27,960)	11,372
Decrease (increase) in amounts due from subsidiaries		111,837	(98,666)
Increase in other receivables and prepayments		(3,617)	(986)
Increase in trade payables		1,451	296
Increase (decrease) in other payables and accruals		(6,745)	3,396
Increase in amounts due to Ministry of Oil		265,990	98,130
Increase in amounts due to subsidiaries		76,339	132,703
Cash from operations		399,429	252,888
Net cash from operating activities		399,429	252,888
INVESTING ACTIVITIES			
Net increase in investment in subsidiaries and associates		(255,874)	(187,765)
Increase in neutral zone concession		(1,052)	(9,858)
Net (increase) decrease in marketable securities		(134,507)	6,127
Repayment of loan from subsidiary		127,747	-
Finance advances to subsidiary		(25,932)	(5,622)
Purchase of fixed assets		(590)	(425)
Interest received		92,519	96,679
Investment income		192,139	118,266
Decrease in deposits at banks		59,870	106,478
Net cash from investing activities		54,320	123,880
FINANCING ACTIVITIES			
Increase in other non-current liabilities		2,499	9,786
Profit distributed		(315,743)	(523,550)
Net cash used in financing activities		(313,244)	(513,764)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the year		140,505	(136,996)
		375,426	512,422
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
	3	515,931	375,426

The attached notes 1 to 25 form part of these financial statements.

Kuwait Petroleum Corporation- State of Kuwait

STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2000

	Authorised and paid-in 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	Retained earnings KD '000	Total KD '000
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
Balance at 1 July 1998	2,500,000	706,415	232,945	1,673,200	1,298,691	126,599	-	6,537,850
Net profit for the year	-	-	-	-	-	-	575,171	575,171
Transfers	-	57,522	-	-	-	-	(57,522)	-
Net exchange differences	-	-	-	-	-	(38,322)	-	(38,322)
Profit available for distribution	-	-	-	-	-	-	(517,649)	(517,649)
Balance at 30 June 1999	2,500,000	763,937	232,945	1,673,200	1,298,691	88,277	-	6,557,050

The attached notes 1 to 25 form part of these financial statements.

30 June 2000

1 ORGANISATION AND ACTIVITIES

Kuwait Petroleum Corporation (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 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 from KNPC refined products. 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.

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

The financial statements are presented in Kuwaiti dinars.

Cash equivalents

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

Trade receivable

Trade receivable 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 June 2000

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Crude oil is valued at the lower of average cost or net realisable 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. 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.

Liquefied petroleum gas and finished 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. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Investments

Investments are valued as follows:

- Marketable securities and neutral zone production concession are carried at cost less provision for any decline other than temporary in the value of the investment.
- Subsidiaries and associates in accordance with the equity method of accounting.

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.

3 BANK BALANCES AND CASH

	2000 KD'000	1999 KD'000
Cash and current accounts at banks	115	73
Short-term deposits and highly liquid investments maturing within 3 months	515,816	375,353
Cash and cash equivalents	515,931	375,426
Short-term deposits maturing after more than 3 months	-	59,870
	<u>515,931</u>	<u>435,296</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 June 2000

3 BANK BALANCES AND CASH (Continued)

Short-term deposits are mainly denominated in Kuwaiti Dinars and U.S. Dollars. These deposits carry annual interest rates between 5.5% 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 74% of outstanding trade receivables at 30 June 2000 (1999: 67%). Trade receivables are denominated predominantly in US Dollars.

5 INVENTORIES

	<i>2000</i> <i>KD'000</i>	<i>1999</i> <i>KD'000</i>
Finished petroleum products	7,691	5,966
Crude oil	77,030	50,795
	<u>84,721</u>	<u>56,761</u>

6 ADVANCE TO MINISTRY OF FINANCE

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

7 OTHER RECEIVABLES AND PREPAYMENTS

	<i>2000</i> <i>KD'000</i>	<i>1999</i> <i>KD'000</i>
Sundry receivables	10,561	9,321
Accrued income	2,223	2,988
Prepaid expenses	2,302	1,038
Deferred expenses	5,531	4,419
	<u>20,617</u>	<u>17,766</u>

Kuwait Petroleum Corporation- State of Kuwait

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 June 2000

8 SUBSIDIARIES AND ASSOCIATES

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

Name of company	Principal activities	Net equity reported per the subsidiary's audited financial statements	
		2000 KD '000	1999 KD '000
Kuwait Oil Company K.S.C.	Exploration for and production of crude oil and natural gas in the State of Kuwait.	976,165	865,987
Kuwait National Petroleum Company K.S.C.	Refining, LPG manufacturing, and local marketing of refined products.	357,193	388,494
Kuwait Oil Tanker Company S.A.K.	Operation of a fleet of crude oil tankers and liquefied petroleum gas and oil product carriers.	222,389	220,589
Petrochemical Industries Company K.S.C.	Production of petrochemical products and their distribution and marketing.	318,030	294,367
Kuwait Foreign Petroleum Exploration Company K.S.C.	Exploration for and development of oil and gas outside the State of Kuwait.	190,316	166,219
Kuwait Santa Fe for Engineering and Petroleum Projects Company K.S.C.	Provision of design, engineering and related services to the petroleum industry.	4,122	3,234
Kuwait Aviation Fuelling Company K.S.C.	Supply of aviation fuel.	10,347	4,852
Kuwait Petroleum Corporation Western Hemisphere K.S.C. (Closed)		61	281
Kuwait Petroleum Corporation Far East K.S.C. (Closed)		291	251
TOTAL (A)		2,078,914	1,944,274

Kuwait Petroleum Corporation- State of Kuwait

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 June 2000

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>2000</i>	<i>1999</i>
			<i>KD '000</i>	<i>KD '000</i>
SFIC Holdings (Cayman), Inc.	Cayman Islands	International contract drilling.	276,214	275,092
KPC Holdings (Aruba) AEC	Aruba	Refining, and marketing of refined products	420,625	441,184
Petrochemical Industries Holding N.V.	Netherlands Antilles	Investment in other companies and financing activities	366,731	(198,151)
Gulf Industrial Investment Company (E.C.)	Bahrain	Production of iron ore pellets	36,607	37,715
TOTAL (B)			1,100,177	555,840

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>2000</i>	<i>1999</i>
				<i>KD '000</i>	<i>KD '000</i>
Kuwait Drilling Company K.S.C.	Kuwait	49%	Contract drilling	5,188	5,066
Others				12	12
TOTAL (C)				5,200	5,078

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 June 2000

8 SUBSIDIARIES AND ASSOCIATES (Continued)

	2000 KD '000	1999 KD '000
Total net equity reported in the audited financial statements of subsidiaries / associates [TOTALS (A), (B), (C) above]	3,184,291	2,505,192
Currency translation adjustments accounted by KPC	75,916	92,788
Total net equity accounted by KPC	3,260,207	2,597,980
Loans to Petrochemical Industries Holding N.V. (PIH) regarded as part of KPC's net investment in the subsidiary	1,567,897	-
Less:		
Reversal of the impact of early application of International Accounting Standard (IAS) 39 applied by PIH. The KPC group intends to apply IAS 39 with effect from the period commencing 1 July 2000.	(1,980,345)	-
	2,847,759	2,597,980

The loans to PIH are denominated in Deutsche Marks and carry interest at 4.9% per annum until 1 January 2001. After this period, unless agreed otherwise, the annual interest rate will remain the same as in the preceding year. The principal amounts become due for repayment on 31 December 2010. As no repayment is due until 2010, KPC considers these loans as part of its net investment in the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 June 2000

9 MARKETABLE SECURITIES

	2000 KD'000	1999 KD'000
Managed portfolios	2,478,215	2,368,191
Other	30,212	5,729
	<u>2,508,427</u>	<u>2,373,920</u>

The market value of these securities based on stock exchange prices as at 30 June 2000 was KD 2,606 million (1999: KD 2,497 million). Marketable securities are denominated predominantly in U.S. Dollars and represents investments in high credit quality bonds and equities quoted in international stock markets.

10 LOANS TO SUBSIDIARIES

These represent loans to one of the subsidiaries in the Petrochemical Industries Holding N.V. group of companies. The loans 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.

11 FINANCE ADVANCES TO SUBSIDIARY

	2000 KD'000	1999 KD'000
Balance at beginning of the year	388,608	382,986
Advances to finance capital projects	25,931	84,843
Repayment of capital advances	(72,164)	(79,221)
	<u>342,375</u>	<u>388,608</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 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.

12 OTHER PAYABLES AND ACCRUALS

	2000 KD'000	1999 KD'000
Payroll and annual leave	1,706	1,635
Marine payables	16,210	22,480
Other payables	4,413	4,904
	<u>22,329</u>	<u>29,019</u>

30 June 2000

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. Significant proportion of costs, of Kuwait Oil Company K.S.C., are charged to this account.

14 PROFIT AVAILABLE FOR DISTRIBUTION

	<i>2000</i> <i>KD'000</i>	<i>1999</i> <i>KD'000</i>
Balance at beginning of the year	517,649	669,320
Profit distributed during the year	(517,649)	(669,320)
Profit for the year available for distribution	<u>705,663</u>	<u>517,649</u>
Balance at end of the year	<u>705,663</u>	<u>517,649</u>

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 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, in accordance with the resolution passed by Supreme Council for Petroleum at their meeting dated 18 October 2000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 June 2000

19 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 Petroleum Council. 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 years ended 30 June 1994 through 2000.

20 GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses are analysed by nature as follows:

	2000 KD'000	1999 KD'000
Staff costs	11,625	12,156
Depreciation	352	354
Other expenses	2,962	3,228
	<u>14,939</u>	<u>15,738</u>

At 30 June 2000 the Group had 764 employees (1999: 715 employees).

21 OTHER COSTS AND EXPENSES

	2000 KD'000	1999 KD'000
Provision for doubtful debts	12,807	5,779
Other expenses	(780)	4,858
Loan waiver to subsidiary	15,379	-
	<u>27,406</u>	<u>10,637</u>

Kuwait Petroleum Corporation- State of Kuwait

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 June 2000

22 INCOME FROM SUBSIDIARIES AND ASSOCIATES

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

	2000 KD'000	1999 KD'000
Kuwait National Petroleum Company K.S.C.	(31,301)	15,810
Kuwait Oil Tanker Company S.A.K.	11,332	26,143
Petrochemical Industries Company K.S.C.	(4,318)	(31,258)
Kuwait Foreign Petroleum Exploration Company K.S.C.	22,426	15,035
Kuwait Santa Fe for Engineering Petroleum Projects Company K.S.C.	888	770
Kuwait Aviation Fueling Company K.S.C.	5,494	6,494
Kuwait Petroleum Corporation (Western Hemisphere) K.S.C. (Closed)	(220)	(17)
Kuwait Petroleum Corporation (Far East) K.S.C. (Closed)	40	20
SFIC Holdings (Cayman), Inc.	30,507	53,919
KPC Holdings (Aruba) AEC	(13,248)	16,555
Petrochemical Industries Holding N.V.	76,860	5,180
Gulf Industrial Investment Company E.C.	(1,001)	921
Kuwait Drilling Company K.S.C.	122	250
	<u>97,581</u>	<u>109,822</u>

23 OTHER INCOME

	2000 KD'000	1999 KD'000
Recovery of financing costs	78,326	69,233
Foreign currency exchange gain (loss)	23,478	(12,079)
Miscellaneous income	10,315	2,529
	<u>112,119</u>	<u>59,683</u>

24 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 Corporation does not make use of derivative financial instruments.

Except for marketable securities, finance advances to subsidiary and other non current liabilities, the carrying amounts of financial instruments approximate their fair values due to the short-term maturities and the nature of such instruments.

Management considers it is impracticable to make adjustments for fair values of finance advances to subsidiary and other non current liabilities. These balances are due from/to subsidiaries and will be fully recovered/paid and any such adjustment will not have an impact on the results for the year.

25 CONTINGENT ASSET

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.