



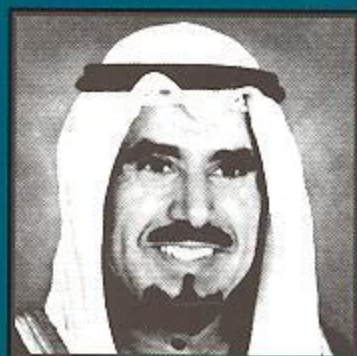
شركة الصالحيّة المقاربيّة ش.م.ك.
Salhia Real Estate Company K.S.C.

Building The Larger Picture



**HH Sheikh Sa'ad Al-Abdullah
Al-Sabah**

Crown Prince and Prime Minister



**HH Sheikh Jaber Al-Ahmed
Al-Jaber Al-Sabah**

Amir of the State of Kuwait

In the 1999 United Nations Human Development Report, Kuwait topped all Arab states by ranking 35th in the world in the area of human development. The report commended Kuwait on its efforts to limit its economic dependence on oil. In a brisk economy, diversifying into different areas of investment, the size and scope of real estate projects have served to build and influence investor confidence. Further, the real estate industry has occupied a significant position by responding to the refined expectations of the internationally exposed Kuwaiti community.

In anticipation of a borderless economy, the real estate sector has acknowledged the dictates of consumerism by supporting Kuwait's strategic choices for development. Salhia Real Estate Company is a part of the movement that bridges Kuwait through compatibility in a changing world, reinforcing its prospects as an urban center and a cosmopolitan capital in the Arab region.

excellence



For Salhia Real Estate Company, each project in the year 2000 has further consolidated our leadership in the real estate industry in Kuwait.

To spearhead this linkage requires the collaboration of minds proven by years of experience in their respective fields. With a commitment to excellence, each individual assignment undertaken by Salhia Real Estate Company has been executed to expectations, and delivered with a high degree of sophistication.

As globalisation continues to shape the destiny of Kuwait, Salhia responds to the transition by facilitating the community with tomorrow's standards. And that we believe, is being part of the larger picture... where through understanding and responding to these changes, we live up to the expectations of being a leading enterprise - for our shareholders, partners, associates and the communities we live and work in.



Change... a time for consolidation

It is my pleasure to present Salhia Real Estate Company's Annual Report and financial results for the year 2000, and to share with you the key achievements of the management, that have served to develop the Company's assets and to increase its revenue.



Despite the slow-down in the local commercial activities and the decline in local and international stock exchange prices, the Company has been able to achieve a profit of KD 5.2 million during the year. The total assets and shareholders equity for the year 2000 has reached KD 107 million and KD 58.2 million respectively, compared to KD 104.7 million and KD 57 million in 1999.

The Board of Directors is proud to announce that the Company has drastically reduced its outstanding debt with the Government of Kuwait. From a total amount of KD 19 million in 1994, the Company's debt has been brought down to KD 534,000 at the end of 2000.

This gradual and planned reduction of the amount owed to the Government was accomplished without affecting the Company's retention over its assets and its expansion programme in the local and international investment market.

The Company's continued commitment to issue dividends to shareholders has further established a sound reputation with the local banks, which have empowered the Company with funding and new facilities for its different activities. The management of the Company has improved both performance and productivity by streamlining its internal operations for greater efficiency by creating new jobs to enhance and upgrade the services offered. A range of new projects in various stages of study, design and implementation, are also underway.

The well thought-out management of short and long term loans has had an important role in balancing the Company's debt structure. Consequently, short term loans have been reduced from KD 9.01 million in 1999, to KD 2.77 million in 2000, matched by an increase in long term loans from KD 23.23 million to KD 39 million. This has helped formulate the plans for proper asset management, which are largely long-term in nature.

Finally, I would like to acknowledge the continued commitment of the Board of Directors to safeguard the assets of the Company, enhance the equity of the shareholders and ensure an increase on returns. I take this opportunity to express my gratitude to His Highness the Amir of Kuwait, Sheikh Jaber Al-Ahmed Al-Jaber Al-Sabah, and His Highness the Crown

Planned expansion, judicious asset management and the consideration given to the selection of projects have been the key ingredients for the success during the financial year.

The Arraya project, located in the Sharq area, is a prime example of the management's efforts at creating yet another world-class commercial and retail complex. Having laid the foundation in April 2000, the team has spared no efforts to ensure the accurate and timely completion of the project, now scheduled for March 2003. The Company also initiated the renovation and expansion programme within Salhia Commercial Complex, and completed a comprehensive restoration of Le Meridien Hotel. More details on these projects are provided in the Board of Directors' Report.

With regard to the performance of the Company's assets, the operational average realised within the local real estate sector is nearly 100%. The Company's international real estate activities have achieved a high operational average. The Company's international investments contributed greatly towards enhancing the Company's profits and cash flow.

Prince and Prime Minister Sheikh Saad Al-Abdullah Al-Salem Al-Sabah, for their constant support to the private sector in general and the real estate industry in particular. I would also like to thank the Board of Directors, the management and the employees of the Company for their efforts, which have helped to achieve all-round excellence during the year 2000.



Ghazi Fahad Alnafisi
Chairman & Managing Director

BOARD OF DIRECTORS



Ghazi Fahad Alnafisi
Chairman & Managing Director

Salah Fahad Al-Marzouk
Vice Chairman



Abdulaziz Saud Al-Babtain
Board Member

Abdul Latif Abdul Karim Al-Munayyeh
Board Member



Anwar Abdulaziz Al-Usaimi
Board Member

Faisal Abdul Mohsin Al-Khatrash
Board Member

Sheikh Mohammed Jarrah Al-Sabah
Board Member



Hassan Abdullah Al-Mousa
Board Member

Youssef Easa Al-Othman
Board Member



Delivering to expectations...

**... nurturing a
reputation of goodwill**

Celebrating the Spirit of Enterprise

The Board of Directors of Salhia Real Estate Company is pleased to present to its shareholders the annual report and financial results for the year ending on December 31, 2000, as follows:

Balance Sheet

The total assets of the Company for the year 2000 were KD 106.6 million, compared to KD 104.7 million for 1999.

The Company's liabilities have increased from KD 47.8 million in 1999 to KD 48.3 million in 2000, reflecting the Company's plans to increase its investments in local real estate and renovation programmes in existing projects.

The cumulative of shareholders' equity has reached KD 58.2 million in 2000, compared to KD 56.9 million in 1999.

Government loans

The Board of Directors of Salhia Real Estate Company is pleased to inform its shareholders that the Company has nearly concluded its payments of the Government loan, under law No. 41 for the year 1993. This loan, which amounted to KD 19.134 million in 1994, was decreased gradually as required by the repayment structure of the Central Bank. In the year 2000, the amount for settlement stands at half a million Kuwaiti Dinars.

**Striving to serve
the needs of a
nation in rapid
transformation.**

When the law No. 41 for the year 1993 was issued, the Board of Directors took upon itself the responsibility of improving productivity and meeting the commitments made to the shareholders. This sense of accountability was the driving force that shaped the growth of Salhia Real Estate Company over the years. The Company succeeded in completing the Sahab Tower and investing in other real estate ventures at strategic locations in Kuwait city, in addition to an investment programme in international projects, that produced positive results.

Income statement

Despite a decline of share prices in the local and international stock markets, the total profit for this year was KD. 5.2 million compared to KD. 5.6 million during last year.

Based on profitability, the Board of Directors has proposed the distribution of dividends to the Company's shareholders, at the rate of 15%.

The Board of Directors would also like to present the shareholders with the operational situation of the Company's assets, both locally and internationally for the year 2000 as follows:

LOCAL OPERATIONS

Salhia Commercial Complex

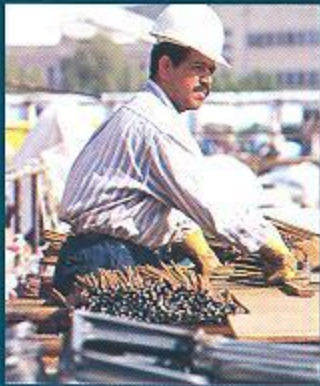
As a result of continuous maintenance services, Salhia Commercial Complex has retained its pioneering position among other commercial complexes and shopping centers in Kuwait, achieving 100% occupancy for the year 2000 and a gross annual rent revenue of KD 3.2 million.

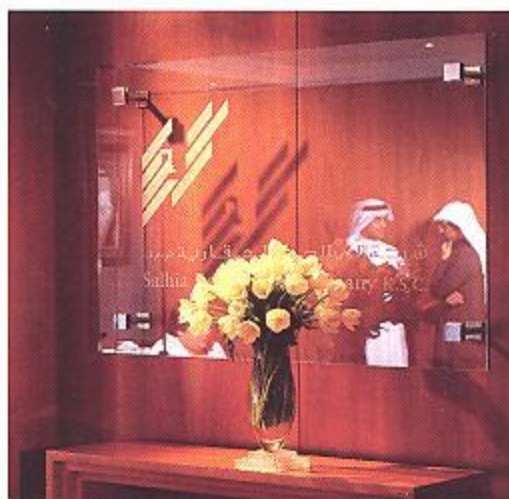
At the end of December 2000, the Company completed the implementation of a renovation plan for a large section of the complex. This included the removal of the circular staircase from the main lobby of the complex, creating a spacious area now utilised to integrate two cafés at the ground floor and the first mezzanine floor.

Despite meeting the escalating operational costs in an increasingly competitive market, the Board of Directors was able to ensure the equitable distribution of dividends to shareholders.

This policy has helped the Company in developing and maintaining a sound reputation with all its shareholders and partners. The Board closely monitors the average of the total Company debt against shareholders' equity to ensure that this does not surpass a 1:1 ratio.

Besides becoming prestigious reference points for Kuwait, Salhia's projects play a larger and more constructive role. They nurture entire environments, bringing prosperity by creating jobs, infusing confidence in the community and encouraging aspirations.





The Company also modified the natural and electric lighting systems within all areas of the shopping center, improved aesthetic quality by adding marble pillars, and replacing the hand rails to refresh the ambience within the commercial floors.

To facilitate shopper traffic between commercial floors and to attract more visitors to the first and second mezzanine floors, the Company renovated and added new escalators between these floors. The refurbished complex was also supported by the introduction of a state-of-the-art acoustic and security system, as well as a central system for TV satellite channels and Internet services.

Sahab Tower

Considered to be a landmark in Kuwait City, Sahab Tower is characterised by its unique design and in being the ultimate luxury in services that it provides. The management maintained an operational average of 100% at the Tower, and achieved a gross annual income of KD 836,000.

Fahed Al Salem Street and Al Soor Buildings

The occupancy at the nine buildings in this vital area of Kuwait City has reached 98%. The buildings accommodate retail shops in the ground floor and residential apartments in the upper floors. During the year 2000, these buildings have produced a total income of KD 870,000. The Company intends to invest in these prime properties at an appropriate time.

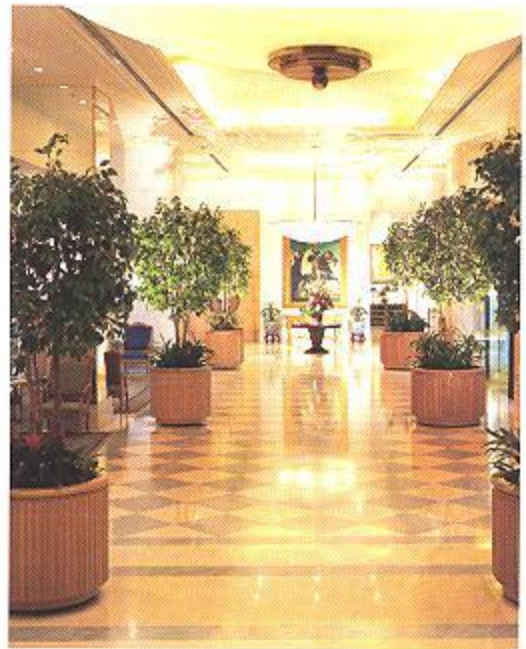
The Company owns other real estate properties at various locations in the area of Kuwait City, between the two main streets - Fahed Al Salem and Al Shuhada Street. The Company is considering a variety of investment alternatives at these locations. It is expected that the Management will have a clear vision as to the investment programme for these properties before the end of 2001.

Le Meridien Hotel

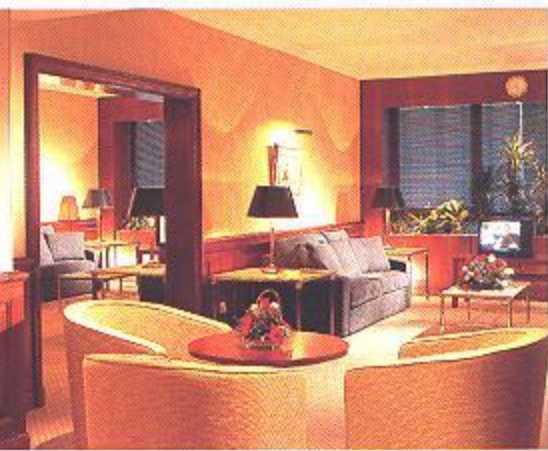
As one of the most important and prestigious assets of Salfia Real Estate Company, Le Meridien Hotel is considered a reference point of the real estate industry in Kuwait. Through continuous investment in the upgrading and refurbishment of the hotel rooms and suites as well as the level of services provided, the Board of Directors has been able to meet the strict standards of quality set for a deluxe five-star international hotel.

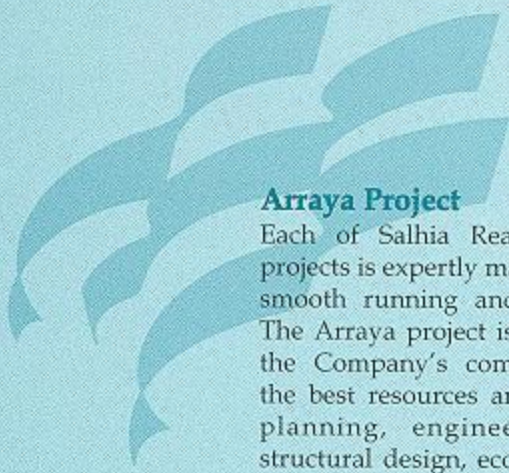
During the year 2000, the Board of Directors decided to implement a comprehensive and phased renovation programme. The highlights of the plan included the following:

- The indoor swimming pool was shifted from the sixteenth floor to the fifteenth floor, adjacent to the health club, thereby integrating the whole range of fitness services for the convenience of hotel guests.
- The vacant space created on the sixteenth floor was converted to a large multi-purpose ballroom of 900 m², with glass facades, a luxurious decor and excellent facilities, besides providing a panoramic view of the city; which is a perfect setting for banquets and conferences.



- The twelfth and thirteenth floors were renovated and converted to well-appointed Royal Suites with an exclusive leisure area to serve distinguished guests on these two floors.
- The Business Centre was shifted from the second to the ninth floor and augmented with advanced communication technology equipment to provide state-of-the-art business support services to corporate guests at the hotel.
- To enhance the quality of food and beverage services, a redistribution of services has been implemented. All services related to food and beverage have been assembled together on one floor, along with kitchens, food storage and distribution centers to ensure better coordination between these departments, thereby improving the level of responsiveness to requirements from the room services and catering departments.
- In keeping with the desires of the guests, the Management has opened a Japanese restaurant specializing in authentic Japanese cuisine at the ground floor replacing the Al Fairouz Restaurant.
- The Café Royal restaurant in the main lobby of Salhia Complex has undergone complete renovation and refurbishment in order to provide its clientele with the unique casual dining experience of a first class café, in keeping with the quality and class of the Le Meridien restaurants.
- The development plan at the hotel included the overhaul of elevators and the central air-conditioning system, increasing the number of TV channels, the addition of an acoustic system and the renovation of furniture on the fourth and fifth floors.





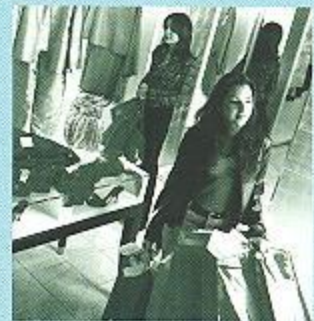
Arraya Project

Each of Salhia Real Estate Company's projects is expertly managed to guarantee a smooth running and efficient operation. The Arraya project is a classic example of the Company's commitment to provide the best resources and skills for strategic planning, engineering consultancy, structural design, economics, maintenance and operation. Arraya is located on the eastern entrance of Kuwait City and occupies an area of 10,809 m². The final design and occupancy plans for the project were approved and implementation of the project was initiated in April 2000. Arraya will house three major sections:

- A high quality retail and commercial complex, on the ground, first mezzanine and second mezzanine floors.
- A tower consisting of 30 floors, which will include a three-star hotel and a number of floors dedicated to quality corporate office space.
- A multi-floor car park for 1050 cars. The building is linked to the main building of the complex by two roofed hanging bridges.

The project will be completed at the end of the first quarter of the year 2003. Negotiations are underway with major international hotel operators to manage the Arraya Hotel. The management has initiated a comprehensive communication and marketing programme to promote the project and its services.

With an estimated project cost of KD 18.5 million, the Board of Directors looks forward to adding yet another landmark in Kuwait City, thereby strengthening Salhia Real Estate Company's position as a pioneer in the real estate industry.



INTERNATIONAL BUSINESS

Key Property Investments (KPI)

Three and a half years since the formation of KPI in Britain, the financial results and company's performance confirms its success and promises a future of growth in its assets and operational revenue.

This progress is a result of the combined strengths and experience of Salhia Real Estate Company and St. Modwen Properties, each a leader in its own sphere of operations. This qualified and strategic alliance has enabled the partnership to make profitable investment decisions and efficiently manage the Company's projects that include the Refuge Assurance Real Estate portfolio and the development of the Farnborough Commercial Center. Until the year 2000, the total profits accrued were GBP 5.7 million, with dividends amounting to GBP 5.1 million. The shareholders equity as of 30 November 2000 amounted to GBP 19.9 million and paid-up capital totalled GBP 17.55 million.

The financial results of KPI for the year ended on 30 November 2000 showed a net profit of GBP 2,027,000. Dividends distributed to shareholders during the year totalled GBP 4 million.

Activities and operational results of KPI for the year 2000

During the year, KPI sold three of the buildings owned and operated by them. These were:

- 35/38, Parsons, St. Banbury
- 123/129, High St. Bromsgrove
- Refuge Assurance House, Collingwood, Newcastle

The management is also considering the sale of a number of other buildings, a procedure that is expected to be completed before end of February 2001.

Regarding the Farnborough Commercial Centre, KPI has obtained the necessary official approvals on the general blueprint of the Commercial Center, the detours that will be necessitated in traffic movement and the plans for the Recreation Center. KPI has also received the approval to

build 24 residential apartments and four shopping units at the former location of the Post Office building.

Thornhill Apartments, Lynn Road, North Carolina

Located in Raleigh, North Carolina, USA, the Thornhill Multi Family Residential Complex project was started in mid-1999 and concluded in July 2000.

The Thornhill Complex consists of 318 luxurious residential apartments in the following categories:

- One Bedroom Apartments
- Two Bedroom Apartments
- Three Bedroom Apartments

Each set of apartments occupies different areas ranging between 692 sq. ft. to 1,436 sq. ft. The complex also houses a large swimming pool, health club, steam bath, multi purpose hall, a large courtyard and a covered car park.

The rental process was initiated in November 1999, immediately after the completion of the first residential building and the leasing office.

The investment objectives for this project, to develop the complex, rent the apartment units and then place the whole project on the market for sale, were achieved successfully.

On December 11, 2000, the partners concluded the sale on the residential complex for an amount of US\$ 26.1 million, compared to its initial cost of US\$ 22,253,000/-. Salhia Real Estate Company's share in this project was 42%, while its contribution to the capital was US\$ 1,845,775/-. This investment recorded an internal rate of return of 21%.

Haddia Gmbh

Haddia Gmbh is a limited liability subsidiary that owns and operates nursing homes for the elderly in Germany. As at December 31, 2000, Haddia owns eleven buildings, containing 176 residential apartments and 630 beds. In addition, the company is developing a new site of 10,000 m² as a 142 bedded

house well-equipped to meet the special needs and requirements of the elderly. This project is expected to be completed in September 2001.

The operational results of Haddia GmbH for the year 2000 showed an occupancy rate of 99% in beds and 93% in apartments. The total operational income was DM 43 million, with the Company profits being DM 1.76 million. The total return on capital employed for the year was 27.9%.

Other Investments

Computer Generated Inc. (CGI)

Salhia Real Estate Company's investment in CGI, a leading global provider of telecommunications mediation software and hardware systems reached US\$ 3 million in the year 2000. CGI specializes in collecting and processing electronic transactions operating data passing through telecommunications systems, and converting this information into a common format that can be accessed by specialized operating systems such as billing and network maintenance.

Following the eighteen months of its performance in a competitive market, CGI received an offer from INTEC Telecom Systems to acquire its shares. As a result of this transaction, Salhia Real Estate Company recorded a profit of US\$ 1,044,000/- reflecting a 30.48% yield on the invested amount.

Leica Geosystems

Two years after the Company's investment in Leica Geosystems, a global leader in the manufacture and distribution of surveying, global positioning and other high-precision measurement instruments, Leica Geosystems underwent an initial public offering and the listing of the company on the Swiss Stock Exchange market was completed in July 2000.

The above listing produced capital gains totaling SF. 935,875/- on Salhia's initial investment of SF. 600,000/-, equivalent to 155% return on capital, while the annual yield was 77.9%.



Connecting to the larger picture by compatibility

Anwar A. Al-Usaimi
Deputy Managing Director

Ali M. Al-Hamdan
Foreign Investments Manager

Saud Al-Saqer
Real Estate & Development Manager

Hany A. Abdelnour
Financial Manager

Tareq A. Al-Kandari
Real Estate Development Manager

Mohammed E. Alam
Maintenance Manager

Naji Soweidan
Marketing Manager

Kifah Georges
Project Manager

Omar A. Lafi
Chief Accountant

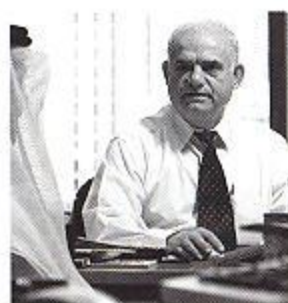
Mohammed Al-Shami
Public Relations

Khalid M. Al-Awadi
Personnel Manager

Today's landmarks are more than mere exhibits of architectural and engineering brilliance. They are testimonials to many unique and innovative ideas that have converged to realise a collective vision.

As a leading developer in Kuwait, Salhia Real Estate Company has a heritage of creating time-relevant projects that have the attributes of longevity by design. To develop projects of enduring distinction has required the collaboration of minds proven by years of experience in their respective fields.

The caliber of our project team guarantees a high level of sophistication and excellence commencing with strategic planning, technical consultancy, cost-efficient structural design and culminating in the effective management of our buildings.

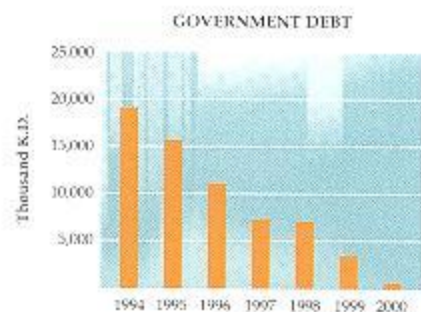


From strategic **planning** to project **implementation**, the caliber of the management team guarantees a level of sophistication and unequalled **excellence**.

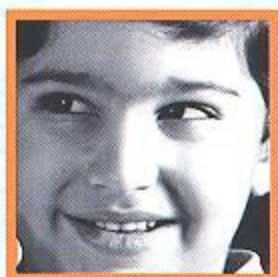


Each project is a new managerial challenge that demands a significant degree of intense interactions within the organisation. We at Salhia Real Estate have successfully built up a relationship of trust within the team to allow us to work even closer together, thus propelling us to achieve the high standards we have set for ourselves.

We have harnessed this team spirit that will see the accomplishment of our objectives. Based on values and principles that have been infused in our systems by time and experience, we have grown to rely on the true prime assets of our organisation - our people.



Harnessing the Future...





the Responsibilities of Leadership.

In the years to come, Salhia Real Estate is geared to continue providing communities with environments designed for purpose and value for money. Our inspired attitude and the empowerment of our people will propel Salhia Real Estate towards a dynamic future.

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Souk As Safat, 3rd Floor
Abdullah Mubarak Street

▪ Tel: 245 2880
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Arthur Andersen Al-Bazie & Co.
P.O. Box 2115 Safat
13022 - State of Kuwait
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Fax: (965) 2412761

Auditors' Report

The Shareholders

Salhia Real Estate Company K.S.C. (Closed)
State of Kuwait

We have audited the accompanying balance sheet of Salhia Real Estate Company K.S.C. (Closed) as of December 31, 2000 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 provides a reasonable basis for our opinion.

As more fully discussed in Note 11, during the year ended December 31, 1994, the Company did not take to income the discount of approximately KD 9.8 million that was expected on settlement of the Government loan. In this respect, net profit for the year ended December 31, 2000 included an extraordinary gain of KD 0.892 million (1999: KD 0.928 million) which is part of the total discount noted above.

In our opinion, except for the effect of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2000, and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Also, in our opinion, the financial statements include the disclosures required by the Commercial Companies Law and the Company's Articles of Association, and we obtained the information we required to perform our audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Directors' Report is in agreement with the Company's books. According to the information available to us, there were no violations during the year of either the Commercial Companies Law or of the Company's Articles of Association which might have materially affected the Company's financial position or results of its operations.



Waleed A. Al Osaimi
Licence No. 68-A
of Ernst & Young
(Al Aiban, Al Osaimi & Partners)



Dr. Shuaib A. Shuaib
Licence No. 33-A
Member of Andersen Worldwide

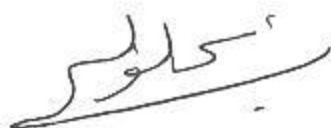
State of Kuwait
February 20, 2001

Balance Sheet

EXHIBIT A

December 31, 2000

ASSETS	Note	2000 KD	1999 (Restated) KD
Bank balances and cash		272,953	52,559
Investments	3	21,785,934	24,162,029
Inventories		191,388	233,902
Accounts receivable and prepayments	4	2,095,248	1,237,601
Investment in unconsolidated subsidiaries	5	3,409,023	3,474,489
Investment in joint venture	6	4,499,833	5,028,860
Real estate and fixed assets	7	74,422,350	70,518,563
Total assets		106,676,729	104,708,003
LIABILITIES AND SHAREHOLDERS' EQUITY			
Due to banks		3,555,877	7,930,325
Accounts payable and accruals	8	2,505,763	4,026,259
Short-term loans	9	2,775,400	9,011,400
Long-term loans	10	39,009,000	23,234,000
Government loan	11	534,744	3,598,917
Total liabilities		48,380,784	47,800,901
Shareholders' equity:			
Share capital	12	23,841,246	23,841,246
Share premium		14,457,158	14,457,158
Treasury shares	13	(1,942,074)	(1,753,987)
Gain on sale of treasury shares		93,281	94,254
Statutory reserve	14	4,752,710	4,231,800
Voluntary reserve	14	4,752,710	4,231,800
General reserve		4,250,000	4,250,000
Retained earnings		8,090,914	7,554,831
Total shareholders' equity		58,295,945	56,907,102
Total liabilities and shareholders' equity		106,676,729	104,708,003



Ghazi Fahad Alnafisi
Chairman and Managing Director



Salah Fahad Almarzouk
Vice Chairman

The accompanying notes are an integral part of the financial statements.

Statement of Income

EXHIBIT B

For the year ended December 31, 2000

	Note	2000 KD	1999 (Restated) KD
Rental income and income from hotel operations		9,572,699	9,221,486
Operating costs		2,539,025	2,262,374
Gross profit		7,033,674	6,959,112
Share in joint venture's results	6	473,378	513,412
Expenses and charges:			
Administrative expenses		(1,508,303)	(1,183,176)
Depreciation		(1,399,683)	(1,386,892)
Sales and marketing expenses		(505,346)	(400,648)
Profit from operations		4,093,720	4,501,808
Investment income	15	1,457,841	981,840
(Provision) no longer required for investments		(858,665)	1,256,191
Gain on foreign currency translation		582,225	362,352
Interest income		9,410	5,554
Other income		123,022	32,052
Financial charges		(3,125,569)	(2,459,468)
Profit for the year before extraordinary items, contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), and Directors' fees		2,281,984	4,680,329
Extraordinary items	11	2,927,120	927,677
Profit for the year before KFAS and Directors' fees		5,209,104	5,608,006
Contribution to KFAS		(93,764)	(101,147)
Directors' fees		(45,000)	(45,000)
Net profit for the year		5,070,340	5,461,859
		Fils	Fils
Earnings per share	16	21.8	23.8

The accompanying notes are an integral part of the financial statements.

Statement of changes in equity

EXHIBIT C

For the year ended December 31, 2000

	Share Capital KD	Share premium KD	Treasury shares KD	Gain on Sale of treasury shares KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD	Retained earnings KD	Total KD
At December 31, 1998 as previously reported	23,841,246	14,457,158	(8,346,620)	84,054	3,669,872	3,669,872	4,250,000	5,449,560	47,075,142
Prior year adjustment (Note 25)	-	-	-	-	-	-	-	(85,771)	(85,771)
At December 31, 1998 as restated	23,841,246	14,457,158	(8,346,620)	84,054	3,669,872	3,669,872	4,250,000	5,363,789	46,989,371
Cash dividends for 1998 - 10%	-	-	-	-	-	-	-	(2,146,961)	(2,146,961)
Purchase of treasury shares	-	-	(1,532,955)	-	-	-	-	-	(1,532,955)
Proceeds from sale of treasury shares	-	-	8,125,588	10,200	-	-	-	-	8,135,788
Transfer to reserves	-	-	-	-	561,928	561,928	-	(1,123,856)	-
Net profit for the year - restated	-	-	-	-	-	-	-	5,461,859	5,461,859
At December 31, 1999	23,841,246	14,457,158	(1,753,987)	94,254	4,231,800	4,231,800	4,250,000	7,554,831	56,907,102
Cash dividends for 1999 - 15%	-	-	-	-	-	-	-	(3,492,437)	(3,492,437)
Purchase of treasury shares	-	-	(201,591)	-	-	-	-	-	(201,591)
Proceeds from sale of treasury shares	-	-	13,504	(973)	-	-	-	-	12,531
Transfer to reserves	-	-	-	-	520,910	520,910	-	(1,041,820)	-
Net profit for the year	-	-	-	-	-	-	-	5,070,340	5,070,340
At December 31, 2000	23,841,246	14,457,158	(1,942,074)	93,281	4,752,710	4,752,710	4,250,000	8,090,914	58,295,945

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

EXHIBIT D

For the year ended December 31, 2000

	Note	2000 KD	1999 (Restated) KD
Cash flows from operating activities:			
Profit for the year before extraordinary items, contribution to KFAS and directors' fees		2,281,984	4,680,329
Adjustments for:			
Investment income		(1,457,841)	(981,840)
Share in joint venture's results		(473,378)	(513,412)
Interest income		(9,410)	(5,554)
Gain on foreign currency translation		(582,225)	(362,352)
Financial charges		3,125,569	2,459,468
Provision for and write-off of receivables		23,326	111,244
Provision for investments (no longer required)		858,665	(1,256,191)
Depreciation		1,399,683	1,386,892
Net (gain) loss on disposal of fixed assets		(3,715)	17,215
Provision for employees' terminal benefits		171,273	107,775
Operating profit before changes in operating assets and liabilities		5,333,931	5,643,574
Decrease (increase) in inventories		42,514	(1,855)
Decrease (increase) in accounts receivable and prepayments		3,804	(283,333)
Increase (decrease) in accounts payable and accruals		682,292	(2,093,986)
Employees' terminal benefits paid		(63,165)	(30,218)
Cash from operations		5,999,376	3,234,182
Interest received		158,935	2,494
Financial charges paid		(3,127,141)	(2,461,610)
Directors' fees paid		(45,000)	(36,000)
Payment to KFAS		(101,147)	(569,236)
Net cash provided from operating activities		2,885,023	169,830
Cash flows from investing activities:			
Purchase of investments		(4,318,846)	(23,046,550)
Proceeds from sale of investments		4,819,851	19,259,122
Dividends received		2,043,681	518,629
Proceeds on disposal of real estate and fixed assets		464	1,322,133
Purchase of real estate and fixed assets		(5,362,529)	(9,284,300)
Decrease (increase) in investment in unconsolidated subsidiaries		91,963	(147,717)
Net cash used in investing activities		(2,725,416)	(11,378,683)
Cash flows from financing activities:			
Proceeds from short-term loans acquired		616,000	3,285,000
Short-term loans paid		(4,900,000)	(3,685,711)
Proceeds from long-term loans acquired		14,585,000	1,750,000
Government loan paid		(2,172,406)	(1,086,202)
Purchase of treasury shares		(201,591)	(1,532,956)
Proceeds from sale of treasury shares		12,531	7,163,247
Dividends paid		(3,504,299)	(1,182,243)
Net cash provided from financing activities		4,435,235	4,711,135
Increase (decrease) in cash and cash equivalents		4,594,842	(6,497,718)
Cash and cash equivalents at beginning of the year		(7,877,766)	(1,380,048)
Cash and cash equivalents at end of the year	17	(3,282,924)	(7,877,766)

The accompanying notes are an integral part of the financial statements.

1. Activities

Salhia Real Estate Company - K.S.C. (Closed) is a Kuwaiti Shareholding Company listed on the Kuwait Stock Exchange and its registered address is: P.O. Box 23413 Safat, 13095 - State of Kuwait. The Company's main activities comprise dealing in various real estate activities, in particular the owning and renting out of commercial property, including hotel accommodation in Kuwait. The Company owns Le Méridien Hotel, Kuwait, which is managed by Société des Hotels Méridien S.A.

Surplus funds are invested in real estate and securities portfolios managed by others.

At December 31, 2000, the Company had 452 employees (1999: 404 employees).

The financial statements were authorized for issue by the Board of Directors on February 20, 2001. The Shareholders' General Assembly has the power to amend these financial statements after issuance.

2. Significant accounting policies

The financial statements have been prepared in accordance with International Accounting Standards. The significant accounting policies adopted are as follows:

a) Basis of presentation

The financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention.

b) Investments

Plots of land are considered as current assets and are carried at the lower of cost and market value on an individual basis.

Investments in quoted securities held in managed portfolios are considered as current assets and are carried at the lower of cost and market value on an aggregate basis.

Investments in unquoted securities are considered as long-term investments and are carried at cost less provision for any decline other than temporary in value on an individual basis.

c) Inventories

Inventories of food and beverages are valued at the lower of cost and net realizable value after making due allowance for any expired or slow-moving items. Cost is determined by the first-in, first-out method.

Inventories of operating supplies are valued at cost less due allowance for any obsolete or slow-moving items. Cost is determined on a weighted average basis.

d) Accounts receivable

Accounts receivable are shown at the balance sheet date net of provision for amounts estimated to be uncollectable. The Company's terms of sale require the amounts to be paid within 30 days of the date of sale.

2. Significant accounting policies (Contd.)

e) Real estate and fixed assets

Real estate and fixed assets are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of real estate and fixed assets beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of real estate and fixed assets.

Freehold land is not depreciated. Depreciation is provided on other real estate and fixed assets at rates calculated to write-off the cost of each asset over its expected useful life as follows:

Buildings and related immovable equipment	10 to 50 years
Furniture and equipment	10 years
Motor vehicles	5 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of real estate and fixed assets.

f) Impairment of assets

Property and equipment, intangible assets and investments in unconsolidated subsidiaries and joint ventures are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in income. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or has decreased. The reversal is recorded in income.

g) Investment in unconsolidated subsidiary

The investment in unconsolidated subsidiary is carried at cost since control over the subsidiary is intended to be temporary. As such, the Company recognizes income only to the extent that it receives distributions from the accumulated net profits of the unconsolidated subsidiary.

2. Significant accounting policies (Contd.)

h) Investment in joint venture

The investment in joint venture is considered as long-term investment and is recorded using the equity method. Under the equity method, the initial investment is recorded at cost and the carrying amount is increased or decreased to recognize the Company's share of profits or losses and other changes in equity of the joint venture.

i) Treasury shares

Treasury shares consist of the Company's own shares that have been issued, subsequently reacquired by the Company and not yet reissued or canceled. The treasury shares are accounted for using the cost method where the cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (gain on sale of treasury shares) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

j) Accounts payable

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether or not billed by the supplier. Accounts payable are normally settled within 30 days.

k) Provisions

A provision is recognised when, and only when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

l) Income recognition

Rental income and interest are recognized on an accrual basis. Hotel revenue represents the invoiced value of goods and services provided during the year. Dividend income is recognized when the Company's right to receive payment is established.

m) Cash and cash equivalents

Cash and cash equivalents consist of bank balances and cash less amounts due to banks.



2. Significant accounting policies (Contd.)

n) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

o) Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

3. Investments

	2000		1999	
	Cost KD	Provision KD	Net book value KD	Net book value KD
Plots of land in Kuwait	111,226	49,914	61,312	297,122
Managed portfolios	21,181,895	1,495,088	19,686,807	21,251,617
Unquoted securities	3,693,701	1,655,886	2,037,815	2,613,290
	24,986,822	3,200,888	21,785,934	24,162,029

4. Accounts receivable and prepayments

	2000 KD	1999 KD
Hotel guests	323,186	441,763
Rent and other receivables	371,179	275,176
Due from unconsolidated subsidiary	2,664	37,336
Due from related parties	377,757	317,213
Deposits and prepaid expenses	66,830	106,991
Advance payments to contractors	133,280	-
Receivable on sale of investments	793,847	-
Staff receivables	26,505	59,122
	2,095,248	1,237,601

5. Investment in unconsolidated subsidiaries

The Company has a wholly owned subsidiary "Salhia UK Limited" which was established with the purpose of owning all investments in certain parts of Europe on its behalf. This subsidiary in turn has a wholly owned subsidiary "Salhia B.V." registered in Holland. The Company has started the liquidation process of both these subsidiaries, which is expected to be finalized during the year 2001.

The Company also owns 89.72% (1999 - 89.72%) of Haddia Holding GmbH (Haddia), registered in Germany. One of the Company's board members owns 8.99% of Haddia. The financial statements of this subsidiary have not been consolidated as that company has been established and is being held exclusively with a view to its disposal in the near future.

Included in this investment are loans granted to Haddia Holding GmbH amounting to DM 14,310,340 equivalent to KD 2,440,087 (1999: DM 15,874,160 equivalent to KD 2,728,359). Repayment of these loans is subordinated to certain bank loans obtained by Haddia Holding GmbH amounting to approximately DM 129,445,135 equivalent to KD 18,898,990 (1999: DM 105,265,562 equivalent to KD 16,526,693). Also, included is a loan to Salhia (UK) Ltd. amounting to NLG 500,000 equivalent to KD 80,000 (1999: NLG 500,000 equivalent to KD 80,000). These loans carry interest rates of 5.5% to 7.75% per annum (1999: 4.5% to 7.75% per annum). Interest income received on the above loans amounting to KD 149,129 (1999: KD 163,853) is included in investment income.

During the year, the Company agreed with the minority shareholders of Haddia Holding GmbH to pro-rate the loan, previously granted by the Company to a subsidiary of Haddia, among the shareholders of Haddia. Accordingly the investment in unconsolidated subsidiaries was reduced by an amount of KD 139,874 receivable from these shareholders, which is currently included in accounts receivable and prepayments. The same amount was reclassified for the 1999 balance to reflect this agreement. Also, the Company injected additional funds towards the increase in capital reserve at Haddia Holding GmbH (note 15).

Investment in unconsolidated subsidiaries comprises the following:

	2000 KD	1999 KD
Investment cost	888,936	806,004
Loans	2,520,087	2,668,485
	3,409,023	3,474,489

Notes to Financial Statements (Contd.)

December 31, 2000

6. Investment in joint venture

The Company has a 50% interest in a joint venture in the United Kingdom. As at December 31, the Company's share of the assets, liabilities and results of operations of the joint venture was as follows:

	2000 KD	1999 KD
Current assets	3,554,464	4,256,010
Long-term assets	8,607,000	9,405,000
Current liabilities	827,857	8,166,510
Long-term liabilities	6,818,330	-
Revenues	1,262,806	1,371,893
Expenses	789,428	859,815

The investment in the joint venture comprises the following:

	2000 KD	1999 KD
Carrying value of the investment at beginning of the year	5,028,860	4,515,448
Dividend received	(952,750)	-
Establishment costs written off	(49,655)	-
Share in the joint venture's results	473,378	513,412
Carrying value of the investment at end of the year	4,499,833	5,028,860

7. Real Estate and fixed assets

	Freehold Land KD	Le Méridien Hotel KD	Salhia Commercial Complex KD	Sahab Tower KD	Furniture and equipment KD	Motor vehicles KD	Capital work in progress KD	Total KD
Cost:								
At December 31, 1999	42,645,408	17,570,569	17,815,530	5,352,743	3,664,837	103,574	1,140,532	88,293,193
Additions	1,431,394	-	-	3,424	87,730	6,750	3,778,354	5,307,652
Disposals	-	-	-	-	(6,517)	-	-	(6,517)
At December 31, 2000	44,076,802	17,570,569	17,815,530	5,356,167	3,746,050	110,324	4,918,886	93,594,328
Accumulated depreciation:								
At December 31, 1999	-	6,826,150	7,901,450	494,415	2,484,908	67,707	-	17,774,630
Charge for the year	-	501,315	417,541	154,384	311,573	14,861	-	1,399,674
Relating to disposals	-	-	-	-	(2,326)	-	-	(2,326)
At December 31, 2000	-	7,327,465	8,318,991	648,799	2,794,155	82,568	-	19,171,978
Net book value:								
At December 31, 2000	44,076,802	10,243,104	9,496,539	4,707,368	951,895	27,756	4,918,886	74,422,350
At December 31, 1999	42,645,408	10,744,419	9,914,080	4,858,328	1,179,929	35,867	1,140,532	70,518,563

Le Méridien Hotel, the Salhia Commercial Complex, the Sahab Tower and certain plots of land with a book value of KD 15,438,543 are mortgaged against certain loans (Note 10).

Notes to Financial Statements (Contd.)

December 31, 2000

8. Accounts payable and accruals

	2000 KD	1999 KD
Rents received in advance	14,249	21,358
Trade accounts payable	602,562	231,411
Accrued expenses	398,454	409,482
Employees' terminal benefits	697,702	624,160
Deposits from tenants and hotel guests	324,978	317,023
Provisions	72,904	2,158,466
Kuwait Foundation for the Advancement of Sciences	93,764	101,147
Amounts due to related parties	92,049	-
Unpaid dividends	10,953	24,312
Other	198,148	138,900
	2,505,763	4,026,259

9. Short-term loans

Short-term loans consist of the following denominations:

	2000 KD	1999 KD
Kuwaiti Dinars	-	1,500,000
Swiss Francs 4.7 million (1999: 4.7 million)	878,900	902,400
German Marks 12 million	-	1,884,000
US Dollars 2 million	614,000	-
Japanese Yen 475 million (1999: 1,575 million)	1,282,500	4,725,000
	2,775,400	9,011,400

The foreign currency loans carry interest rates which vary between 1% and 1.5% over LIBOR.

10. Long-term loans

Long-term loans consist of the following denominations:

	2000 KD	1999 KD
Loans in Kuwaiti Dinars	32,535,000	21,350,000
German Marks 24 million (1999: 12 million)	3,504,000	1,884,000
Japanese Yen 1,100 million (1999: Nil)	2,970,000	-
	39,009,000	23,234,000

10. Long-term loans (Contd.)

The loans are due for repayment as follows:

	2000 KD	1999 KD
2000	-	3,900,000
2001	2,734,000	4,690,500
2002	3,648,000	4,767,000
2003	10,314,600	3,654,500
2004	8,910,800	3,222,000
2005	7,216,600	2,000,000
After 2005	6,185,000	1,000,000
	39,009,000	23,234,000

The loans are repayable in equal periodic installments over variable periods of time with maturities extending to December 31, 2009.

The Kuwaiti Dinar loans carry interest rates, which vary between 1% and 2% over the Central Bank discount rate. Interest on these loans is repriced every 6 months. The foreign currency loans carry interest rates which vary between 1% and 1.5% over LIBOR and are repriced every 3 to 6 months.

Certain loans with a carrying value of KD 22,057,000 (1999: KD 5,050,000) are secured by liens on properties owned by the Company (Note 7).

11. Government loan

During the year, the company settled the loan balance that was outstanding at December 31, 1999 in the amount of KD 3,064,173 in accordance with Law No. 43 of 1993 as amended. Also, the Company obtained a final court ruling in its favor with regard to a loan in the amount of KD 1,171,655 previously rejected as part of the pre-invasion debt settlement agreement in accordance with Law No. 41 of 1993 as amended. As a result, the Company is only liable for KD 534,744, which has been reclassified along with the prior year figure from long-term loans to the Government loan. The remaining balance of KD 636,911 and an amount of KD 1,450,568 of the provision previously taken against this lawsuit, which were included under accounts payable and accruals, in addition to the gain realized on the settlement of the balance as of December 31, 1999 have been realized as extraordinary gains under extraordinary items.

Interest on the loan is determined by the Central Bank of Kuwait on a semi-annual basis. The average rate in 2000 was 5.34% (1999: 5.74%).

12. Share capital

At December 31, 2000, the Company's authorized, issued and fully paid share capital consisted of 238,412,460 shares of 100 fils each (1999: 238,412,460 shares).

13. Treasury shares

	2000	1999
Number of shares	5,758,572	5,153,315
Percentage of share capital	2.4%	2.2%
Market Value - KD	1,526,022	1,700,594

14. Statutory and voluntary reserves

As required by the Commercial Companies Law and the Company's articles of association, 10% of profit for the year is transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of paid-up share capital. Distribution of this reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

As required by the Company's articles of association, 10% of profit for the year is transferred to voluntary reserve. Such transfer may discontinue by a resolution at the General Assembly.

15. Investment income

	2000 KD	1999 KD
Gain on sale of investments	267,436	299,358
Dividends	1,090,931	518,629
Interest on loans to subsidiaries	149,129	163,853
Other investment loss	(49,655)	-
	1,457,841	981,840

16. Earnings per share

There are no dilutive potential ordinary shares. The information necessary to calculate basic earnings per share based on the weighted average number of shares outstanding during the year is as follows:

	2000 KD	1999 KD
Earnings:		
Net profit for the year	5,070,340	5,461,859
	Shares	Shares
Number of shares outstanding:		
At beginning of the year	238,412,460	238,412,460
Weighted average number of Company's own shares	(5,650,470)	(9,300,553)
Weighted average number of shares outstanding	232,761,990	229,111,907
	Fils	Fils
Earnings per share	21.8	23.8



17. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	2000 KD	1999 KD
Bank balances and cash	272,953	52,559
Due to banks	(3,555,877)	(7,930,325)
	(3,282,924)	(7,877,766)

Management does not believe it is exposed to any significant credit risk on cash and cash equivalents.

18. Employee information

At December 31, 2000, staff costs amounted to KD 1,991,584 (1999: KD 1,715,735).

19. Proposed dividend

The Board of Directors has proposed a cash dividend of 15 fils per share (1999: 15 fils) after excluding treasury shares. This proposal is subject to the approval of the shareholders' general assembly.

20. Compensation claim

The Company has agreed with the Public Authority for the Assessment of Compensation a claim of KD 7 million in respect of losses suffered as a result of the Iraqi invasion and occupation of Kuwait in 1990. The claim has been forwarded to the United Nations for settlement, as and when funds are made available. The financial statements do not include the amount of this claim.

21. Contingent liabilities and commitments

At the balance sheet date, the Company had the following contingencies and capital commitments:

	2000 KD	1999 KD
Letters of guarantee on behalf of Le Méridien Hotel	50,000	50,000
Uncalled capital of investment in joint venture (GBP: 3,725,000)	1,687,000	1,874,000
Uncalled capital of an unquoted investment	1,500,000	1,500,000
Renovation project for Le Méridien Hotel	1,800,000	-
Construction project	16,500,000	-

22. Fair value of financial instruments

	Book value 2000 KD	Fair value 2000 KD	Book value 1999 KD	Fair value 1999 KD
Short term loans	2,775,400	2,775,400	9,011,400	9,011,400
Investments excluding plots of land in Kuwait	21,724,622	21,724,622	23,864,907	24,163,880
Long-term loans	39,009,000	39,009,000	23,234,000	23,234,000
Government loan	534,744	534,744	3,598,917	2,172,406

The Company uses financial instruments in the normal course of its business. The basis for determining the fair value of financial instruments is as follows:

- **Short-term loans:**

The carrying value approximates the fair value because of the short term maturities and short term repricing of interest rates.

- **Investments:**

- a. **Managed portfolios:** The carrying value of managed portfolios represents the market value of the quoted securities and the fair value of the unquoted securities as determined by portfolio managers in addition to any cash within the portfolios.

- b. **Unquoted securities:** The carrying value of unquoted securities is considered to be not significantly different from the fair value which is determined based on the share of equity according to the latest available financial statements and after consideration of all other relevant information.

- **Long-term loans:**

The carrying value approximates the fair value because of the short-term repricing of interest rates.

- **Government loan:**

The fair value of the Government loan represents the expected cash settlement under Law No. 41 of 1993, as amended.

The fair values of other financial instruments including bank balances and cash, accounts receivable, due to banks, and accounts payable and accruals are not significantly different from book value for all financial asset and financial liability categories, as they are either short term in nature, or they are being held to maturity with appropriate levels of provisions in place.

22. Fair value of financial instruments (Contd.)

The Company is exposed to the following risks relating to financial instruments:

Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets which potentially subject the Company to credit risk consist principally of cash at banks and accounts receivable. The Company's cash is placed with high credit rating financial institutions and receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

Foreign currency risk

The Company incurs foreign currency risk on purchases and sales that are denominated in a currency other than the Kuwaiti Dinar. The Company may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Company ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

Liquidity risks

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Company periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable.

Cash flow risks

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. At present, the Company has no significant exposure to such risk.

23. Segmental Information

The Company is organized into functional divisions to manage its various lines of business. The Company operates principally in the State of Kuwait and, accordingly, does not have a secondary segment. For the purposes of primary segment reporting, the Company's management has grouped the Company's products and services into the following business segments:

- Real estate operations: Consist of trading in, development and leasing of property.
- Hotel operations: Consist of the hotel hospitality activities provided through Le Méridien Hotel - Kuwait.

Notes to Financial Statements (Contd.) December 31, 2000

23. Segmental Information (Contd.)

There were no inter-segmental transactions. The following is the detail of the above segments, which constitutes the primary segment information:

	December 31, 2000			December 31, 1999		
	Real estate operations KD	Hotel operations KD	Total KD	Real estate operations KD	Hotel operations KD	Total KD
Segment operating income	4,915,295	4,657,404	9,572,699	4,711,051	4,510,435	9,221,486
Segment results	4,472,708	2,560,966	7,033,674	4,288,775	2,670,337	6,959,112
Share of income from joint venture	473,378	-	473,378	513,412	-	513,412
Other operating expenses	(1,625,410)	(1,787,922)	(3,413,332)	(1,409,639)	(1,561,077)	(2,970,716)
Profit from operations	3,320,676	773,044	4,093,720	3,392,548	1,109,260	4,501,808
Interest income			9,410			5,554
Financial charges			(3,125,569)			(2,459,468)
Other non-operating income			2,163,088			2,685,997
Other non-operating expenses			(997,429)			(199,709)
Profit from ordinary operations			2,143,220			4,534,182
Extraordinary items			2,927,120			927,677
Net profit for the year			5,070,340			5,461,859
Other information:						
Segment assets	62,076,113	14,967,139	77,043,252	58,106,998	14,092,874	72,199,872
Investment in joint venture	4,499,833		4,499,833	5,028,860		5,028,860
Unallocated assets			25,133,644			27,479,271
Total assets			106,676,729			104,708,003
Segment liabilities	46,231,898	2,010,122	48,242,020	47,033,940	620,814	47,654,754
Unallocated liabilities			138,764			146,147
Total liabilities			48,380,784			47,800,901
Capital expenditures	3,654,087	1,653,561	5,307,648	17,543,314	112,365	17,655,679
Depreciation	622,573	777,110	1,399,683	620,898	765,994	1,386,892
Other non-cash expenses	489,766	69,656		272,581	44,309	

24. Related parties

During the normal course of its business, the Company conducts certain transactions with parties related to the Company, prices of which are approved by management. The following is a summary of the significant related party balances:

	2000 KD	1999 KD
Balance sheet:		
Due from related parties	377,757	317,213
Staff receivables	26,505	59,122
Due from unconsolidated subsidiaries	2,664	37,336
Amounts due to related parties	92,049	-
Income statement:		
Investment income	149,129	163,853
Operating costs	450,593	316,914
Administrative expenses	48,275	33,638
Sales and marketing expenses	188,324	228,475

25. Prior year adjustment

During the year, the Government authorities retroactively increased the rental rates on certain properties leased by the Company and accordingly, the comparative figures were restated to reflect any amounts relating to prior years.

26. Comparative figures

Certain prior year balances have been reclassified to conform with the current year presentation.