

ANNUAL REPORT 2000



The Investment Dar

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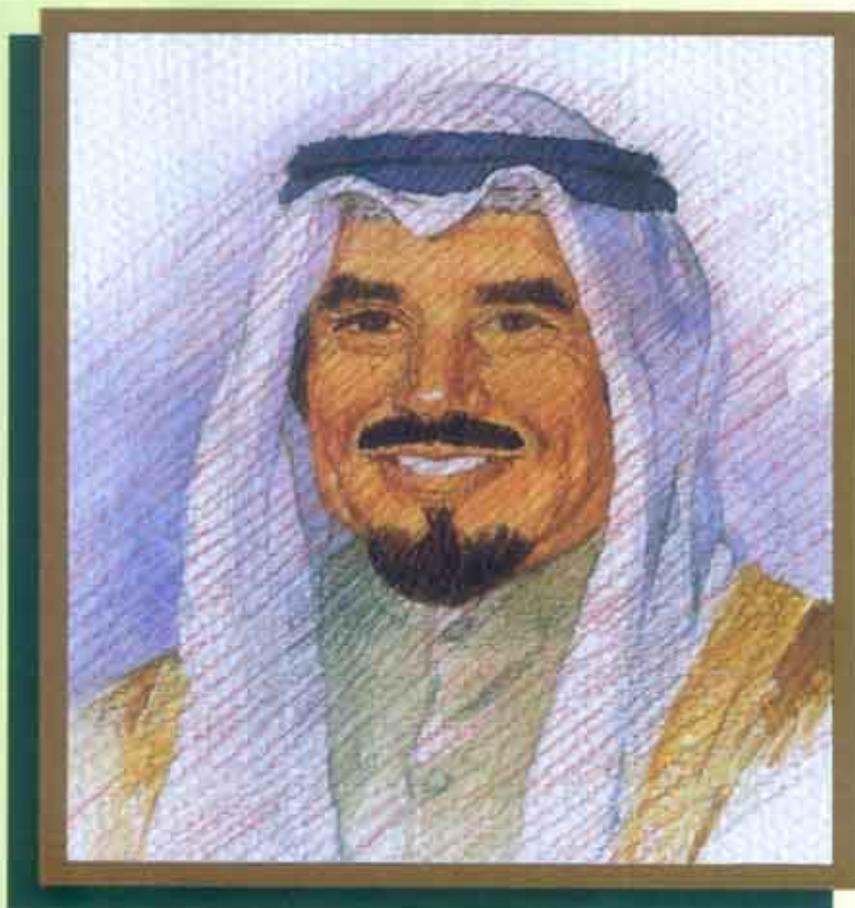
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*In The
Name Of Allah,
The Most Gracious, The Most Merciful
But Allah hath
permitted trade and
forbidden usury*

*The Holy Quran Al-Bakara (275)
(Text Translation & Commentary)*



His Highness Sheikh Jaber Al Ahmed Al Jaber Al Sabah
Amir of the State of Kuwait



His Highness Sheikh Saad Al Abdullah Al Salem Al Sabah
Crown Prince and Prime Minister



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BOARD OF DIRECTORS



Naser Mohammad Al-Sayer
Chairman



Adnan Mohammad Al-wazzan
Vice Chairman



Adnan Abdul Qadir Al-Musallem
Managing Director



Ali Mohammad Al-Ghanim
Board Member



Adel Mohammad Behbehani
Board Member



Omar S. Al-Kazi
Board Member



Rezam Mohammad Al-Roumi
Board Member





Sheikh **Ahmad Bazie Al-yassen** - Chairman



Sheikh **Dr. Khaled Al-Mathkour**



Sheikh **Dr. Ajell J. Al-Nashmi**



Sheikh **Dr. Mohammad Fawzi Faidullah**

Chairman's Statement Annual Report - 2000

Praise be to The Almighty Allah, and Peace and Prayers be Upon His Prophet.

To: The Shareholders,

I have the honor to welcome you to your esteemed General Meeting, where our company celebrates its 5th Anniversary. The company has successfully completed its 5th year of operations, thanks to the Almighty Allah, and to your unlimited support, in spite of the economic recession prevailing in the country. Such economic shrinkage is still persistent although there are positive indicators derived from the surge in international oil prices during the year 2000, exceeding the \$30 barrier, and achieving an average of \$26 per barrel. The price increase has created a surplus in the state budget, and a positive real growth from 3.6% up to 4.1%, as indicated by the global economic reports. Nevertheless, such significant positive effects have not been translated into an economic reform program that could take the country out of recession. The gap between the oil and non-oil economy continues to exist due to the on-going policies. As a result, the non-oil economic sectors had not yet seen a real development.

One of the significant economic indicators evidencing the slow activity in the country is the downward trend of liquidity indicators in Kuwait Stock Exchange (KSE). For the third consecutive year, the trading value in the stock exchange dropped by a negative growth rate of 29.7%, from KD 1841.3 million in 1999 to KD 1294.8 million in 2000. Meanwhile, the quantity of traded shares declined by 28.4%, from 9.5 billion shares to 6.8 billion shares for the period in question.

The general economic situation in the country has its implications that necessitate a change in the prevailing economic patterns. This means that the "welfare state" will, sooner or later, come to an end. The situation also has a psychological impact on the behavior of market dealers, as fees were charged on certain services, and others were re-priced, with a particular focus on the retail market, which represents the core of the company's overall activity. Fierce competition, in the financing and investment market in general, and the Islamic market in particular, coupled with the emergence of new competitors, had an adverse impact on the results of the year 2000, at a time when the market had already suffered from tight investment opportunities, and limited resources. The investment environment in which these companies operate was also affected, thus impacting their activity and profitability.

Such severe competitive situation, coupled with the general recession and the change in the dealing patterns that once prevailed in the local market, resulted in a notable decline in the profit margins, commissions, and sales discounts, which formed an important source for

the local finance companies. Henceforth, a pressing need emerged to reprioritize the company's business activities, and rearrange the strategic position of its products. To avoid any pitfalls, the company continued its best endeavor to launch new products that would minimize its dependence on a limited number of products, so as to diversify the sources of its profit margins.

In this context, the company's board of directors supported the executive management's quick move to change the policies and strategic vision by establishing a future base within its long-term strategic plan 2000-2004. The main features of the plan are:

- Diversifying the company's product portfolio.
- Penetrate strong future economic sectors, mainly the real estate and housing sectors, with the "Manazel" housing project, of which phase 1 was completed by constructing 29 villas in Mishref area.
- Expanding to the Gulf, Arab, and Islamic markets. The beginning was in the Qatari market, with the First Financing Company operating in the State of Qatar, where an agreement was signed to manage and operate the Qatari company by the Investment Dar.
- Improving the company's infrastructure by upgrading the IT systems, particularly those related to selling and collection.
- Restructuring the company's sales activities, and establishing two separate departments, one for car sales, and another for activities other than cars.
- Several Branches were opened. During the year 2000, and early this year, 4 branches were opened in Hawalli, Al-Rai, Abu Halifa, and Dajeej (Home Mart). Additionally, arrangements were completed to open the company's branch in Jahra, and the main office is expected to be opened in Shuwaikh.
- Establishing or participating in the establishment of specialized companies in the various economic sectors. In 2000, the First Dar Trading Company and the First Dar Real Estate Company were established, with a capital of KD 1 million each, and participation took place with other companies and economic activities in establishing a company for risk centers, and a company for Islamic joint action.
- Highlighting risk minimization in the financing operations by focusing on the collection activity in the company, and upgrading the efficiency and performance of this significant activity as to the investment and financing companies.

Dear Shareholders,

While setting our new strategic plan, which has already come into effect, our company had a foresight to sustain a momentous growth for the years to come, especially that the financial results achieved in 2000 were positive, with a net profit of KD 2.249 million. On the other hand, our assets totaled about KD 109.9 million, while the shareholders' equity registered KD 33.820 million. In spite of the difficult economic conditions, our company was able to attain a return on capital (ROC) of 10%, which is a positive indicator taking into account the aforementioned factors. I have the pleasure to bring to your attention that the board of directors has decided to recommend to your esteemed general meeting the distribution of cash dividend of 6% arising from the operations of the financial year ended 2000, on the shares registered in the company's records as of the date of the general meeting.

We, at the board of directors and the executive management, have placed a clear vision for a continuous upgrading of our business activities, in line with the company's streamline. From the very beginning, the company has committed itself to the provisions of the Islamic Shari'a, with view of integrating into the age. The effective supervision and prudent opinions of their Eminence the members of the Fatwa (legal opinion) and Shari'a Control in the company, had a distinctive role in streamlining the company's direction over the past five years. To depict this tendency, we have created the "simplified trade" product, which is directed to the cooperative societies, to motivate merchants and suppliers and reactivate the national economy. We began to gain the fruit of such significant conversion in the company's patterns, covering all segments of the community, including individuals and traders. During the last year, we also launched the "lease to own" product, and a special credit section for businessmen.

In this context, two important specialized activities were also created to provide our customers with the best service. The "Elite" activity was established for distinctive customers and "Pearls" service was initiated for ladies, thus reaching all segments of the society.

Dear Shareholders,

Our ambitions are unlimited. As usual, your company will do its best endeavor to provide the customers with further services, covering new, innovative business niches, so as to meet the requirements of the individuals, and the community, alike. Such services will extend to vital areas such as education, certification, and training, while heading towards serving our customers everywhere.

During the current year the company will further expand its business base by heading towards direct investment. In so doing, the company intends to establish investment portfolios, funds, and funds, as well as entering into strategic alliances. It will further enhance its existing relationships so as to integrate into the new global economy that is characterized by large-scale groupings. Such situation will pose real challenges ahead once the actual implementation of free trade agreements takes place. Kuwait is one of the first signatories to such agreements.

In conclusion, I would like to mention that our company expects the new year 2001 to witness ratification of the Islamic banks draft law, which will force a significant strategic change, and will have stringent positive impact and implications for our young company.

Thank you.

A handwritten signature in black ink, enclosed within a large, hand-drawn oval. The signature appears to be 'Naser M. Al-Sayer'.

Naser M. Al-Sayer
Chairman

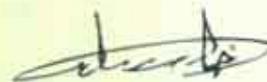
SHARIA SUPERVISORY BOARD'S REPORT

We have reviewed The Investment Dar Company activities during the year ended 31 December 2000, we certify that all activities were practiced in compliance with Islamic Sharia and no violations have occurred, to the best of our knowledge

Sheikh Ahmad Bazie Al-Yassen, Chairman



Sheikh Dr. Khaled Mathkour Al-Mathkour



Sheikh Dr. Ajeel Jasem Al-Nashmi



Sheikh Dr. Mohammad Fawzi Faidullah



**THE INVESTMENT DAR COMPANY AND SUBSIDIARIES K.S.C.
(CLOSED) KUWAIT**

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS'

REPORT FOR THE YEAR ENDED 31 DECEMBER 2000

KPMG

Al Nisf & Partners
Public Accountants

PRICEWATERHOUSECOOPERS 



**Al Nisf & Partners
Public Accountants**

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Auditors' Report

**To the Shareholders of
The Investment Dar Company and Subsidiaries K.S.C. (Closed)**

We have audited the accompanying consolidated balance sheet of The Investment Dar Company K.S.C. (Closed), and subsidiaries ("Group") as at 31 December 2000 and the related consolidated statements of income, changes in shareholders' equity and cash flow for the year then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2000, results of operations, changes in shareholders' equity and cash flows for the year then ended in accordance with International Accounting Standards.

Also, in our opinion, proper books of accounts have been kept, physical count was duly carried out and the financial information contained in the director's report agreed with the books of accounts. The financial statements incorporate all information that is required by the Commercial Companies Law and the Company's Articles of Association. We obtained all the information and explanations which we deemed necessary for the purpose of our audit. To the best of our knowledge and belief no violation of the Commercial Companies Law or Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, or of the Company's Articles of Association during the year ended 31 December 2000 that might have a material effect on the business of the Company or on its financial position.

Qais Al Nisf

Licence No 38 A

of KPMG Al Nisf & Partners

Member firm of KPMG International

Bader A. Al-Wazzan

Licence No. 62 A

Bader & Co. PricewaterhouseCoopers

Kuwait, 14 February 2001

**THE INVESTMENT DAR COMPANY
AND SUBSIDIARIES K.S.C. (CLOSED)**

CONSOLIDATED BALANCE SHEET

As at 31 December (All amounts in Kuwaiti Dinars)

	Note	As at 31 December	
		2000	1999
Assets			
Cash and cash equivalents	3	1,600,984	6,258,115
Murabaha investments		168,915	11,879,962
Trade receivable	4	96,159,108	94,551,389
Other debit balances	5	2,961,887	7,091,114
Investment securities	6	2,402,690	2,229,082
Land and real estate	7	4,777,651	-
Investment in associates	8	891,880	901,603
Intangible assets	9	612,820	356,800
Fixed assets	10	323,583	219,857
Total assets		109,899,518	123,487,922
Liabilities and Shareholders' equity			
Liabilities			
Creditors and other credit balances	11	3,661,254	3,004,092
Murabaha payables	12	72,238,624	86,210,028
Total liabilities		75,899,878	89,214,120
End of service indemnity		179,440	206,000
Shareholders' equity			
Share capital	13	22,752,000	22,752,000
Statutory reserve	14	6,940,507	6,705,391
Voluntary reserve	14	1,412,899	1,177,783
Foreign currencies translation reserve		6,277	-
Retained earnings		2,708,517	3,432,628
Total Shareholders' equity		33,820,200	34,067,802
Total liabilities and shareholders' equity		109,899,518	123,487,922

The accompanying notes on pages 22 to 32 form an integral part of these consolidated financial statements.


Naser M. Al-Sayer
Chairman


Adnan A. Al-Musalleh
Managing Director

**THE INVESTMENT DAR COMPANY
AND SUBSIDIARIES K.S.C. (CLOSED)**

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December (All amounts in Kuwaiti Dinars)

	For the year ended 31 December	
	Note	1999
Revenue		
Income from operations		6,471,224
Company's share in profit of managed portfolios		103,983
Income from investments	15	495,528
Portfolio management fees and other income		265,333
		<u>5,585,797</u>
Expenses and other charges		
General and administrative		1,410,937
Provision for doubtful debts		1,810,000
Decline in investments value		300,000
Depreciation and amortization		195,600
Zakat		229,174
		<u>3,945,711</u>
Net operating profit		3,390,357
Board of Directors' remuneration	14	(60,000)
Net profit before KFAS		3,330,357
Kuwait Foundation for the Advancement of Sciences (KFAS)	16	(61,026)
Net profit		<u>3,269,331</u>
Earnings per share(fil)	17	<u>14</u>

The accompanying notes on pages 22 to 32 form an integral part of these consolidated financial statements

**THE INVESTMENT DAR COMPANY
AND SUBSIDIARIES K.S.C. (CLOSED)**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2000 (All amount in Kuwaiti Dinars)

	Note	Share capital	Statutory reserve	Voluntary Reserve	Foreign currencies reserve	Retained earnings	Total
Balance at 1 January 1999		22,752,000	6,366,355	838,747	-	3,116,569	33,073,671
Net profit	-	-	-	-	-	3,269,331	3,269,331
Transfer to reserves	14		339,036	339,036	-	(678,072)	-
Cash dividends for 1998 (10 fils/share)	14	-	-	-	-	(2,275,200)	(2,275,200)
Balance at 31 December 1999		22,752,000	6,705,391	1,177,783	-	3,432,628	34,067,802
Net profit	-	-	-	-	-	2,248,841	2,248,841
Foreign currencies translations	-	-	-	-	6,277	-	6,277
Transfer to reserves	14	-	235,116	235,116	-	(470,232)	-
Cash dividends for 1999 (11 fils/share)	14	-	-	-	-	(2,502,720)	(2,502,720)
Balance at 31 December 2000		22,752,000	6,940,507	1,412,899	6,277	2,708,517	33,820,200

The accompanying notes on pages 22 to 32 form an integral part of these consolidated financial statements

**THE INVESTMENT DAR COMPANY
AND SUBSIDIARIES K.S.C. (CLOSED)**

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2000 (All amount in Kuwaiti Dinars)

	For the year ended 31 December		
	Note	2000	1999
Cash flows from operating activities			
Cash from/(used in) operating activities	19	3,116,044	(20,080,043)
Payment for Kuwait Foundation for Advancement of Sciences		(61,026)	(55,356)
Zakat Paid		(203,088)	(390,273)
Net cash from/(used in) operating activities		<u>2,851,930</u>	<u>(20,525,672)</u>
Cash flows from investing activities			
Payment for purchase of fixed assets		(260,940)	(183,274)
Investments in Murabahas		11,711,047	(5,241,725)
Payment for purchase of investments in associates		-	(901,603)
Investment securities		(248,608)	(347,082)
Profit from Murabaha investments		368,570	421,894
Intangible assets		(273,860)	-
Purchase of land and real estate		(2,360,841)	-
Net cash from/(used in) investing activities		<u>8,935,368</u>	<u>(6,251,790)</u>
Cash flows from financing activities			
Net (paid to)/receipt from Murabaha payables		(13,971,404)	32,831,818
Dividend paid		(2,473,025)	(2,275,200)
Net cash (used in)/from financing activities		<u>(16,444,429)</u>	<u>30,556,618</u>
Net (decrease)/ increase in cash and cash equivalents		(4,657,131)	3,779,156
Cash and cash equivalents at beginning of year		6,258,115	2,478,959
Cash and cash equivalents at end of year	3	<u>1,600,984</u>	<u>6,258,115</u>

The accompanying notes on pages 22 to 32 form an integral part of these consolidated financial statements

**THE INVESTMENT DAR COMPANY
AND SUBSIDIARIES K.S.C. (CLOSED)**

NOTES TO THE FINANCIAL STATEMENTS

31 December 2000 (All amounts in Kuwait Dinars unless otherwise stated)

1. Incorporation and activities

The Investment Dar Company ("Parent Company") is a Kuwaiti Shareholding Company (Closed) registered in Kuwait in 1994 as per contract No. 8 Vol. 603 dated 22 October 1994 and registered as Investment Company at Central Bank of Kuwait at 27 August 1995.

The Company's shares have been listed in the Kuwait Stock Exchange on 27 April 1999. The Company's headquarter is at Ahmed Al-Jaber Street, Sharq, Kuwait. The Group is carrying out its activities through its headquarter, three branches inside Kuwait and its subsidiary companies. All activities should be carried out in compliance with the Noble Islamic Sharia provision.

The Group's main activity during the year was selling motor vehicles and real estate properties to consumers based on Musawama and Istisna'a contracts in addition to investment in Murabaha investments with local Islamic financial institutions and also included management of portfolios on behalf of others.

The financial statements were authorised for issue by the Directors on 12 February 2001.

2. Significant accounting policies

The financial statements are prepared in accordance with International Accounting Standards issued by International Accounting Standards Committee and interpretations issued by Standing Interpretation Committee, under the historical cost convention. The significant accounting policies are shown as follows:

2-1 Basis of consolidation

The consolidated financial statements includes subsidiaries. Subsidiaries are those enterprises controlled by the parent company directly or indirectly, to govern the financial and operating policies of subsidiary company. All transactions and balances between parent company and its subsidiary company are eliminated from the consolidated financial statements. The consolidated financial statements comprises of the financial statement of the parent company and the following companies:

- Dar First Trading Company (K.S.C.C.). The issued capital is KD 1 million, while the paid up capital is KD500,000. The parent company holds 100% of voting rights of subsidiary company.
- Dar First Real Estate Company (K.S.C.C.). The issued and fully paid up capital is KD 1 million. The parent company holds 100% of voting rights of subsidiary company.

Non of the subsidiary companies have carried out their activities till the date of issuance of the financial statements.

2-2 Foreign currencies

Transactions and Balances

The Company's book are kept in Kuwaiti Dinars. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities balances denominated in foreign currencies at year end are translated at the rate prevailing at balance sheet date. Resultant gain or loss are taken to the income statement.

Financial statements translation

Assets and liabilities of the associated companies are translated at the exchange rates prevailing at the date of the balance sheet. Revenues and expenses items are translated at the exchange rates prevailing at the date of transaction. Gains and losses resulting from these transactions are directly included in shareholders' equity at the foreign currencies reserve.

2-3 Cash and cash equivalents

Cash and cash equivalents represents cash on hand and with banks.

2-4 Investments

Murabaha investments are valued at the lower of the cost or recoverable value on an individual basis.

**THE INVESTMENT DAR COMPANY
AND SUBSIDIARIES K.S.C. (CLOSED)**

NOTES TO THE FINANCIAL STATEMENTS

31 December 2000 (All amounts in Kuwait Dinars unless otherwise stated)

Long-term investments are valued at cost which is reduced to recognize a decline other than temporary in value on an individual basis.

Investment profits are included in Marabaha based on time proportion basis. Dividend income is recognized when the right to receive is established.

2-5 Trade receivables

Trade receivables are carried at anticipated realizable value after deducting the deferred revenue and general and specific provision that were provided against any expected losses.

Specific provisions for debtors are taken when the risk of uncollectibility arises for specific customers. The general provision covers the risk of expected doubtful debts which were not identified and may exist in general. Provisions are made by reference to the Central Bank of Kuwait instructions.

When a loan is deemed uncollectible, it is written off against the related provision. Subsequent recoveries are credited to the income statement when collected.

2-6 Option contracts

The Company is engaged in purchasing goods by using option contracts, whereby the company has the right to exercise the option in full or in part during a specific period. After this period, the title of goods is transferred to the Company unless the option contract is renewed for another periods.

The value of option contracts is recorded in the balance sheet at cost in other debit balances under the item of suppliers - advances payments and the value of these contracts is reduced by the amount of the purchased goods.

2-7 Land and real estate

Land and real estate for trading

Land and real estate for trading is recognized in the financial statement at the lower of the cost or net realizable value. The cost is the fair value, in acquisition date, in addition to subsequent cost incurred by the Group to prepare the property to its intended use.

Land and real estate under development

Land and properties under development is recognized at cost in addition to development expenses. When development process is completed, the land and properties will be restated either as investments properties, land property for trading or as fixed assets according to the intention of the management for future uses of these properties.

2-8 Investment in associates

Associates are those companies which the Company has significant influence, but not direct or indirect control, over the financial and operational policies. Investments in associates are accounted for using the equity method.

According to equity method, company's share of gains and losses in associated companies is stated in statement of income. The Company's investment in the associates is carried in the balance sheet at an amount that reflects its share of the net assets of the associate. Unrealized profits and losses arising from reciprocal transactions between parent group and associates is eliminated from the financial statements.

2-9 Intangible Assets

Development costs of computer programs.

In general, the developing or maintenance expenses of computer programs is stated in the statement of income except expenses which are undertaken by the Group to develop certain and unique programs to be used by the Group for more than a year, as will be capitalized and amortized on straight line basis over their expected useful lives.

Other intangible assets

Other expenses undertaken by the company for utilizing lands and properties is being capitalized, and recognized at cost and amortized on a straight line basis over their expected useful lives.

**THE INVESTMENT DAR COMPANY
AND SUBSIDIARIES K.S.C. (CLOSED)**

NOTES TO THE FINANCIAL STATEMENTS

31 December 2000 (All amounts in Kuwait Dinars unless otherwise stated)

Researches costs is recognized in the statement of income as an expense when incurred. Development cost is recognized among intangible assets when it is expected to acquire future economic benefit. Development cost which charged to statement of income are not considered as part of assets in subsequent periods. Research costs are capitalized and amortized on a straight line basis over their expected useful lives.

2-10 Fixed assets and depreciation

Fixed assets are carried at historical cost less of accumulated depreciation and impairment losses. Depreciation is calculated on a straight line method over their estimated useful lives as shown in note (10).

Gains or losses on disposal of fixed assets are charged to statement of income determined by the difference between their carrying amount and related sale price.

2-11 Impairment loss

The carrying amounts of tangible and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized in the statement of income whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2-12 Provisions

Provisions are recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation.

2-13 Employees benefits

The Group is liable under Kuwaiti labour law, to make payments to employees for post employment benefits through a defined benefit plan. Such payment is made on a lump sum basis at the end of an employee's service. This liability is unfunded and has been computed as the amount payable as a result of involuntary termination of employees on the balance sheet date. The management estimates that this method will give a reliable approximation of the present value of this obligation in relation to employee's accumulated current and past periods of service.

2-14 Revenue recognition

The Group is financing goods / real estate according to Musawama/Istisna'a contracts by purchasing these goods/real estate and re-selling them to the final buyer with a bargained price after adding a specific return. The profit of these contracts is included in the income statement on time-proportion basis. Musawama/ Istisna'a contracts' profit is not recognized and suspended under other credit balances in the balance sheet when a customer becomes unable to settle his debt.

Fees on portfolios management are recognized when earned according to contractual terms. The Group's share of portfolios profit is recognized after deduction of portfolios' owners share in the portfolios' profit.

2-15 Murabaha cost

Murabaha cost is allocated over the period of its related agreements. These costs are recognized in the income statement on a time-proportion basis.

**THE INVESTMENT DAR COMPANY
AND SUBSIDIARIES K.S.C. (CLOSED)**

NOTES TO THE FINANCIAL STATEMENTS

31 December 2000 (All amounts in Kuwait Dinars unless otherwise stated)

2-16 Operating lease cost

Payments for leased assets under operating lease are charged to the income statement on straight line basis over the lease contract period.

2-17 Lease for others

The Group carries out lease operations for assets at financing lease method. Total amount due from customers is included in trade receivables at the balance sheet. The difference between trade receivables and assets value is depreciated based on time-proportion basis.

2-18 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

2-19 Zakat

Zakat is computed on the reserve and retained earning balances as approved by the company's Fatwa Board.

2-20 Comparative figures

Where necessary, the comparative figures are reclassified to conform with changes in the current year presentation.

3. Cash and cash equivalents

	As at 31 December	
	2000	1999
Cash on hand	32,950	19,853
Current accounts at banks and financial institutions	1,568,034	6,238,262
	1,600,984	6,258,115

4. Trade receivables

	As at 31 December	
	2000	1999
Trade receivables	119,163,490	119,033,221
Deferred profit	(16,363,022)	(18,941,832)
	102,800,468	100,091,389
Provision for doubtful debts		
General	(614,360)	(1,146,000)
Specific	(6,027,000)	(4,394,000)
	96,159,108	94,551,389

5. Other debit balances

	As at 31 December	
	2000	1999
Suppliers - advance payments	2,483,955	6,611,300
Accrued income on Murabaha investments	811	58,500
Prepaid expenses	101,354	77,741
Other debit balances	375,767	343,573
	2,961,887	7,091,114

The balance of suppliers - advance payments represents the advances paid for purchasing goods under purchase option contracts whereby the company has the right for not exercising the contract in part or in full during a specific period.



**THE INVESTMENT DAR COMPANY
AND SUBSIDIARIES K.S.C. (CLOSED)**

NOTES TO THE FINANCIAL STATEMENTS

31 December 2000 (All amounts in Kuwait Dinars unless otherwise stated)

6. Investment securities

	As at 31 December	
	2000	1999
Investment in local shares - unquoted	2,330,000	2,080,000
Investment in foreign shares - unquoted	345,690	347,082
Investment in local shares - quoted	102,000	102,000
	2,777,690	2,529,082
Decline in value of investments	(375,000)	(300,000)
	2,402,690	2,229,082

The fair value of the financial investments approximates their respective carrying values as at 31 December 2000.

7. Lands and real estate

	As at 31 December	
	2000	1999
Land under development	2,360,841	-
Land for trading	2,416,810	-
	4,777,651	-

8. Investment in associates

The company has subscribed in 21% of the share capital of the First Finance Co - Q.S.C. in Qatar with a total cost of Qatari Riyal 10,800,000 equivalent to KD 891,880, (31 December 1999 : KD 901,603).

The management of the company did not account for its share of associates results as its financial statements were not available till the date of issuance this financial statements.

9. Intangible assets

	As at 31 December	
	2000	1999
Computer programs under development	242,770	-
Lease hold properties	338,960	356,800
Key money	31,090	-
	612,820	356,800

In accordance with IAS 38 intangible assets, both computer programs and lease hold properties were reclassified from fixed assets and included in intangible assets.

Lease hold properties represents cost of key money of new head quarter land. The lease contract with Government is renewed yearly, and depreciated with effect from the year over 20 years, as the management believes that there are no hindrances against renewal of lease contract for this period.

The amortization expenses charged to the statement of income is amounted KD17,500 (KD Nil for year ended 31 December 1999).

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10. Fixed Assets

	2000			1999	
	Building	Furniture and Equipments and Vehicle	Computer	Total	
Cost					
As at 1 January	-	243,703	482,454	726,157	542,883
Additions	120,785	74,624	65,531	260,940	183,274
As at 31 December	120,785	318,327	547,985	987,097	726,157
Accumulated depreciation					
As at 1 January	-	180,000	326,300	506,300	310,700
Charge for the year	-	48,498	108,716	157,214	195,600
As at 31 December	-	228,498	435,016	663,514	506,300
As at 31 December	120,785	89,829	112,969	323,583	219,857
Estimated useful lives/years		3	3		

Additions on building represents cost of company's new premises under development. The Building will be depreciated over its expected productive life when it is ready for its intended use.

11. Creditors and other credit balances

	As at 31 December	
	2000	1999
Trade payables	2,571,840	2,200,508
Zakat	283,589	232,726
Accrued expenses	333,613	376,970
Kuwait foundation for Advancement of Sciences	42,321	61,026
Board of directors' remuneration	60,000	60,000
Others	369,891	72,862
	<u>3,661,254</u>	<u>3,004,092</u>

12. Murabaha payables

	As at 31 December	
	2000	1999
Murabaha payables	79,644,271	96,423,415
Deferred cost	(7,405,647)	(10,213,387)
	<u>72,238,624</u>	<u>86,210,028</u>

The balance of creditors represents Murabaha and Wakala Contracts matures in a period ranges from 2 to 4 years.

13. Share capital

The authorized, issued and paid up capital is KD22,752,000 divided into 227,520,000 shares of 100 fils each.

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14. Proposed dividend

Proposed dividends are recorded in the financial statements at the date of approval of General Assembly meeting for proposed distribution by Board of Directors.

Statutory reserve

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of the net profit for the year is required to be transferred to Statutory reserve. The General Assembly may resolve to discontinue such annual transfer when the reserve balance reaches 50% of the share capital. This reserve is not available for distribution but may be used to secure appropriation of profit to shareholders, up to 5% in such years where the profit of the company do not allow such percentage of appropriation.

Statutory reserve includes amount of KD 5,527,608 being shares issuance premium.

Voluntary reserve

In accordance with the company's Articles of association, a specific percentage of net profit for the year proposed by the Board of Directors and approved by the General Assembly is transferred to voluntary reserve. Such annual transfer may be discontinued by resolution at the General Assembly based on director's recommendation. The board of directors recommended a transfer of 10% of net income.

Board of Director's remuneration

Board of Director's remuneration is calculated based on net profit for the year net of the share of Kuwait Foundation for Advancement of Sciences. This remuneration may not exceed 10% of the net profit after appropriation of the statutory reserves and distributing dividends of at least 5% of paid up capital to shareholders.

Board of Director's remuneration is recorded as an expense in the income statement in the year which proposed for on an accrual basis.

Proposed dividends for 2000

The Board of Directors proposed cash dividends of 6 fils per share for 2000 (1999: 11 fils per share).

15. Income from investments

	<u>Year ended 31 December</u>	
	2000	1999
Returns of investments in Marabaha	276,900	459,394
Dividends	33,981	36,134
	<u>310,881</u>	<u>495,528</u>

16. Kuwait Foundation for Advancement of Sciences ("KFAS")

	<u>Year ended 31 December</u>	
	2000	1999
Net operating profit	2,351,162	3,390,357
Less Statutory Reserve	(235,116)	(339,036)
	<u>2,116,046</u>	<u>3,051,321</u>
KFAS %	2%	2%
KFAS share	<u>42,321</u>	<u>61,026</u>

17. Earnings per share

	<u>Year ended 31 December</u>	
	2000	1999
Net profit (K.D.)	<u>2,248,841</u>	<u>3,269,331</u>
Weighted average No. of ordinary shares		
Outstanding (shares)	227,520,000	227,520,000
Earnings per share (Fils)	<u>10</u>	<u>14</u>

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18. Staff cost

Income statement has been charged for staff cost amounted to KD 1,308,878 (KD 1,295,341 for the year ended 31 December 1999). The annual average number of employees was 135 during 2000 (118 employees during 1999).

19. Cash used in operating activities

	As at 31 December	
	2000	1999
Net profit before KFAS's share	2,291,162	3,330,357
Adjustments:		
Depreciation and amortization	175,054	195,600
Provisions	1,176,360	2,110,000
Profits from Murabaha Investment	(310,881)	(459,394)
Commission from associated company	16,000	-
Operating income before changes in working capital	3,347,695	5,176,563
Trade receivables	(2,709,079)	(19,501,367)
Other debit balances	4,071,538	(6,809,678)
Land and real estate	(2,416,810)	-
Creditors and other credit balances	822,700	1,054,439
Cash from/(used in) operating activities	3,116,044	(20,080,043)

20. Financial instruments

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arms length transaction. In accordance with the provisions of Noble Islamic Sharia, the money time value is not considered in determining the fair value, i.e. the money value of future receipts or disbursements does not change whether received or disbursed at present or in future.

The maturity analysis of the financial assets and liabilities as at 31 December 2000 is as follows:

	Within 3 months	From 3 months to 1 year	From 1-5 years	More than 5 years	Total
Assets					
Cash and Cash equivalents	1,600,984	-	-	-	1,600,984
Murabaha investments	168,915	-	-	-	168,915
Trade receivables	14,859,016	23,470,125	57,829,967	-	96,159,108
Investment securities	-	-	2,402,690	-	2,402,690
Land and real estate	327,920	4,449,731	-	-	4,777,651
Investment in associates	-	-	891,880	-	891,880
	16,956,835	27,919,856	61,124,537	-	106,001,228
Liabilities					
Trade payables	2,571,840	-	-	-	2,571,840
Murabaha payables	8,539,373	29,096,277	34,602,974	-	72,238,624
	11,111,213	29,096,277	34,602,974	-	74,810,464

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The maturity analysis of the financial assets and liabilities as at 31 December 1999 is as follows:

	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Assets					
Cash and cash equivalents	6,258,115	-	-	-	6,258,115
Murabaha investments	11,879,962	-	-	-	11,879,962
Trade receivables	11,818,858	20,087,656	62,292,530	352,345	94,551,389
Investment securities	-	-	2,229,082	-	2,229,082
Investment in associates	-	-	901,603	-	901,603
	<u>29,956,935</u>	<u>20,087,656</u>	<u>65,423,215</u>	<u>352,345</u>	<u>115,820,151</u>
Liabilities					
Trade payables	2,200,508	-	-	-	2,200,508
Murabaha payables	9,354,821	28,341,270	48,513,937	-	86,210,028
	<u>11,555,329</u>	<u>28,341,270</u>	<u>48,513,937</u>	<u>-</u>	<u>88,410,536</u>

Risks associated with financial instruments:

- 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. Trade receivables represent the significant asset exposed to credit risk. Trade receivables are stated in the balance sheet net of deferred profit. The maximum credit risk exposure represented in trade receivables amounted to KD 96,159,108 as at 31 December 2000 (KD 94,551,389 as at 31 December 1999).

The Company believes that the trade receivables balance is distributed among a large number of debtors which decrease the credit risk.

- Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. There is no currency risk since the Company's activities are concentrated in the Kuwait market and most of its transactions are determined in Kuwaiti Dinar. The balance of investment in associates and investments in foreign unquoted shares represent the significant assets subject to currency risk. These investments amounted to KD 1,253,569 as at 31 December 2000 (1,248,685 as at 31 December 1999). The Company is tracking the exchange rates to mitigate this risk.

- Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Company's management mitigate these risks by dealing with reputed counter parties, applying appropriate terms for credit facilities, diversifying its investments and matching the maturities of financial assets against financial liabilities.

21. Geographical distribution of assets and liabilities

	Assets		Liabilities	
	As at 31 December		As at 31 December	
	2000	1999	2000	1999
Kuwait	108,645,950	122,239,237	76,073,702	89,420,120
Gulf Co-operation Council	1,222,977	1,217,042	-	-
U.S.A.	30,591	31,643	-	-
	<u>109,899,518</u>	<u>123,487,922</u>	<u>76,073,702</u>	<u>89,420,120</u>

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22. Segment reporting

The Group carries out its main activities in State of Kuwait through 2 major segments:

- Vehicles and other products segment: represented in selling vehicles/other products for customers by Musawama contracts.
- Real estate segment: represented in selling land and properties for trading or after development in cash or by Istisna'a contracts.

Analysis of the financial information according to segments is as follows:

	Vehicles & other products		Real estate		Total	
	2000	1999	2000	1999	2000	1999
Segments results	3,053,305	6,471,224	1,470,166	-	4,523,471	6,471,224
Unallocated revenues	-	-	-	-	1,062,326	864,844
Unallocated expenses	-	-	-	-	(3,234,635)	(3,945,711)
Net profit	-	-	-	-	2,351,162	3,390,357
Other information						
Segments assets	90,652,778	101,642,503	10,404,767	-	101,057,545	101,642,503
Unallocated assets	-	-	-	-	8,841,973	21,845,419
Segments liabilities	1,424,107	533,478	1,163,243	-	2,587,350	533,478
Unallocated liabilities	-	-	-	-	73,491,968	88,886,642

23. Related parties

Related parties are shareholders who have representation in the Board of Directors, members of the Board of Directors, senior management, and their close members of family. In the normal course of business, there were transactions with related parties during the year ended at 31 December 2000 represented in purchase of motor vehicles for resale amounting to KD16,983,155 (31 December 1999: KD29,781,177). The related parties outstanding balances in the balance sheet were as follows:

	As at 31 December	
	2000	1999
Trade payables	12,685,153	145,761
Suppliers - advance payment	152,705	2,455,736

The company also manages portfolios on behalf of a related party. Gross assets of these portfolios amounted to KD 17,622,113 as at 31 December 2000 (31 December 1999: KD8,934,922 which are included under off - balance sheet items).

In addition, the Board of Directors' remuneration paid during the year amounted to KD 60,000 (31 December 1999: KD51,000).

All transactions with related parties are subject to the approval of the General Assembly of Shareholders.

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24. Off balance sheet items

The Company manages portfolios on behalf of others, which are not included in the balance sheet. The total value of the managed portfolios on behalf of others as at 31 December 2000 amounted to KD27,682,786 (31 December 1999: KD 12,254,640).

25. Capital commitments

	<u>As at 31 December</u>	
	2000	1999
New headquarter projects	307,915	-
Cost of lands and properties development	415,583	-
Future commitments for developing new computer programs	91,900	-
Uncalled capital for investment securities	250,000	-
	<u>1,065,398</u>	<u>-</u>





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