

ANNUAL REPORT 2000



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**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**  
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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
<b>Assets</b>			
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
<b>Total assets</b>		<u>109,899,518</u>	<u>123,487,922</u>
<b>Liabilities and Shareholders' equity</b>			
<b>Liabilities</b>			
Creditors and other credit balances	11	3,661,254	3,004,092
Murabaha payables	12	72,238,624	86,210,028
<b>Total liabilities</b>		<u>75,899,878</u>	<u>89,214,120</u>
End of service indemnity		179,440	206,000
<b>Shareholders' equity</b>			
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
<b>Total Shareholders' equity</b>		<u>33,820,200</u>	<u>34,067,802</u>
<b>Total liabilities and shareholders' equity</b>		<u>109,899,518</u>	<u>123,487,922</u>

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-Musallem  
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)

	<b>For the year ended 31 December</b>		
	Note	2000	1999
<b>Revenue</b>			
Income from operations		4,523,471	6,471,224
Company's share in profit of managed portfolios		209,351	103,983
Income from investments	15	310,881	495,528
Portfolio management fees and other income		542,094	265,333
		<u>5,585,797</u>	<u>7,336,068</u>
<b>Expenses and other charges</b>			
General and administrative		1,629,270	1,410,937
Provision for doubtful debts		1,101,360	1,810,000
Decline in investments value		75,000	300,000
Depreciation and amortization		175,054	195,600
Zakat		253,951	229,174
		<u>3,234,635</u>	<u>3,945,711</u>
Net operating profit		2,351,162	3,390,357
Board of Directors' remuneration	14	(60,000)	(60,000)
Net profit before KFAS		2,291,162	3,330,357
Kuwait Foundation for the Advancement of Sciences (KFAS)	16	(42,321)	(61,026)
Net profit		<u>2,248,841</u>	<u>3,269,331</u>
Earnings per share(fil)	17	<u>10</u>	<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
<b>Cash flows from operating activities</b>			
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>
<b>Cash flows from investing activities</b>			
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>
<b>Cash flows from financing activities</b>			
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.

None 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 books 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).



**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)

**10. Fixed Assets**

	2000			1999	
	Building	Furniture and Equipments and Vehicle	Computer	Total	
<b>Cost</b>					
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
<b>Accumulated depreciation</b>					
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.

**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)

**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>

**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)

**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
<b>Assets</b>					
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
<b>Liabilities</b>					
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
<b>Assets</b>					
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>
<b>Liabilities</b>					
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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