



Annual Report 2002

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**THE INVESTMENT DAR COMPANY K.S.C. (CLOSED) AND ITS SUBSIDIARIES  
(KUWAITI SHAREHOLDING COMPANY - CLOSED)  
KUWAIT**

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
FOR THE  
YEAR ENDED 31 DECEMBER 2002**



**Al Nisf & Partners  
Public Accountants**





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

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**The Shareholders**

**The Investment Dar Company**

**Kuwaiti Shareholding Company (Closed)**

**State of Kuwait**

## Independent Auditors' Report

We have audited the accompanying consolidated balance sheet of The Investment Dar Company, Kuwaiti shareholding Company - (Closed) "the Company" and its subsidiaries (referred to as "the Group") as at 31 December 2002 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended.

### Responsibilities of Management and Auditors

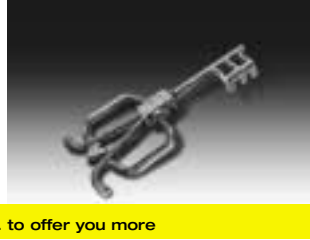
These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

### Basis of opinion

We conducted our audit in accordance with the 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.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2002 and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.



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**Other Regulatory Issues**

We further report that we have obtained all the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Kuwait Commercial Companies Law of 1960, as amended, and the company's articles and memorandum of association. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognized procedures and the accounting information given in the board of directors agrees with the books of account. We have not become aware of any contravention, during the year ended 31 December 2002, of the Commercial Companies Law of 1960, as amended, or of the company's articles and memorandum of association, or of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business and its related regulations, that would materially affect the Group's activities or 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. PricewaterhouseCooper

Kuwait 23/2/2003



THE INVESTMENT DAR COMPANY k. s. c. (Closed ) AND ITS SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

as at 31 December 2002

(All amounts in Kuwaiti Dinars)

	Note	As at 31 December	
		2002	2001
<b>Assets</b>			
Cash and cash equivalents	4	1,957,131	6,081,466
Murabaha investments		183,670	179,372
Trade receivable	5	149,608,223	124,982,659
Other debit balances	6	10,590,934	3,950,045
Investment properties	7	4,855,369	3,522,790
Investments available for sale	8	1,814,827	2,418,385
Investments in associated company	9	1,792,657	1,658,875
Land and realestate under development	10	27,197,337	8,373,798
Intangible assets	11	651,218	750,119
Fixed assets	12	653,395	524,145
Total assets		<u>199,304,761</u>	<u>152,441,654</u>
<b>Liabilities and Shareholders' equity</b>			
<b>Liabilities</b>			
Creditors and other credit balances	13	11,071,771	7,063,173
Murabaha & Murabaha payable	14	150,310,355	111,652,056
<b>Total liabilities</b>		<u>161,382,126</u>	<u>118,715,229</u>
Employees end of service indemnity		<u>280,857</u>	<u>212,247</u>
<b>Shareholders' equity</b>			
Share capital	15	24,344,640	22,752,000
Treasury shares	16	-	(73,220)
Gain on treasury shares		69,916	-
Reserves	17,18	9,859,216	9,112,647
Retained earnings		3,368,006	1,722,751
<b>Total Shareholders' equity</b>		<u>37,641,778</u>	<u>33,514,178</u>
<b>Total liabilities and shareholders' equity</b>		<u>199,304,761</u>	<u>152,441,654</u>

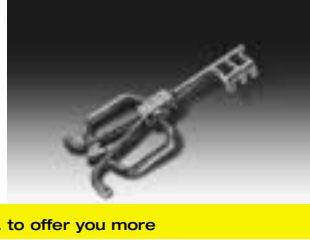
**Adnan A. Al-Musallem**

Vice Chairman  
Managing Director

**Adnan M. Al-Wazzan**

Chairman

The accompanying notes form an integral part of these consolidated financial statements.



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THE INVESTMENT DAR COMPANY k. s. c. (Closed ) AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF INCOME**

for the year ended 31 December 2002  
(All amounts in Kuwaiti Dinars)

	Note	For the year ended 31 December	
		2002	2001
<b>Revenue</b>			
Finance revenues		15,228,483	13,958,280
Finance cost		(9,513,789)	(8,838,796)
Net finance income		5,714,694	5,119,484
Income from cash sales		1,887,343	381,648
Company's share in profit of managed portfolios		586,198	952,375
Income from investments	19	473,807	157,577
Portfolio management fees and other income		402,859	576,610
		<u>9,064,901</u>	<u>7,187,694</u>
<b>Expenses and other charges</b>			
General and administrative		2,753,984	2,122,515
Provision for doubtful debts		1,380,000	1,440,000
Depreciation and amortization		352,831	206,653
		<u>4,486,815</u>	<u>3,769,168</u>
Profit before deductions		4,578,086	3,418,526
Zakat		(291,668)	(242,358)
Kuwait Foundation for the Advancement of Science ("KFAS")	20	(38,578)	(57,171)
National Labor support tax		(93,980)	(70,034)
Board of Directors' remuneration	18	(60,000)	(60,000)
<b>Net profit for the year</b>		<u>4,093,860</u>	<u>2,988,963</u>
Earnings per share (fils)	21	<u>16.83</u>	<u>12.30</u>

The accompanying notes form an integral part of these consolidated financial statements.



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THE INVESTMENT DAR COMPANY k. s. c. (Closed ) AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

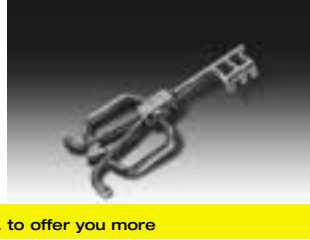
for the year ended 31 December 2002

(All amounts in Kuwaiti Dinars)

	Share capital	Treasury shares	Gain on treasury shares	Reserves	Retained earnings	Total
Balance at 1 January 2001	22,752,000	-	-	8,359,683	2,708,517	33,820,200
Effects of applying IAS 39	-	-	-	-	(1,974,375)	(1,974,375)
Net profit	-	-	-	-	2,988,963	2,988,963
Foreign exchange translations differences on Investments in associated company	-	-	-	(9,270)	-	(9,270)
Reserves	-	-	-	635,234	(635,234)	-
Cash dividends for 2000	-	-	-	-	(1,365,120)	(1,365,120)
Treasury shares	-	(73,220)	-	-	-	(73,220)
Changes in fair value of available for sale investments	-	-	-	127,000	-	127,000
<b>Balance at 31 December 2001</b>	<b>22,752,000</b>	<b>(73,220)</b>	<b>-</b>	<b>9,112,647</b>	<b>1,722,751</b>	<b>33,514,178</b>
Balance at 1 January 2002	22,752,000	(73,220)	-	9,112,647	1,772,751	33,514,178
Bonus share dividends	1,592,640	-	-	-	(1,592,640)	-
Net profit	-	-	-	-	4,093,860	4,093,860
Sale of treasury share	-	73,220	-	-	-	73,220
Gain on treasury shares	-	-	69,916	-	1,319	71,235
Foreign currency translation differences On investments in associated company	-	-	-	(12,157)	-	(12,157)
Change in fair value of investments available for sale	-	-	-	(53,558)	-	(53,558)
Gain on disposal of investment available for sale transferred to statement of income	-	-	-	(45,000)	-	(45,000)
Reserves	-	-	-	857,284	(857,284)	-
<b>Balance at 31 December 2002</b>	<b>24,344,640</b>	<b>-</b>	<b>69,916</b>	<b>9,859,216</b>	<b>3,368,006</b>	<b>37,641,778</b>

The accompanying notes form an integral part of these consolidated financial statements.





THE INVESTMENT DAR COMPANY k. s. c. (Closed ) AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 31 December 2002  
(All amounts in Kuwaiti Dinars)

	Note	For the year ended 31 December	
		2002	2001
<b>Cash flows from operating activities</b>			
Cash used in operating activities	23	(23,394,871)	(23,023,688)
Payment for Kuwait Foundation for Advancement of Sciences		(57,171)	(42,321)
Net cash used in operating activities		(23,452,042)	(23,066,009)
<b>Cash flows from investing activities</b>			
Payment for purchase of fixed assets		(381,780)	(368,852)
Payment for purchase of intangible assets		(1,400)	(175,662)
Investments in Murabaha		(4,298)	(10,457)
Payment for purchase of investments in associated company		(149,782)	(793,265)
Payment for purchase available for sale investments		492,843	(202,195)
Income received from investments		473,807	157,577
Net change in land & property under development		(18,823,539)	(3,450,662)
Net change in investment properties		(1,079,579)	(5,585,085)
<b>Net cash used in investing activities</b>		<b>(19,473,728)</b>	<b>(10,428,601)</b>
<b>Cash flows from financing activities</b>			
Proceed from sale/(paid for purchase) of treasury shares		143,136	(73,220)
Net receipt from Murabaha payables		38,658,299	39,413,432
Dividend paid		-	(1,365,120)
<b>Net cash resulted from financing activities</b>		<b>38,801,435</b>	<b>37,975,092</b>
Net (decrease)/increase in cash and cash equivalents		(4,124,335)	4,480,482
Cash and cash equivalents at beginning of the year		6,081,466	1,600,984
Cash and cash equivalents at end of the year	4	1,957,131	6,081,466

The accompanying notes form an integral part of these consolidated financial statements.



THE INVESTMENT DAR COMPANY k. s. c. (Closed) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

(All amounts in Kuwaiti Dinars unless otherwise stated)

### 1- Incorporation and Activities

The Investment Dar Company ("Parent Company") is a Kuwaiti Shareholding Company (Closed) incorporated in Kuwait in 1994 as per contract No. 8 Vol. 603 dated 22 October 1994 and registered as Investment Company with the Central Bank of Kuwait on 27 August 1995. The Company's shares have been listed in the Kuwait Stock Exchange on 27 April 1999. The Company's headquarters is at Ahmed Al-Jaber Street, Sharq, Kuwait. The Investment Dar Company and its subsidiaries referred to as the "Group" is carrying out its activities through its headquarters, seven branches inside Kuwait and its subsidiary companies. All activities are carried out in compliance with the Noble Islamic Sharia provision.

The main activity of The Investment Dar and its subsidiaries ("Group") during the year was selling and leasing of motor vehicles and real estate properties to consumers based on Musawama, Istisna'a and leasing contracts in addition to investment in Murabaha investments with local Islamic financial institutions, trading in land and real estate and also included management of portfolios on behalf of others.

The consolidated financial statements were authorised for issue by the Board of Directors on 23 - 2 - 2003 . The shareholders of the Company have the right to amend these financial statements at the annual general assembly.

### 2- Significant accounting policies

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards and interpretations issued by International Financial Reporting Standards Committee and interpretations issued by Standing Interpretation Committee, under the historical cost convention adjusted at fair values of certain assets as shown in the accounting policies mentioned below.

#### 2.1 Basis of consolidation

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

- The First Dar Trading Company (K.S.C. Closed). The issued capital is KD 1 million, while the paid up capital is KD 500,000. The parent company holds 100% of voting rights of subsidiary company, 4% of which are owned by virtue of an assignment letter from the original owner and the ownership has not been yet eventually transferred to the parent company.

- The First Dar Real Estate Company (K.S.C., Closed). The issued and fully paid up capital is KD 1 million. The parent company holds 100% of voting rights of subsidiary company, 4% of which are owned by virtue of an assignment letter from the original owner and the ownership has not been yet eventually transferred to the parent company.

- Masha'er General Trading & Contracting Co. (W.L.L.). The issued and fully paid up capital is KD 50 thousand. The parent company



THE INVESTMENT DAR COMPANY k. s. c. (Closed ) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

(All amounts in Kuwaiti Dinars unless otherwise stated)

holds 100% of voting rights of subsidiary company, 1% of which are owned by virtue of an assignment letter from the original owner and the ownership has not been yet eventually transferred to the parent company. At the consolidated financial statement date, the company did not start operations.

- Manafe'a Real Estate Co. (W.L.L.). The issued and fully paid up capital is KD 15 thousand. The parent company holds 100% of voting rights of subsidiary company, 50% of which are owned by virtue of an assignment letter from the original owner and the ownership has not been yet eventually transferred to the parent company. At the consolidated financial statement date, the company did not start operations.

### 2.2 Foreign currencies

#### Transactions and Balances

The Group'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 denominated in foreign currencies at year-end are translated at the rate prevailing at balance sheet date. Resultant gains or losses are taken to the statement of income.

#### Financial statements translation

Net assets 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 average exchange rates prevailing at the date of the transaction. Resultant gains and losses 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 financial institutions.

### 2.4 Murabaha

Murabaha are carried initially at cost and stated in the balance sheet at amortised cost less impairment losses.

### 2.5 Trade receivables

Trade receivables originated by the Group are measured initially at cost and subsequently re-measured in the balance sheet at amortized cost less, specific and general provisions for impairment. Specific provision is established to meet credit risk when there is positive evidence that the Group will not be able to fully collect its debts. The amount of the specific provision is the difference between the carrying amount and the recoverable amount of the debt at the balance sheet date end which is determined based on the present value of expected cash flows taking into consideration amounts recoverable from guarantees and collateral discount based on the interest rate at inception.



THE INVESTMENT DAR COMPANY k. s. c. (Closed ) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

(All amounts in Kuwaiti Dinars unless otherwise stated)

In addition to the specific provision, a general provision is established to cover the risk of non-performing debts, known to exist but not yet identified on the date of financial statements and in accordance with Central Bank of Kuwait's instructions.

### 2.6 Land and real estate

#### Land and real estate for trading

Land acquired and developed for reselling are recognized as lands held for trading. Land are carried at the lower of the cost and net of recoverable amount. Net realizable value is the estimated selling price less estimated development costs for the respective lands.

#### Investment properties

Land and real estate acquired for long term lease period or for capital appreciation in future are classified as investment properties. Land and real estate are stated at cost at acquisition and re-measured at fair value determined by an independent registered value. Gain and loss arising from change in fair value is recognized in the statement of income.

#### Land and real estate under development

Land and real estate under development is recognized at cost including development expenses. When development process is completed, land and real estate are classified either as investment property or land and real estate held for trading or as fixed assets according to the intention of the management for the future uses of these lands and real estates.

### 2.7 Investments available for sale

Investments held for unspecific period and, which could be sold for liquidity needed or changes in prices are classified as available for sale.

All purchases and sales of these investments are recognized in settlement date. Investments are initially recognized at cost, including transaction costs. Subsequent to acquisition date, these investments are re-measured at fair value determined based on quoted bid prices in financial markets. If quoted bid price is not available the fair value is estimated using appropriate methods such as discounted cash flows method, earnings based method and net asset value method. In case fair value can not be reliably measured, the investment is carried at cost less impairment losses.

Gain or losses arising from a change in the fair value of investments available for sale are recognized directly in equity. When the investment is sold, collected or disposed, the cumulative gains and losses recognized in equity are transferred to the statement of income.

Investment available for sale is reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the assets recoverable amount is estimated and an impairment loss, equal to the difference between the



THE INVESTMENT DAR COMPANY k. s. c. (Closed ) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

(All amounts in Kuwaiti Dinars unless otherwise stated)

value of the investment and its recoverable amount, is recognized. Where the decline in value of the investments was previously recognized directly in equity, the write down is transferred to the statement of income and recognised as part of the impairment loss. Where the increase in fair value is previously recognized in equity, the increase in fair value of the investments recognized in equity is reversed to the extent of such impairment. Any additional impairment loss is recognized in the statement of income.

If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write down is reversed previously charged the statement of income.

### 2.8 Option contracts

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

### 2.9 Investment in associated Companies

Associates are those companies which the Company has significant influence, but not direct or indirect control, over their financial and operational policies. Investment in associated companies is equity accounted.

Under equity method, the Group's share of gains and losses in associated companies is recognized in the consolidated statement of income. Investment in the associates is carried in the consolidated balance sheet at an amount that reflects the Group's share of the net assets of the associated company. Unrealized gains and losses arising from the transactions between parent company and associates is eliminated from the consolidated financial statements. Impairment losses are recognized whenever the carrying amount of investment in associates exceeds the recoverable amount.

### 2.10 Intangible Assets

#### Development costs of computer programs

In general, the developing or maintenance expenses of computer programs are recognised in the statement of income except expenses which are born by the Group to develop certain and unique programs to be used by the Group for a period exceeding one year. These expenses are capitalized and stated at cost and amortized on straight line basis over their expected useful lives stated in (note 11)



THE INVESTMENT DAR COMPANY k. s. c. (Closed ) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

(All amounts in Kuwaiti Dinars unless otherwise stated)

### Other intangible assets

Other expenses born by the company for utilizing lands and real estates where the Group's premises are located are capitalized, and recognized at cost at acquisition date and amortized on a straight line basis over their expected useful lives as stated in (note 11).

Researches costs are recognized in the statement of income as an expense when incurred. Development cost is recognized among intangible assets when future economic benefit is expected to be acquired. Development cost charged to the statement of income are not considered as part of assets in subsequent periods. Developments costs are capitalized and amortized from the date benefit is acquired from the underlying assets using a straight line basis over their estimated useful lives.

### 2.11 Fixed assets and depreciation

Fixed assets are stated at historical cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line method over their estimated useful lives as shown in (note 12).

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

### 2.12 Impairment

The carrying amounts of investments in associated company, fixed assets 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 cash-generating 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.

### 2.13 Lease for others

#### Operating lease

The Group is leasing motor vehicles for others by the operating lease method. Leased assets are included in fixed assets in the balance sheet. Using assets are depreciated on a straight line basis over the estimated useful lives of similar assets. Income from these leases is recognized using the straight-line basis over the period of lease contract.



THE INVESTMENT DAR COMPANY k. s. c. (Closed ) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

(All amounts in Kuwaiti Dinars unless otherwise stated)

### Financing lease

When the Group leases motor vehicles under end-to-owing leasing contract, the current value of leasing installments is included in trade receivables. Leasing profit is recognized over the term of contacts using the net investment method so as to reflect a constant rate of return.

### 2.14 Murabaha & Mudharaba payables

Murabaha & Mudharaba contract payables are recognized at received value of these contracts less the transaction cost. Subsequently these Murabaha and Mudharaba contracts are measured at amortized cost. The difference between the received value (less any cost) and value to be paid is stated in the statement of income over the period term of the contracts using the effective cost method.

### 2.15 Provisions

Provisions are recognized at the balance sheet date when the Group has outstanding or expected legal obligation as a result of past events and this obligation can be reasonably determined, and it is probable that an outflow of economic benefits will be required to settle the obligation.

### 2.16 End of service's indemnity

The Group is liable under Kuwaiti labor 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 which is un-funded is determined as the amount payable as a result of involuntary termination of employees' service 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 period of service.

### 2.17 Revenue recognition

The Group is financing goods according to Musawama and Murabaha contracts by purchasing these goods and re-selling them to the final buyer with a bargained price after adding a specific return. The profit of Musawama and Murabaha contracts is included in the consolidated statement of income using effective yield rate method.

The profit from these contracts recognized in income statement on a time proportional basis and it is suspended when a customer becomes unable to settle the installment due or when the debt is classified as non-performing.

Fees on portfolios management are recognized when earned according to contractual terms. Profits on murabaha and deposits with financial institutions are recognized on a time proportional basis. Dividend income is recognized when the right to receive payment is established.



THE INVESTMENT DAR COMPANY k. s. c. (Closed ) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

(All amounts in Kuwaiti Dinars unless otherwise stated)

### 2.18 Operating leasing costs

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

### 2.19 Zakat

Zakat is computed on the reserves and retained earnings balances as approved by the Fatwa issued by Sharea' Supervisory Board.

### 2.20 Tax

Tax on parent company represents the tax repayable by parent company in accordance with Law 19/2000 relating to supporting national manpower and encouragement of the national manpower to work in non-government agencies. The tax is calculated based on the Company's net profit after deducting 10% for statutory reserve, KFAS contribution, Board of Directors' remuneration and associated company's profit.

### 2.21 Fiduciary assets

Assets held by the Group 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.

### 2.22 Treasury shares

Treasury shares consists of the Group's own shares that have been issued subsequently required by the Group and have not yet been reissued or cancelled at the balance sheet date. 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 shareholder's 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 charged to that account. Any excess losses are charged to retained earnings then reserves. Gains realized subsequently on the sale of treasury shares first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. The issue of bonus shares increases the number of treasury shares proportionately and reduce the average cost per share without affecting the total cost of treasury shares.

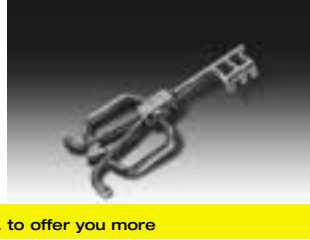
### 2.23 Comparative figures

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

## 3- Financial risk management

The Group is exposed to various financial risks explained as follows:





THE INVESTMENT DAR COMPANY k. s. c. (Closed ) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

(All amounts in Kuwaiti Dinars unless otherwise stated)

### 3.1 Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation on maturity date and cause the other party to incur a financial loss. Trade receivables represent the significant asset exposed to credit risk due to the nature of the Group's activity. The Group has no significant exposure resulted from concentration of credit as trade receivable portfolio is distributed over large number of customers. The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to each type of customer, and geographical and industry segments. Such risks are monitored on a periodic basis.

Exposure to credit risk is managed through regular analysis of the balances of customers and their potentials to meet their obligations. Exposure to credit risk is also managed in part by obtaining appropriate collateral from individuals and corporates based on the related risk assessment.

### 3.2 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's activities are concentrated in local currency as business is mainly conducted in the Kuwaiti market.

### 3.3 Return rate risk

The Group carries out its operations in accordance with Islamic Shariaa and thereby the Group is not exposed to serious return rate risk.

The most significant portion of the financial assets of the Group is signified in balances of trade receivables originated from selling transactions performed in accordance with the Islamic Sharia. These assets are usually not associated with variable return rates. On the other hand, the most significant portion of the financial liabilities of the Group is Murabaha or Mudharaba payables, and insignificant portion of these Murabaha and Mudharaba payable contracts is associated with variable cost. Consequently, the Group maintains a return risk center represented in the impacts of the market cost rates on the financial position and cash flow of the Group. Profits margins may increase or decrease in event of occurrence of unexpected movements.

In order to mitigate these risks, the Management endeavours to secure fixed cost rates or advance ceiling prices when entering into Murabaha or Mudrabah payable contracts. In return, sale returns are determined so that the Group can realize the required profits margin.

### 3.4 Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group's management mitigate this risk 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.



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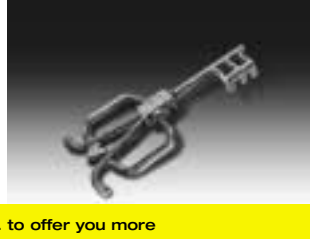
(All amounts in Kuwaiti Dinars unless otherwise stated)

The maturity analysis of financial assets and liabilities as at 31 December 2002 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	1,957,131	-	-	-	1,957,131
Murabaha investments	183,670	-	-	-	183,670
Trade receivables	49,346,690	32,272,857	52,516,509	15,472,167	149,608,223
Other debit balances	10,590,934	-	-	-	10,590,934
Investments properties	-	-	4,855,369	-	4,855,369
Investments available for sale	-	-	1,814,827	-	1,814,827
Investment in associated company	-	-	-	1,792,657	1,792,657
Land & real estate under development	-	-	27,197,337	-	27,197,337
Other assets	-	-	1,304,613	-	1,304,613
	<u>62,078,425</u>	<u>32,272,857</u>	<u>87,688,655</u>	<u>17,264,824</u>	<u>199,304,761</u>
<b>Liabilities</b>					
Creditors and other Payables	11,071,771	-	-	-	11,071,771
Murabaha and Mudharaba Payables	40,903,260	38,459,026	59,772,839	14,175,230	150,310,355
	<u>51,975,031</u>	<u>38,459,026</u>	<u>59,772,839</u>	<u>11,175,230</u>	<u>161,382,126</u>

The maturity analysis of the financial assets and liabilities as at 31 December 2001 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	6,081,466	-	-	-	6,081,466
Murabaha investments	179,372	-	-	-	179,372
Trade receivables	25,748,777	33,400,284	64,192,865	1,640,733	124,982,659
Other debit balances	1,316,682	2,633,363	-	-	3,950,045
Investments properties	-	-	3,522,790	-	3,522,790
Investments available for sale	-	-	2,418,385	-	2,418,385
Investment in associated company	-	-	-	1,658,875	1,658,875
Land & real estate under development	-	-	8,373,798	-	8,373,798
Other assets	-	-	1,274,264	-	1,274,264
	<u>33,326,297</u>	<u>36,033,647</u>	<u>79,782,102</u>	<u>3,299,608</u>	<u>152,441,654</u>
<b>Liabilities</b>					
Creditors and other credit balances	7,063,173	-	-	-	7,063,173
Murabaha and Mudharaba Payables	14,126,061	35,654,519	61,871,476	-	111,652,056
	<u>21,400,481</u>	<u>35,654,519</u>	<u>61,871,476</u>	<u>-</u>	<u>118,715,229</u>



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**3.5 Fair value of financial instruments**

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 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.

**4- Cash and cash equivalents**

	As at 31 December 2002	As at 31 December 2001
Cash on hand	24,665	13,125
Current account at banks and financial institutions.	1,932,466	6,068,341
	<u>1,957,131</u>	<u>6,081,466</u>

**5- Trade receivables**

	As at 31 December 2002	As at 31 December 2001
Trade debtors	159,069,583	133,064,019
Provision for doubtful debts	(9,461,360)	(8,081,360)
	<u>149,608,223</u>	<u>124,982,659</u>

The following is analysis of provision of doubtful debts:

	As at 31 December 2002	As at 31 December 2001
General provision	6,153,000	4,369,360
Specific provision	3,308,360	3,712,000
<b>Total</b>	<u>9,461,360</u>	<u>8,081,360</u>

The average rate of return on trade receivables is 13.96% as at 31 December 2002 (12.78% as at 31 December 2001).



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### 6- Other debit balances

	As at 31 December 2002	As at 31 December 2001
Suppliers - advance payments	7,147,815	3,492,430
Accrued income	2,048,202	26,442
Prepaid expenses	43,505	60,153
Other debit balances	1,351,412	371,020
	<u>10,590,934</u>	<u>3,950,045</u>

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 contracts in part or in full during a specific period.

### 7- Investments properties

	As at 31 December 2002	As at 31 December 2001
Balance at the Beginning of the year	3,522,790	-
Additions during the year	4,107,598	8,282,503
Sold during the year	(1,957,019)	(2,697,418)
Net transfer to land and real estate under development	(1,071,000)	(2,562,295)
Increase in fair value	253,000	500,000
	<u>4,855,369</u>	<u>3,522,790</u>

All lands are registered in the name of one of the Board of Directors who has confirmed that these are held by him on account of, and for the benefit of the group.

### 8- Investments available for sale

	As at 31 December 2002	As at 31 December 2001
Investments in local shares - unquoted	1,315,500	1,315,500
Investments in foreign shares - unquoted	402,327	408,885
Investments in local shares - quoted	97,000	694,000
	<u>1,814,827</u>	<u>2,418,385</u>



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### 9- Investment in associated company

The Company has subscribed in 21% of the share capital of the First Finance Co - Q.S.C. incorporated in the State of Qatar with a total cost of Qatari Riyal 20,250,000, equivalent to KD 1,792,657 as at 31 December 2002 (KD 1,658,875 as at 31 December 2001).

During the year 2001 the Company had paid the increase of share capital of the associated company by 90% of the share capital amounted to Qatari Riyal 9,450,000 equivalent to KD 794,761.

### 10- Land and real estate under development

	As at 31 December 2002	As at 31 December 2001
Opening balance	8,373,798	2,360,841
Additions during the year	23,666,059	7,256,833
Sold during the year	(5,913,520)	(3,806,171)
Net transfer to investment property	1,071,000	2,562,295
	<u>27,197,337</u>	<u>8,373,798</u>

All lands are registered in the name of one of the Board of Directors who has confirmed that these are held by him on account of, and for the benefit of the group.

### 11- Intangible assets

	2002				2001
	Computer programs under development	Lease hold properties	Key money	Total	Total
<b>Cost</b>					
As at 1 January	391,412	356,800	58,110	806,322	630,660
Additions	-	-	1,400	1,400	185,662
Disposals	-	-	-	-	(10,000)
As at 31 December	<u>391,412</u>	<u>356,800</u>	<u>59,510</u>	<u>807,722</u>	<u>806,322</u>
<b>Accumulated amortisation and impairment losses</b>					
As at 1 January	9,581	35,680	10,942	56,203	17,840
Amortization charged for the year	62,899	17,840	19,562	100,301	38,363
As at 31 December	<u>72,480</u>	<u>53,520</u>	<u>30,504</u>	<u>156,504</u>	<u>56,203</u>
Net book value As at 31 December	<u>318,932</u>	<u>303,280</u>	<u>29,006</u>	<u>651,218</u>	<u>750,119</u>
Estimated useful lives/years	3	20	3		



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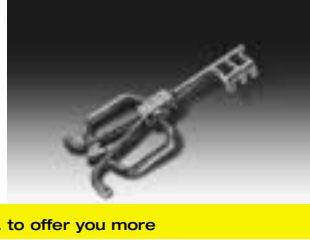
The usufruct of lease hold properties represents the amount paid to acquire new headquarter land. The lease contract with government is renewed yearly, and amortized with effect from the year over 20 years, as the management believes that there are no hindrances against renewal of lease contract for this period

### 12- Fixed assets

	2002				2001
	Buildings	Furniture, Equipment & Vehicles	Computer	Total	Total
<b>Cost</b>					
As at 1 January	289,331	409,746	656,872	1,355,949	987,097
Additions	172,266	89,276	120,238	381,780	368,852
Disposals	-	(203)	-	(203)	-
As at 31 December	461,597	498,819	777,110	1,737,526	1,355,949
<b>Accrued depreciation and impairment losses</b>					
As at 1 January	-	302,995	528,809	831,804	663,514
Depreciation charge of the year	11,572	90,323	150,635	252,530	168,290
Disposals	-	(203)	-	(203)	-
As at 31 December	11,572	393,115	679,444	1,084,131	831,804
Net book value As at 31 December	450,025	105,704	97,666	653,395	524,145
Estimated useful lives/years	20	3	3		

### 13- Creditors and other credit balances

	As at 31 December 2002	As at 31 December 2001
Trade payables	9,600,314	5,476,238
Accrued expenses	582,617	784,612
Zakat	275,370	240,013
Kuwait foundation for advancement of sciences	38,578	57,171
National labour support tax	103,314	70,034
Board of directors' remuneration	60,000	60,000
Others	411,578	375,105
	<u>11,071,771</u>	<u>7,063,173</u>



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### 14- Murabaha and mudharaba payables

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

The average effective yield rate is 5.66% as at December 31, 2002 (7.69% as at 31 December 2001).

### 15- Share capital

At the extraordinary general assembly meeting held on 10 March 2002, it was approved on amend Article (7) of the Articles of Association and Article (6) of the parent company by increasing the company's capital by 7% of the outstanding shares at 31 December 2001 through bonus shares for the shareholders to be deducted from the retained profits. Accordingly, the parent Company's capital is KD 24,344,640 divided into 243,446,400 shares of 100 fils each.

### 16- Treasury shares

	As at 31 December 2002	As at 31 December 2001
Number of shares purchased	-	540,000
Ownership percentage	-	0.24%
Cost (KD)	-	73,220
Market value (KD)	-	90,720

During the year, the Company sold treasury shares in full and recognized the profit resulting from the sale operation in equity.



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### 17- Reserves

	Statutory Reserve (Note 18)	Share premium	Voluntary Reserve (Note 18)	Foreign Currency Exchange Reserve	Unrealised gain on investments available for Sale	Total
Balance as at 1 January 2001	1,412,899	5,527,608	1,412,899	6,277	-	8,359,683
Reserves	317,617	-	317,617	-	-	635,234
Exchange differences of investments in associated Company	-	-	-	(9,270)	-	(9,270)
Changes in fair value of investments available for sale	-	-	-	-	127,000	127,000
Balance at 1 January 2001	<u>1,730,516</u>	<u>5,527,608</u>	<u>1,730,516</u>	<u>(2,993)</u>	<u>127,000</u>	<u>9,112,647</u>
Balance at 1 January 2002	1,730,516	5,527,608	1,730,516	(2,993)	127,000	9,112,647
Reserves	428,642	-	428,642	-	-	857,284
Exchange differences of investments in associated company	-	-	-	(12,157)	-	(12,157)
Change in the fair value of investments available for sale	-	-	-	-	(53,558)	(53,558)
Gain transferred to income statement resulting from sale of investments available for sale	-	-	-	-	(45,000)	(45,000)
Balance at 31 December 2002	<u>2,159,158</u>	<u>5,527,608</u>	<u>2,159,158</u>	<u>(15,150)</u>	<u>28,442</u>	<u>9,859,216</u>

### 18- Dividends

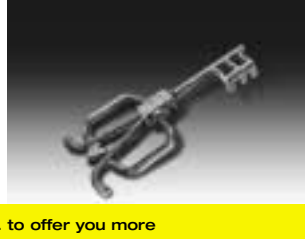
#### Statutory reserve

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.

#### 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 for the year ended 31 December 2002 and 31 December 2001.





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**Board of Director's remuneration**

Board of Director's remuneration is calculated based on net profit for the year before the share of to Kuwait Foundation for Advancement of Science. 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 expenses in the income statement in the year which proposed for on an accrual basis.

**Proposed dividends**

The board of directors have proposed a dividend of bonus shares of 10 fils per share (for 2001: 7 fils per share). The Proposed dividends are recorded in the financial statements after approval at the General Assembly meeting of the shareholders.

**19- Income from investments**

	Year ending 31 December 2002	Year ending 31 December 2001
Returns on investments in Marabaha	6,688	38,365
Dividends	48,230	55,212
Profit from sale of investments	153,912	-
Profit from participations	170,854	-
Management fees	94,123	64,000
	473,807	157,577

**20- Kuwait Foundation for the Advancement of Science ("KFAS")**

	Year ending 31 December 2002	Year ending 31 December 2001
Net operating profit before deductions	4,578,086	3,418,526
Less: Zakat	(291,668)	(242,358)
Less: Statutory Reserve	(428,642)	(317,617)
	3,857,776	2,858,551
KFAS %	1%	2%
KFAS share	38,578	57,171

In accordance with resolution of Board of directors of Kuwait Foundation for Advancement of Science on its meeting held on 10 November 2002, it was approved to reduce the percentage from 2% to 1% of profit of the year ended 31 December 2002 and subsequent years.



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### 21- Earnings per share

Earning per share is calculated by dividing the net distributable profit for the year on the weighted average number of shares outstanding during the year.

	Year ending 31 December 2002	Year ending 31 December 2001
Net profit for the year (K.D.)	4,093,860	2,988,963
Weighted average No. of issued shares	243,272,268	243,067,122
Earning per share (fils)	<u>16.83</u>	<u>12.30</u>

### 22- Staff cost

Income statement includes staff cost amounted to KD1,645,995 for the year ended December 31, 2002 (KD 1,454,849 for the year ended 31 December 2001). The annual average number of employees was 180 during 2002 (165 employees during 2001).

### 23- Cash used in operating activities

	Year ending 31 December 2002	Year ending 31 December 2001
Profit from operations net of Zakat	4,286,418	3,176,168
Adjustments:		
Depreciation and amortization	352,831	206,653
Provisions	1,380,000	1,440,000
Profits from Investments	(473,807)	(157,577)
Commissions from associated company	16,000	16,000
Increase in fair value of investment properties	(253,000)	(500,000)
End of service's indemnity expenses	128,758	121,308
Operating income before changes in working capital	<u>5,437,200</u>	<u>4,302,552</u>
Trade receivables	(26,005,564)	(31,923,426)
Other debit balances	(6,640,889)	(988,158)
Land and real estate held for trading	-	2,416,810
Creditors and other credit balances	3,874,530	3,257,035
Payment of end of service's indemnity	(60,148)	(88,501)
Cash used in operating activities	<u>(23,394,871)</u>	<u>(23,023,688)</u>



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### 24- Geographical distribution of assets and liabilities

	Assets as at 31 December		Liability as at 31 December	
	2002	2001	2002	2001
Kuwait	197,109,777	150,690,619	161,662,983	118,927,476
Other Gulf Co-operation				
Council Countries	2,104,232	1,658,875	-	-
U.S.A.	90,752	92,160	-	-
	<u>199,304,761</u>	<u>152,441,654</u>	<u>161,662,983</u>	<u>118,927,476</u>

### 25- Segment reporting

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

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

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

	Vehicles and other		Real estate		Total	
	products					
	2002	2001	2002	2001	2002	2001
Segment results	3,026,678	5,073,629	4,914,135	1,379,878	7,940,813	6,453,507
Unallocated revenues	-	-	-	-	1,124,088	734,187
Allocated expenses	(2,203,551)	(2,928,562)	(2,283,264)	(840,606)	(4,486,815)	(3,769,168)
Profit from operations	<u>823,127</u>	<u>2,145,067</u>	<u>2,630,871</u>	<u>539,272</u>	<u>4,578,086</u>	<u>3,418,526</u>
Other information						
Segments assets	103,465,561	97,534,995	92,044,045	40,807,669	195,509,606	138,342,664
Unallocated assets	-	-	-	-	3,795,155	14,098,990
Segment liabilities	3,132,062	325,535	6,437,378	6,054,485	9,569,440	6,380,020
Unallocated liabilities	-	-	-	-	152,093,543	112,547,456



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### 26- Related party transactions

Related parties are shareholders who have representation in the Board of Directors, members of the Board of Directors, senior management, and their close family members. In the normal course of business, there were transactions with related parties during the year ended 31 December 2002 represented in purchase of motor vehicles for resale amounting to KD 10,051,565 as at December 31, 2002 ( KD 17,216,312 as at December 31, 2001).

The related party outstanding balances in the consolidated balance sheet were as follows:

	As at 31 December 2002	As at 31 December 2001
Trade payables	36,572,674	45,579,438
Suppliers - advance payment	344,167	353,924
Trade receivables	324,753	266,088

The company also manages portfolios on behalf of a related party. Gross assets of these portfolios amounted to KD 6,606,716 as at 31 December 2002 (KD 12,255,356 as at 31 December 2001) which are included under off-balance sheet items.

In addition, the Board of Directors' remuneration paid during the year ended 31 December 2002 amounted to KD 60,000 as at 31 December 2001.


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

### 27- 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 amounted to KD 16,019,377 as at 31 December 2002 (KD15,679,565 as at 31 December 2001).

### 28- Capital commitments

	As at 31 December 2002	As at 31 December 2001
New headquarter projects	-	156,269
Cost of land and real estate development	186,128	1,163,272
Future commitments for developing new computer programs	-	26,775
Uncalled installments for investment securities	500,000	500,000
	<u>686,128</u>	<u>1,846,316</u>



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