



In The Name of Allah, The Most Gracious, The Most Merciful

*But Allah hath permitted trade and
forbidden usury*

The Holy Qur'an, Sura Al-Bakara (275) (Text Translation)



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 of the State of Kuwait



His Highness Sheikh
Sabah Al Ahmed Al Jaber Al Sabah
Prime Minister of the State of Kuwait



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(2001 : 2003)



Board Of Directors



Adnan A. Al-Musallem
Chairman & Managing Director



Omar Suleiman Al-Kazi
Vice Chairman



Khaled T. Al-Ghanim
Board Member



Adel M. Bebbehani
Board Member



Adel M. Al-Bader
Board Member



Rezam M. Al-Roumi
Board Member



Mohammad N. Al-Sayer
Board Member



Shari'ah Supervisory Board



Sheikh
Ahmad Bazie Al-Yaseen
Chairman



Sheikh
Dr. Khaled M. Al-Mathkour
Board Member



Sheikh
Dr. Ajeel J. Al-Nashmi
Board Member

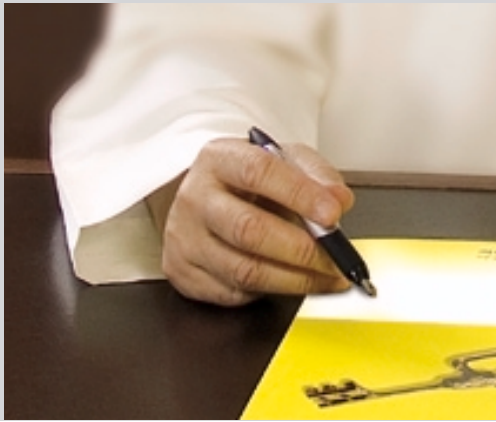


Sheikh
Dr. Mohd Fawzi Faidullah
Board Member





Chairman's Message



“ These positive factors made available to our Company and its adoption of a balanced investment policy without compromising the essentials of the trade and the market and its instruments, helped, with the grace of Allah, creation of a qualitative move in our financial outputs at all levels ”

Dear Shareholders,

I am pleased to present to you the annual report on your company's operations for the year ending 2003, and to validate together the blessed course of our Company and demonstrate the success achieved last year through our diligence and allegiance to this economic edifice which we built together becoming a national institutional model in our country. This edifice enables creation of shareholders' value, while adhering to Islamic Shari'a principles and our commitment to society.

As such, we maintain ongoing inputs with the several classes of our society, starting with purifying the Company's funds to enhancement of social, developmental and reform activities which focus on citizens concerns and their ambitions. This is achieved through our support to labor-related issues, the housing projects and youth and student activities for protecting our youngsters to help them adhere to our genuine values and behaviors we inherited from our forefathers and ancestors.

I am also very pleased to demonstrate to you the record outcomes we realized from the Company's operating transactions without involvement in market speculations which could jeopardize the Company and shareholders' interests, despite the risks posed in the area due to the toppling of the previous Iraqi regime which always encumbered the efforts for regaining Kuwait to its previous times as a commercial outlet, economic bypass and a financial mediator for the countries in the region.

Our Company realized a net profits of KD 12.9 million as a result of its activities for the year 2003, recording a 215% increase over previous year 2002. Shareholders' equity reached KD 67.5 million, an increase of

79% over the previous year. The volume of Company's assets and funds under managed exceeded KD 277 million, rising by 67%, and share earning ratio rose by 42 fils or 180% during the year 2003 compared to previous year ratio of 15 fils.

These outstanding achievements were realized despite the incidents our region and the whole world witnessed as a result of the repercussions of the Iraq liberation war which adversely affected growth of the world economy.

The Company's policies applied with regard to its studied and carefully pre-planned investment strategies were characterized with flexibility, diversity and innovation for all the Company's products, services and investment enterprises which encompass all sectors of the national economy, particularly with regard to direct investment operations in Kuwait and abroad, incorporation of companies, fund and investment assets management and more specifically in the real estate, as well as the establishment of investment funds and portfolios. These accomplishments culminated in the incorporation of Dar Real Estate Fund yielded 10% during its first financial year exceeding shareholders' expectations.

With the commencement of the new year 2004, our Company would have completed its ninth year. Hence, our Company has laid down its third business strategy for the coming five years. As such, we completed the second fifth strategic plan at the end of December 2003 when our Company has, with the grace of Allah, realized all its plans and delineations. Our business strategy would be more diversified and expandable in our business lines, concepts and services offered by the Company to the market and clients in view of the Company's course of action and its definite and clear approach.



The outcome is realizing the best interest of the Company's shareholders, clients and individuals. This was signified by conversion into a world-class Islamic holding investment and financial company aiming at satisfying the clients and traders requirements as to render the best innovated and outstanding services in local and external arenas.

In light of this strategy, your Company has delineated an ambitious and active business plan. The Company has incorporated Al Dar Holding Company, Al-Dar Investment and Asset Management (Adam), Kuwait & Al-Rafedain Company and Al Dar International Collections for Collection of Funds, in addition to structuring Al Dar National Real Estate Company and increasing its capital and acquiring 98% of the equity of Al Mal Investment Company specialized in providing corporate financial services.

Furthermore, Al Dar acquired 30% of the Investment House Company, a joint stock Qatari investment company. This supports the strategic direction of Al Dar in diversification and comprehensiveness of products, services and investment instruments in Kuwait and abroad, specifically within the GCC countries, after the successful move by Al Dar when it incorporated with other strategic partners the First Finance Qatari Company and held its management to become one of the most significant Qatari financing companies despite being a new entrant in the market as compared to its competitors.

These positive factors, adoption of a balanced investment policy without compromising the essentials of trade and market and its instruments, cooperation of the Board of Directors, the Executive Management and the staff and the grace of Allah, resulted in qualitative financial results at all levels. In this context, we highly appreciate the efforts expended by your General Assembly and its support to us in our plans and directions and participating with us and these efforts were the outgrowth of our plans and the harvest was fruitful with the grace of Allah. We also extend our sincere thanks to our dear clients, be they individuals, companies and institutions for the trust they reposed in us. We are also grateful to our venerable scholars of the Shari'a Supervisory Board for their the knowledge and understanding they have provided us out of our financial Islamic system which is bustling with investment and financial treasures.

In this context, please allow me to extend on your behalf our sincere thanks and appreciation to His Highness the Amir and His Highness the Crown Prince and members of the revered government and its institutions and affiliated bodies, specifically the Central Bank of Kuwait and its regulators who carried out distinguished and pioneering role in understanding the nature and specialty of the Islamic financial

business and companies which carry out their businesses within its frame. This has greatly helped the development and expansion of Islamic finance business as the number of Islamic financial companies carrying their activities under the supervision and umbrella of the Central Bank of Kuwait reached thirteen companies with diversified objectives, purposes and businesses.

These efforts culminated in the promulgation of the Law No. 30 of 2003 concerning Islamic banks and regulation of the Islamic banking business, thereby concluding our course of action for more than three decades, full of continued diligence and attitude of our men who strongly believed in the Islamic economic course, and virtually and in figures evidenced the success of this course and the sincerity of its trends. Our Company is but an outstanding example of these live models, we perceive and live up with, that aim to service a vast sector of clients to meet their financing and investments needs. It is not a secret that our client's portfolio exceeds seventy five thousand including citizens, residents, companies and institutions. We highly appreciate their dear trust and assure them our continued course of development and innovation.

In conclusion, I seize this opportunity to extend our sincere thanks and best wishes to all who contributed to the development of Investment Dar's business and the eminent position it holds, of which we are all proud and for which you laid the grounds.

Thank you for your cooperation and our best regards to you for the eminence, prominence and continued success and welfare of our Company.

Chairman & Managing Director
Adnan A. Al-Musalleem



Investment Dar and the Economy



Since its incorporation, Investment Dar has completed nine years in exercising its businesses for contributing to realize its objectives and ambition. It is notable to demonstrate in this report our conceptions deemed as landmarks in the course of the Islamic economy on local, regional and world scenes, and the role of Investment Dar in the development process.

On the regional and world scenes, the year 2003 witnessed radical changes and challenges in the world economic atmospheres. These incidents were exacerbated by the Iraq liberation war which led the region and the whole world to experience spheres of hesitation, bewilderment and mistrust. The impacts of these incidents extended to the beginnings of this year 2004, thereby reflecting adverse impacts on the world economy in general and the Kuwaiti economy in particular.

These economic conditions reflected their adverse and serious impacts on our national economy. Most significant of which were the continued decrease in the US dollar interest rate and the price pressures to which the US dollar was subjected to and thereby bore their impacts on the Kuwaiti dinar, specifically after the pegging between the Kuwaiti dinar and the US dollar in early 2003 and the subsequent cuts made by the Central Bank of Kuwait to the discount rate to reach 3.25 point; the lowest since twenty five years. Consequently, profit margins in the finance market decreased and competition heated in the local market, specifically in view of the availability of liquidity with the local banking and financial sector. Furthermore, these incidents were exacerbated by the repatriation of emigrant capital funds and the inflow of compensation funds as well as the narrow investment opportunities and the continued hegemony of the public sector over the economic activities in the country and disallowing the private sector to hold an active and virtual role for contribution in the mega projects in the country.

On the local scene, it is expected that the local and regional liquidity levels will remain high during the current year, as a result of the stability of the same factors influencing the performance of the local and world economy, driven by strong economic performance, decreased interest rates, and the stability of oil prices at their high levels averaging US\$ 28 per barrel. Meanwhile, the price of oil barrel was estimated at US\$ 15 in the State General Budget. This contributes to the continued growth in the Kuwaiti economy and realizing actual surpluses in the State General Budget from an expected deficit of over two billion Kuwaiti dinar, while the Gross Domestic Product (GDP) is expected to realize a growth of 4.2% in the year 2003.

This will have positive reflections on the current and investment government expenditure, and will consequently lead to the increase in the constructional and architectural activities and other economic sectors which considerably rely on the government expenditure, let alone the non-oil producing Arab countries taking advantage of expected financial aids and transfers of the expatriate workers in the Gulf to their home countries, as well as the increasing investments in these countries and the rise in the volume of Inter-Arab trade.

In the past, most of the liquidity surplus in the region was directed to investment in world stock markets. However, considerable fluctuations and the weak performance witnessed in these markets during the last few years, along with the threats confronted the Arab investments abroad, led such liquidity to seek investment opportunities in the Arab financial markets. Also, the volume of liquidity in markets of countries in the region increased during the last two years as a result of repatriation of a portion of invested capital funds from abroad to the regional markets. The latest statistics of the World Reconciliations Bank show that a large number of Gulf citizens withdrew considerable portions of their deposits from world banking centers and repatriated them to their home countries.



Furthermore, the high levels of liquidity impacted on share markets, real estates and land in most countries in the region. The Arab markets recorded significant highs since the beginning of the year reaching approximately 150% in Egypt, 85% in Kuwait, 55% in Qatar, 63% in Saudi Arabia, 39% in Oman, 41% in Jordan and 29% in the United Arab Emirates. The volume of daily traded shares doubled over the levels prevailed during years 2002 and 2003. The markets of land and real estates in metropolitans of most Arab countries witnessed noticeable rise with the increasing demand for these assets.

Some sources in the Gulf considered that the record depreciation in the US dollar exchange rate against the world major currencies between years 2002 and 2003 led to the Gulf Cooperation Council countries loss of a considerable portion of gains they realized from the rise in their oil revenues during the same period. These sources added that at the time oil revenues of GCC countries increased to US\$ 120 billion, let alone their increase to US\$ 140 billion during the current year; nevertheless, a considerable portion of these gains diminished as a result of the US\$ dollar depreciated exchange rate in world exchange markets which made it lose over one third of its value against the Euro within two years only.

As for the world Islamic financial industry, its total assets exceeded US\$ 250 billion, and it acquired a deposit base amounting to US\$ 202 billion, and its investments exceeded US\$ 400 billion, while its capital base amounted to US\$ 13 billion, i.e. an annual growth of approximately 13%.

Back to Al Dar, we have succeeded, by the will of Allah, to overcome all these difficulties and to realize record results in accordance with a clear-cut strategy, a flexible organizational chart and our human

resources cadres, by means of diversification of our products to satisfy the requirements of our clients and their actual needs. This strategy serves various sectors of our national economy with high quality. It also intends to segregate each economic sector into several specialized markets and allow openness to the external markets, especially the GCC countries. The Company applies an ongoing strategic variable policy in its business line and directs considerable concentration on the nature of services it renders to clients, from retail financing to commercial financing, real estate financing and investment services and the management of third parties funds as well as financial brokerage.

This distinguished performance of our Company made it one of the prominent companies in the Kuwait Stock Exchange. Investors consider Investment Dar as a long run secured and strategic investment heaven. The Kuwait Stock Exchange main indices (the value, trading, transactions) witnessed distinguished performance compared with the year 2002 despite the downward trend in the world stock markets. The Kuwait Stock Exchange index rose during the year 2003 by 107.7% than the previous year 2002, the market capitalization in the market rose by 88.2%, the traded value by 148.2%, while volume of traded shares rose by 81.73%.

Al Dar shares witnessed record performance as well. The volume of Al Dar traded shares reached 711,370 million share with a traded value of KD 244,281 million and turn over per share exceeding 200%.

Meanwhile, the market capitalization of Al Dar shares rose by 124.5% to close at 385 fils per share in the year 2003, from a closing of 250 fils at end of 2002.



The prominent characteristics of Investment Dar strategy can be identified in two significant features, starting with the compliance with the Islamic Shari'a and ending with the development and encouragement of the productive capabilities.

These are some of the major milestones achieved by Dar Investment during the year :

- Establish Al Dar Real Estate Fund and offer its shares for subscription, as well as formation and management of real estate portfolios to clients.
- Own an influencing equity and sign an agreement for management of an investment company in Qatar.
- Incorporate several specialized subsidiary companies to Investment Dar.
- Sign a debt securitization agreement as a new instrument in the Islamic financial market; along with other investment business lines and commercial transactions.

Undoubtedly, the achievements of Investment Dar during a short term signifies an outstanding landmark in the development course which concentrates on building trust with traders, laying down systems and grooming qualified cadres.

During that period in general and in the year 2003 in particular, some risks and challenges emerged. They were signified in the Company's units exercising their normal business on horizontal and vertical expansion basis for increasing the profits at the same time. These two achievements were realized as a result of the cautious management policy and the improvement in the volume of merchandise supplied in the local market.

While we feel satisfied towards the indications of economic recovery in most sectors of the national economy, we stress the importance of seizing the opportunities made available by such recovery. This requires us to dedicate our efforts to realize maximum benefit from structural surpluses in the governmental budget so as to attain further flexibility to the financial policies greater than that made available to them during the last economic recession. In this regard, we would like to point out the importance of the reform plans for curbing public expenditures and introducing structural reforms in the labor market. It is also taken for granted that the success of these endeavors is associated with the cooperation of the private and public sectors. We, therefore, welcome the government efforts to take the necessary measures and procedures for activation of the economic issue and make it the premonition of the government management, specifically with regard to the Islamic banking and financial business and giving this market greater contribution for participation in the economic development projects and infrastructure projects which are counted one of the significant elements in Islamic banking business.

In conclusion, it is worth mentioning to say that the economic cooperation in the Gulf will witness tangible advancement and development through the efforts expended for establishing a unified customs area among the six Gulf Cooperation Council countries. This area will develop into a stage for establishing a joint Gulf market, that will be culminated in the Gulf unified currency. Undoubtedly, all these endeavors will have their positive reflections on the companies and economic institutions working in the area.



Sharia Supervisory Board's Report

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We have reviewed Investment Dar Company activities during the year ended 31 December 2003, we certify that all activities were practiced in compliance with Islamic Sharia and no violations have occurred, to the best of our knowledge.

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Sheikh / **Ahmad Bazie Al-Yaseen**
Chairman

Sheikh / **Dr. Khaled Mathkour Al-Mathkour**

Sheikh / **Dr. Ajeel Jasem Al-Nashmi**

Sheikh / **Dr. Mohammad Fawzi Faidullah**



Financial Highlights (2001 : 2003)

