



Annual Report 1998



دار الاستثمار
The Investment Dar

Islamic Financial Transactions

عمليات مالية اسلامية



أول شركة تمويل وإستثمار إسلامية
تحتوز على شهادة ISO 9001

*In The
Name Of Allah,*

The Most Gracious, The Most Merciful

But Allah hath

permitted trade and

forbidden usury

The Holy Qora'an - Al - Bakara (275)
(Text Translation & Commentary)



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



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

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BOARD OF DIRECTORS



Naser Mohammad Al-Sayer
Chairman



Adnan Mohammad Al-Wazzan
Vice Chairman



Adnan Abdul Qadir Al-Musallem
Managing Director



Ali Mohammad Al-Ghanim
Board Member



Adel Mohammad Behbehani
Board Member



Omar S. Al-Kazi
Board Member



Rezam Mohammad Al-Roumi
Board Member

SHARIA SUPERVISORY BOARD





Sheikh Ahmad Bazle Al - Yaseen - Chairman



Sheikh Dr. Khaled Al-Mathkour



Sheikh Dr. Ajeel J. Al - Nashmi



Sheikh Dr. Mohammad Fawzi Faidallah

Praised be the Lord, And peace be upon
His Prophet and Prophet's relatives and companions.

Dear Shareholders,

Since the establishment of the Investment Dar Company and actual inception of its operations in October 1995, it has been making steady footholds in the market and gaining the customers' and dealers' valuable trust. It has been always that new bright star in the skies of Islamic Financial and Investment Industry in the Kuwaiti Market. The company maintained its genuine clear approach, meant to consolidate and strengthen its relationships in the new as well as used cars market, through mutual co-operation with the automobiles suppliers and agencies.

On the other hand, the company was keen to serve the largest possible segments of customers through engagement in the activity of construction and building materials. Through this activity we had direct contribution in materializing customers' dreams and meeting their needs to build their future home.

Within its policies and general framework guidelines, the company proceeded to diversifying its financing resources, through developing a network of local as well as external relationships and strategic alliances. It also increased its capital from KD 15.8 million to KD 22.8 million, which was a natural response to diversification and expansion of the company's activities and operations and to the growing and broadening dealers' basis in the Islamic financial investment market.

Dear Shareholders,

The company committed itself to maintaining its initial legal and Islamic approach. This constituted a motive for better achievement, based on its clear conception and philosophy of excellence and aspiration. Armed with these solid principles, furthered with indefatigable persistence and continued support from the board and executive management members, to ensure quality and excellence, the company managed to win the international quality certificate known as



ISO 9001 covering all its activities and businesses. This achievement was the outcome of the company's commitment to the best performance and quality control, and keenness to providing its customers and dealers with the best services according to the international standards. This remarkable achievement as the first Islamic finance and investment company to win such certificate, was consolidated by another achievement, when it obtained an advanced credit rating given by a renowned credit international rating agency, The Capital Intelligence. These achievements denote clear implications and favourable indications of the company's strong financial status on both the short and long run.

Further, the company has finalized all the formalities necessary for enlisting on the Kuwait Stock Exchange. It has obtained all the approvals required to make the company's shares available for investors and dealers of all categories and segments.

Dear Shareholders,

In 1998, the company made favourable achievements, despite the difficult circumstances which the national, Gulf and international economies have gone through. The financial statements enclosed with this report, and the present and prospected achievements and tendencies reflected therein constitute a sufficient indication of the same.

Introducing the third annual report, we ought to have a look at the major financial indicators of the company's performance in 1998 compared to 1997.

- The company made net profit of KD 3,075 million, marking an increase of 15.6% over 1997.
- Shareholders equity increased by 61.7% over 1997, amounting to KD 30,798 million at the end of 1998.
- The company's total assets increased by 35.4% reaching KD 88,998 million.

At a threshold of a new era of operation and progress, the company has drawn up its future vision and tendencies towards achieving the following targets:

- Planning to entering promising Gulf markets,

through incorporation or participation in the incorporation and management of companies of similar business.

- Achieving leadership in introducing innovative new products that meet the market demands and the needs of the various segments of customers.
- Retaining stable and appropriate personnel, and attracting qualified and experienced staff.

Despite the company's recent birth and the most state-of-the-art technologies employed by it, and as a precautionary measure meant to preserve the company's gains and customers assets, we have engaged one of the major specialized organizations to examine our 2000 compliance, since possible external environments would affect the company's systems performance.

On this occasion, the board of directors would like to extend sincere gratitude and appreciation to His Highness the Amir of Kuwait, His Highness the Crown Prince and Prime Minister and the government for their continued support and prudent directives towards ensuring stable economy according to the Islamic Sharia rules, and their continued encouragement for the Islamic financial institutions, which was clearly reflected in the number of the companies joining the market and also in the volume of capitals invested therein, run by national expertise. We must also mention the vital role of the company's legal panel, executive management and all staff members, for their painstaking efforts towards achieving the company's aspirations and objectives at all levels. We further extend particular appreciation to our clients, suppliers, investors and consumers for their valued trust.

Finally, we extend our gratitude to your respectful assembly for your continued pursuance of the company's performance, wishing you all continued success and prosperity.

Peace be upon you all.



Naser Mohammad Al-Sayer
Chairman of
the Board of Directors

BOARD OF DIRECTORS' MESSAGE



We have reviewed The Investment Dar Company activities during the year ended 31 December 1998, we certify that all activities were practiced in compliance with Islamic Sharia and no violations have occurred, to the best of our knowledge.

Sheikh Ahmad Bazie Al-Yaseen Chairman



Sheikh Dr. Khaled Mathkour Al-Mathkour



Sheikh Dr. Ajeel Jasem Al-Nashmi



Sheikh Dr. Mohammad Fawzi Faidullah



THE INVESTMENT DAR COMPANY - K.S.C. (CLOSED)
KUWAIT

AUDITED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 1998

Auditor's Report

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

We have audited the accompanying balance sheet of The Investment Dar Company K.S.C. (Closed), Kuwait as at 31 December 1998 and the related statements of income, changes in shareholders' equity and cash flow for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We obtained all the information and explanations which we deemed necessary for the purpose of our audit. 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 Company as at 31 December 1998, results of operations, changes in shareholders' equity and cash flow for the year then ended in accordance with International Accounting Standards. The financial statements incorporate all information that is required by the Commercial Companies Law and the Company's Articles of Association.

Also, in our opinion, proper books of accounts have been kept, physical inventory was duly carried out and the financial information contained in the directors' report agrees with the books of accounts. To the best of our knowledge and belief no violation of the Commercial Companies Law, Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and the Company's Articles of Association having a material effect on the business of the Company or its financial position have occurred during the year ended 31 December 1998.



Bader A. Al-Wazzan
Licence No. 62 A
Bader & Co. PricewaterhouseCoopers

Kuwait, 29 January 1999

KUWAIT

BALANCE SHEET AS AT 31 DECEMBER 1998

Assets	Note	1998 KD	1997 KD
Cash on hand and at banks		2,478,959	1,260,155
Murahaha investments	4	6,638,237	6,191,596
Debtors and other debit balances	5	77,110,296	55,441,724
Inventory		-	58,051
Investments in shares and funds	6	2,182,000	2,182,000
Property, Plant and equipment	7	588,983	595,386
Total assets		<u>88,998,475</u>	<u>65,728,912</u>
Liabilities and shareholders' equity			
Liabilities			
Creditors and other credit balances	8	2,546,594	2,041,772
Murahaha payables	9	53,378,210	44,640,053
Shareholders' dividend	14	2,275,200	-
Total liabilities		<u>58,200,004</u>	<u>46,681,825</u>
Shareholders' equity			
Share capital	10	22,752,000	15,800,000
Bonus Shares		-	1,422,000
Statutory reserve	11	6,366,355	531,214
Voluntary reserve	12	838,747	531,214
Retained earnings-Exhibit C		841,369	762,659
Total Shareholders' equity		<u>30,798,471</u>	<u>19,047,087</u>
Total liabilities and Shareholders' equity		<u>88,998,475</u>	<u>65,728,912</u>

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


Adrian A. Al-Musallem
Managing Director & General Manager

Naser M. Al-Sayer
Chairman

*KUWAIT*STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 1998

Revenue	Note	1998 KD	1997 KD
Income from operations & Company's share in profit of customers' portfolios	14	5,204,261	4,605,840
Income from Murabaha Investments		560,904	319,731
Portfolio management fees and other income		266,370	176,275
Total revenues		<u>6,031,535</u>	<u>5,101,846</u>
Expenses and other charges			
General and administrative		1,305,246	982,270
Provision for doubtful debts		1,500,000	1,355,000
Depreciation		150,957	103,879
Total expenses and other charges		<u>2,956,203</u>	<u>2,441,149</u>
Net profit		3,075,332	2,660,697
Kuwait Foudation for the Advancement of Sciences		(55,356)	(119,731)
Board of Directors' remuneration		(51,000)	(44,000)
Net profit attributable to shareholders (Exhibit C)		<u>2,968,976</u>	<u>2,496,966</u>

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

KUWAIT

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 1998

	Share Capital	Bonus shares	Statutory reserve	Voluntary reserve	Retained earnings	Total
	KD	KD	KD	KD	KD	KD
Balance at 1 January 1997	15,800,000	-	265,144	265,144	219,833	16,550,121
Net profit attributable to shareholders (Exhibit B)	-	-	-	-	2,496,966	2,496,966
Approved appropriations:						
Reserves	-	-	266,070	266,070	(532,140)	-
Bonus shares (9%)	-	1,422,000	-	-	(1,422,000)	-
Balance at 31 December 1997	15,800,000	1,422,000	531,214	531,214	762,659	19,047,087
Bonus shares	1,422,000	(1,422,000)	-	-	-	-
Additional share capital subscribed in cash	5,530,000	-	-	-	-	5,530,000
Share premium (Net of issuance expenses)	-	-	5,527,608	-	-	5,527,608
Net profit attributable to shareholders' (Exhibit B)	-	-	-	-	2,968,976	2,968,976
Proposed appropriations (Note 14)						
Reserves	-	-	307,533	307,533	(615,066)	-
Cash dividends (10%)	-	-	-	-	(2,275,200)	(2,275,200)
Balance at 31 December 1998	22,752,000	-	6,366,355	838,747	841,369	30,798,471

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

KUWAIT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	1998 KD	1997 KD
Cash flows from operating activities			
Net profit		3,073,332	2,660,697
Adjusted for:			
Depreciation		150,958	103,879
Provision for end of service benefits		35,975	55,026
Provision for doubtful debts		1,500,000	1,355,000
Income from Murabaha investments		(560,984)	(319,731)
Operating income before changes in working capital		<u>4,201,361</u>	<u>3,854,871</u>
Debtors and other debit balances		(23,170,980)	(26,742,194)
Inventory		58,051	619,580
Creditors and other credit balances		326,222	(155,631)
Cash used in operating activities		<u>(18,385,346)</u>	<u>(22,423,374)</u>
Payment for Kuwait Foundation for Advancement of Sciences		(119,731)	(119,315)
Payment of Board of Directors remuneration		(44,000)	(44,000)
Net cash used in operating activities		<u>(18,549,077)</u>	<u>(22,586,689)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(144,555)	(436,925)
Payments for purchase of investments in shares and funds		-	(2,182,000)
Income received from Murabaha investment		563,312	319,805
Net cash from/(used in) investing activities		<u>418,757</u>	<u>(2,299,120)</u>
Cash flows from financing activities			
Net proceed from share capital additionally subscribed		11,057,608	-
Net receipt from Murabaha payables		8,738,157	27,333,299
Dividend paid		-	(1,738,000)
Net cash from financing activities		<u>19,795,765</u>	<u>25,595,299</u>
Net increase in cash and cash equivalents		1,665,445	709,490
Cash and cash equivalent at beginning of year		7,451,751	6,742,261
Cash and cash equivalents at end of year	15	<u>9,117,196</u>	<u>7,451,751</u>

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

Investment in unquoted shares are carried at the lower of the aggregate cost or fair value. The fair value is determined by reference to latest audited financial statements.

b) Trade debtors

Trade debtors are stated net of deferred profit and, specific and general provisions for any probable losses. The specific provision is made when the risk of uncollectibility arises for specific customers. The general provision covers the risk of expected doubtful debts which may exist in general. Provisions are made by reference to the Central Bank of Kuwait instructions.

c) Property, plant and equipment

These are stated at the cost net of accumulated depreciation, and depreciated on a straight line method over their estimated useful lives.

d) Revenue recognition

The profit of Musawama contracts is included in the income statement on contracts' time proportional basis taking grace period into consideration. The management fees of portfolios is recognised when realized according to contractual terms. The Company's share of portfolios profit is recognised after deduction of portfolios' owners share. Profit on murabaha investment contracts is recognised on a time proportional basis.

e) Murabaha cost

Murabaha cost is allocated over the period of its related agreements. This cost is recognised on a time proportional basis.

f) End of service benefits

End of service benefits are calculated in accordance with the Kuwaiti Labour Law for the private sector and the Company's by-laws.

g) Foreign currencies

Monetary assets and liabilities in foreign currency at the balance sheet date are translated to Kuwaiti Dinars at the rates of exchange prevailing at that date. Foreign currency transactions are translated to Kuwaiti Dinars at the rates of exchange prevailing at the date of the transaction. Exchange differences thus arising are taken to the statement of income.

h) Cash equivalents

Cash equivalents, for the purpose of the statement of cash flow, represent Murabaha investments due within a period not exceeding three months from the date of placement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997**

1. Constitution & Activities

The Investment Dar Co. 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 is engaged in the following activities:-

1. Mediation and brokerage;
2. All financial transactions in accordance with Islamic Shariaa and regulations;
3. Providing consumers with credit facilities;
4. Participating in establishing companies and dealing in purchasing and selling shares of these companies and others;
5. Engaging in Stock exchange transactions;
6. Managing financial portfolios, investing and developing its customers' funds;
7. Investing in real estate, manufacturing, agricultural and other sectors of economy;
8. Real estate investments for the purpose of development of residential lands and construction of commercial residential complexes with the intention of sale or rent;
9. Carrying out research and studies of capital employment and rendering various related services to others.

All the above mentioned activities should be carried out in compliance with the Islamic Shariaa and regulations.

The Company's main activity during the year was selling motor vehicles to consumers based on Musawama agreements along with Murabaha investments with local Islamic financial institutions and also included management of portfolios.

2. Basis of preparation of financial statements

The financial statements have been prepared in accordance with International Accounting Standards under the historical cost convention.

3. Significant accounting policies

a) Investments

Murabaha investments are carried at the lower of the aggregate cost or net realizable value.

Investments in funds are carried at fair value which is determined based on the funds' net asset value at the balance sheet date.

4. Murabaha investments

The balance of KD 6,638,237 (1997 - KD 6,191,596) represents Murabaha investments managed by local Islamic financial institutions.

5. Debtors and other debit balances

	1998 KD	1997 KD
Trade debtors	98,183,714	71,966,694
Deferred profit	(17,593,692)	(15,264,560)
	<u>80,590,022</u>	<u>56,702,134</u>
Provision for doubtful debts	(3,730,000)	(2,230,000)
Net trade debtors	<u>76,860,022</u>	<u>54,472,134</u>
Suppliers - advance payments	108,000	896,179
Accrued income on Murabaha investments	21,000	23,408
Prepaid expenses	26,250	27,750
Other debit balances	95,024	22,253
Total	<u><u>77,110,296</u></u>	<u><u>55,441,724</u></u>

Advance payments to suppliers of KD 108,000 represent payments under purchase contracts with option of return that gives the Company the right not to execute the purchase in part or in total.

6. Investments in shares and funds

	1998 KD	1997 KD
Investments in unquoted shares	2,080,000	2,080,000
Investments in funds	102,000	102,000
Total	<u><u>2,182,000</u></u>	<u><u>2,182,000</u></u>

7. Property, plant and equipment

	1998				1997	
	Land	Furniture	Office Equipment	Computer	Total	Total
Cost	KD	KD	KD	KD	KD	KD
As at 1 January	350,000	159,249	26,380	219,499	755,128	233,593
Additions	6,800	16,287	5,480	115,988	144,555	522,280
Disposals	-	-	-	-	-	(745)
As at 31 December	<u>356,800</u>	<u>175,536</u>	<u>31,860</u>	<u>335,487</u>	<u>899,683</u>	<u>755,128</u>
Accumulated depreciation						
As at 1 January	-	68,869	13,786	77,087	159,742	56,253
Charges for the year	-	32,891	3,254	114,813	150,958	103,879
Disposals	-	-	-	-	-	(390)
As at 31 December	-	<u>101,760</u>	<u>17,040</u>	<u>191,900</u>	<u>310,700</u>	<u>159,742</u>
Net book value						
As at 31 December	<u>356,800</u>	<u>73,776</u>	<u>14,820</u>	<u>143,587</u>	<u>588,983</u>	<u>595,386</u>
Estimated useful lives/years	-	3	3	3	-	-

8. Creditors and other credit balances

	1998	1997
	KD	KD
Trade payables	1,847,357	1,515,298
Accrued expenses	370,542	208,603
Accrued staff leave	58,000	51,573
End of service benefits	133,000	97,025
Kuwait Foundation for Advancement of Sciences	55,356	119,731
Board of Directors' remuneration	51,000	44,000
Others	31,339	5,542
Total	<u>2,546,594</u>	<u>2,041,772</u>

9. Murabaha payables

	1997	1996
	KD	KD
Motor vehicles Murabaha agreements payable	14,441,193	18,318,874
Deferred cost	(1,263,777)	(1,991,585)
	<u>13,177,416</u>	<u>16,327,289</u>
Wekala agreements for investment	45,053,092	32,529,453
Deferred cost	(4,852,298)	(4,216,689)
	<u>40,200,794</u>	<u>28,312,764</u>
	<u>53,378,210</u>	<u>44,640,053</u>

- The balance of KD 14,441,193 represents liabilities resulting from purchase of motor vehicles by Murabaha on installment (Wekala agreement to purchase and sell motor vehicles with right to sell to oneself). The purchase amount is payable over 4 years.
- The balance of KD 45,053,092 represents amounts received under Wekala agreement to purchase and sell with right to sell to oneself (Wekala agreements for investment) from governmental bodies and financial institutions. This is repayable over a period varying from 2 to 4 years.

10. Share capital

The Company's original authorized capital is KD 15,800,000 divided into 158,000,000 shares with a value of 100 fils each. At 18 April 1998, the annual general assembly decided to increase the Company's share capital by appropriation of 9% bonus shares as well as cash increase by 35% of original capital. The authorized, issued and paid up capital became KD 22,752,000 divided into 227,520,000 shares at a value of 100 fils per share (Exhibit C).

11. Statutory reserve

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of net profit for the year has been transferred to statutory reserve. The General Assembly may resolve to discontinue such annual transfer when the reserve reaches 50% of the capital. This reserve is not available for appropriation except as stipulated by law.

The statutory reserve has been increased by share premium of 100 fils per share net of issuance expenses which amounted to KD 2,392 (Exhibit C).

12. Voluntary reserve

In accordance with the Company's Articles of Association, 10% of annual net profit for the year has been transferred to voluntary reserve. Such annual transfer may be discontinued by resolution at the General Assembly based on directors' recommendation.

13. Kuwait Foundation for Advancement of Sciences ("KFAS") Share

KFAS's Board of Directors has been decided in its meeting No. 80 dated 26 December 1998, to amend KFAS share to be 2% instead of 5% of net profit after deduction of statutory reserve. Article No. 50 of the Company's articles of association requires appropriation of 5% of net profit after deduction of statutory reserve. The Company will hold an extra ordinary general meeting to amend this article. KFAS appropriation for the year ended 31 December 1998 has been calculated on 2% basis.

14. Proposed dividends and Board of Directors' remuneration

The proposed dividends and Board of Directors' remuneration for 1998 are subject to the approval of the General Assembly.

15. Cash and Cash equivalents

	1998	1997
	KD	KD
Cash on hand	33,770	36,840
Cash at banks and financial institutions	2,445,189	1,223,315
Murabaha investments	6,638,237	6,191,596
Total	<u>9,117,196</u>	<u>7,451,751</u>

16. 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 arm's length transaction. In accordance with the provisions of Islamic Shari'ah, the money time value is not considered in determining the fair value, i.e. the money value of future receipts or disbursements do not change whether received or disbursed at present or in the future.

In the normal course of business, the Company deals in financial assets such as cash on hand and at banks, murabaha investments, investment in shares and funds and trade receivables, as well as financial liabilities such as trade and murabaha payables. The maturity analysis for the financial assets and liabilities as at 31 December 1998 is as follows:

	within 3 months	from 3 months to 1 year	from 1 year to 5 years	more than 5 years	Total
Assets	KD	KD	KD	KD	KD
Cash on hand and at banks	2,478,959	-	-	-	2,478,959
Murabaha investments	6,638,237	-	-	-	6,638,237
Trade debtors	1,777,447	12,616,590	56,357,795	6,108,190	76,860,022
Investment in shares and funds	-	2,182,000	-	-	2,182,000
Total	<u>10,894,643</u>	<u>14,798,590</u>	<u>56,357,795</u>	<u>6,108,190</u>	<u>88,159,218</u>
Liabilities					
Creditors and other credit balances	1,847,357	-	-	-	1,847,357
Murabaha payables	4,793,623	17,278,556	31,306,031	-	53,378,210
Total	<u>6,640,980</u>	<u>17,278,556</u>	<u>31,306,031</u>	<u>-</u>	<u>55,225,567</u>

Financial Instrument Risk

- 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 debtors represent the significant asset exposed to credit risk. Trade debtors are stated in the balance sheet net of deferred profit. The maximum credit risk exposure represented in trade debtors amounted to KD 98,183,714 at 31 December 1998 (1997 - KD 71,966,694).

- 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 Kuwaiti market and most of its transactions are denominated in Kuwaiti Dinar.

- 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 counterparties, applying appropriate terms for credit facilities, diversifying its investments and matching the maturities of financial assets against financial liabilities.

17. Geographical distribution of assets and liabilities

The Company's assets and liabilities are totally held in Kuwait as at 31 December 1998.

18. Related parties

Related parties are shareholders who have representation in the Board of Directors. In the normal course of the business, there were related parties transactions during the year ended at 31 December 1998 representing purchase of motor vehicles for resale amounting to KD 23,743,156 (1997 - KD 23,745,269). The related parties' outstanding balances in the balance sheet were as follows:

	1998	1997
	KD	KD
Trade payables	881,385	776,354
Supplier - advance payment	108,000	896,179

The Company also manages portfolios on behalf of a related party. Net assets of this portfolios amounted to KD 9,450,000 as at 31 December 1998 (1997 - KD 2,000,000) which is included under off-balance sheet items.

19. Off balance sheet items

The Company manages portfolios on behalf of others, for which separate accounting records are maintained. These accounts are not included in the Company's financial statements. The total value of the managed portfolios on behalf of others as at 31 December 1998 amounted to KD 13,457,208 (1997 - KD 2,000,000).

20. Year 2000 issue

The year 2000 issue arises from the fact that many computer systems are not able to express years by four digits rather than two. For example, the two digit "00" which represent the year 2000 could be recognized as the year 1900 or any other date. This may lead to errors in using the dates for calculation and comparison purposes. This issue is not limited to business systems only but also affects other technology such as telephones, alarms and other equipment. There are other potential date-related problems such as systems failure to recognize the year 2000 as a leap year. In this regard, there were instructions issued by the Central Bank of Kuwait and guidelines by the Bank for International Settlements - Joint Year 2000 Council.

Systems and applications critical to the Company's operations and financial information are being reviewed to establish the impact of year 2000. The management believes that there will be no major problems in this regard. Plans are being developed to enhance the systems, as necessary, before this issue would create significant errors in accounting records or adversely impact business operations or customer services.

The Company's management is aware that even if the Company verifies and tests all its systems and applications, it may still be affected by the state of readiness of its vendors and third-party service providers, the public utilities upon which it relies, particularly the telecommunication and electricity suppliers, and the counter-parties and customers with which it does business.

During 1998, the Company did not incur any expenditure for the year 2000 project. Such expenditure will be expensed when incurred.

21. Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation.