

ANNUAL REPORT 1999

The Investment Dar



دار الاستثمار
The
Investment Dar

Islamic Financial Transactions

عمليات مالية اسلامية



اول شركة تمويل واستثمار اسلامية
تحتوي على شهادة ISO 9001

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

**FINANCIAL STATEMENTS AND AUDITORS' REPORT FOR
THE YEAR ENDED 31 DECEMBER 1999**

PRICEWATERHOUSECOOPERS 

KPMG 

Masoud Sorkhou & Partners

AUDITORS' 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 1999 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 1999, results of operations, changes in Shareholders' equity and cash flows 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 count was duly carried out and the financial information contained in the directors' report agreed 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 1999.



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



Qais M. Al Nisf
Licence No. 38A
KPMG Masoud Sorkhou & Partners
Member firm of KPMG International

BALANCE SHEET (All amounts in Kuwaiti Dinars)

	Note	31 December	
		1999	1998
Assets			
Cash and Cash equivalents	3	6,258,115	2,478,959
Murabaha investments		11,879,962	6,638,237
Trade receivables	4	94,551,389	76,860,022
Other debit balances	5	7,091,114	243,936
Investments in shares in funds	6	2,229,082	2,182,000
Investment in associates	7	901,603	-
Fixed assets	8	576,657	588,983
Total assets		<u>123,487,922</u>	<u>88,992,137</u>
Liabilities and shareholders' equity			
Liabilities			
Creditors and other credit balances	9	3,210,092	2,540,256
Murabaha payables	10	86,210,028	53,378,210
Total liabilities		<u>89,420,120</u>	<u>55,918,466</u>
Shareholders' equity			
Share capital	11	22,752,000	22,752,000
Statutory reserve	12	6,705,391	6,366,355
Voluntary reserve	12	1,177,783	838,747
Retained earnings		3,432,628	3,116,569
Total shareholders' equity		<u>34,067,802</u>	<u>33,073,671</u>
Total liabilities and shareholders' equity		<u>123,487,922</u>	<u>88,992,137</u>

The accompanying notes on pages 24 to 34 form an integral part of these financial statements.



Adnan A. Al-Musallem
Managing Director & General Manager



Naser M. Al-Sayer
Chairman

INCOME STATEMENT (All amounts in Kuwaiti Dinars)

	NOTE	31 December	
		1999	1998
Revenue			
Income from operations & Company's share in profit of customers portfolios		6,575,207	5,009,052
Income from Murabaha investments		459,394	560,904
Portfolio management fees and other income		347,119	266,370
		<u>7,381,720</u>	<u>5,836,326</u>
Expenses and other charges			
General and administrative expenses		1,685,763	1,110,037
Provision for doubtful debts		1,810,000	1,500,000
Decline in value of investments		300,000	
Depreciation		195,600	150,957
		<u>3,991,363</u>	<u>2,760,994</u>
Net operating profit		3,390,357	3,075,332
Board of Directors' remuneration	12	<u>(60,000)</u>	<u>(51,000)</u>
Net profit before "KFAS"		3,330,357	3,024,332
Kuwait Foundation for the Advancement of Sciences "KFAS"	13	<u>(61,026)</u>	<u>(55,356)</u>
Net profit		<u>3,269,331</u>	<u>2,968,976</u>
Earnings per share (fils)	14	<u>14</u>	<u>14</u>

The accompanying notes on pages 24 to 34 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (All amounts in Kuwaiti Dinars)

	Note	Share capital	Statutory reserve	Voluntary reserve	Retained earnings	Total
Balance as at 1 January 1998	11	15,800,000	531,214	531,214	2,184,659	19,047,087
Cash increase in capital	11	5,530,000	-	-	-	5,530,000
Premium (after deducting issuing expenses)		-	5,527,608	-	-	5,527,608
Net profit		-	-	-	2,968,976	2,968,976
Reserves	12	-	307,533	307,533	(615,066)	-
Bonus shares for 1997 (9 fils/share)	12	<u>1,422,000</u>	<u>-</u>	<u>-</u>	<u>(1,422,000)</u>	<u>-</u>
Balance as at 31 December 1998		22,752,000	6,366,355	838,747	3,116,569	33,073,671
Net profit		-	-	-	3,269,331	3,269,331
Reserves	12	-	339,036	339,036	(678,072)	-
Cash dividends for 1998 (10 fils/share)	12	-	-	-	(2,275,200)	(2,275,200)
Balance as at 31 December 1999		<u>22,752,000</u>	<u>6,705,391</u>	<u>1,177,783</u>	<u>3,432,628</u>	<u>34,067,802</u>

The accompanying notes on pages 24 to 34 form an integral part of these financial statements.

STATEMENT OF CASH FLOW (All amounts in Kuwaiti Dinars)

		31 December	
	Note	1999	1998
Cash flows from operating activities			
Cash used in operating activities	16	(20,470,316)	(18,429,346)
Payment for Kuwait Foundation for Advancement of Sciences		(55,356)	(119,731)
Net cash used in operating activities		<u>(20,525,672)</u>	<u>(18,549,077)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(183,274)	(144,555)
Murabaha investments		(5,241,725)	(446,641)
Purchase of investments in associates		(901,603)	-
Payments for purchase of investments in shares & funds		(347,082)	-
Income received from Murabaha investments		421,894	563,312
Net cash used in investing activities		<u>(6,251,790)</u>	<u>(27,884)</u>
Cash flows from financing activities			
Net proceeds from additional share capital subscription		-	11,057,608
Net receipts from Murabaha payables		32,831,818	8,738,157
Dividends paid		(2,275,200)	-
Net cash from financing activities		<u>30,556,618</u>	<u>19,795,765</u>
Net increase in cash and cash equivalents		3,779,156	1,218,804
Cash and cash equivalents at beginning of year		2,478,959	1,260,155
Cash and cash equivalents at end of year	3	<u>6,258,115</u>	<u>2,478,959</u>

The accompanying notes on pages 24 to 34 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Kuwaiti Dinars unless otherwise stated)

I. General

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 on 27 August 1995.

The Company's shares have been listed in Kuwait Stock Exchange on 27 April 1999. The Company's headquarters is at Ahmed Al-Jaber Street, Sharq, Kuwait.

On 4 April 1999, the Extra-ordinary General Assembly meeting, has changed the Company's purposes to be as follows:

1. Mediation and brokerage activities;
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.
10. Mobilization of resources for capital lease and syndicated capital lease.
11. Investing in capital lease in all types which requires acquisition of all types of assets and lease it out.
12. Establishment of investment funds on behalf of the company and the others. Also, promotion of their units for public offering as well as performing investment trustee or investment manager for investment and lease funds in Kuwait and abroad according to the current laws and regulations.
13. Investment portfolios management for lease transactions on account for the Company and the others in light of the current laws and regulations.
14. Acquisition of patent, trade and industrial marks as well as intellectual property rights for software and books to be used and leased for others.
15. Representation of local and foreign companies exercising similar activities for marketing their products and services for achievement of reciprocal interest in light of related Kuwaiti regulations.

All the above mentioned activities should be carried out in compliance with the Noble Islamic Shariaa provision.

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

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Kuwaiti Dinars unless otherwise stated)

2. Significant accounting policies

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

2.1. Foreign currencies

Transactions and balances

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

Financial statements translation

Assets and liabilities of 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 during the year. Gains and losses resulting from these transactions are directly included in shareholders' equity at the foreign currencies reserve.

2.2. Cash & cash equivalents

Cash and cash equivalent represents cash on hand and banks. Previously, investments in Murabaha due within a period not exceeding three months from the date of placement were considered as cash & cash equivalent. Investment in Murabaha has been reclassified this year for better and more accurate presentation of the financial statements.

2.3. Investments

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

Investment in funds is valued at fair value which is determined based on the fund's net asset value at the balance sheet date.

Long-term investments in unquoted shares are valued at cost which is reduced to recognise a decline other than temporary in value for each investment individually.

Previously, unquoted shares were classified as short term securities, and valued at the lower of cost or fair value on portfolio basis. Also, investments in Murabaha were valued at the lower of cost or net realizable value on an aggregate basis. No differences were resulted from the re-classification and the change in accounting policies. Since the fair value and the net realizable value for such investments were not declined substantially below the book value.

2.4. Trade receivables

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Kuwaiti Dinars unless otherwise stated)

2.5. Option contracts

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

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

2.6. Investment in associates

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

Equity accounting requires recognition of the company's share in the associates' results for the year in the income statement. The Company's interest in the associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate.

2.7. Fixed assets and depreciation

Fixed assets are shown at the historical costs net of accumulated depreciation. Depreciation is calculated on the straight line method over their estimated useful lives as shown in note (8).

The recoverable amounts of fixed assets are received by the company at the balance sheet date, and where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of fixed assets are determined by the difference between their carrying amount and sale price.

2.8. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.9. Employees benefits

The Company is liable under Kuwaiti labour law, to make payments to employees for post-employment benefits through a defined benefit plan. Such payment is made on a lump sum basis at the end of an employee's service.

This liability is unfunded and has been computed as the amount payable as a result of involuntary termination of employees on the balance sheet date. The Company estimates that this method will give a reliable approximation of the value of this obligation in relation to employee's accumulated current and past periods of service.

2.10 Revenue recognition

The Company is financing goods according to Musawama 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 contracts is included in the income statement on time proportion basis. Musawama contracts' profit is not recognised and suspended under other credit balances in the balance sheet when a customer becomes unable to settle his debt. Fees on portfolios management are recognised when earned according to contractual terms. The company's share of portfolios profit is recognised after deduction of portfolios' owners share in the portfolios' profit. Profit on Murabaha investment contracts is recognised on a time proportion basis.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in Kuwaiti Dinars unless otherwise stated)

2.11 Murabaha Cost

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

2.12 Operating lease cost

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

2.13 Financial instruments

In the ordinary course of business, the company deals in financial instruments such as cash & cash equivalent, investments, trade receivables and financial liabilities such as creditors, Murabaha payables.

The significant accounting policies in relation to the financial instruments have been disclosed, for each item separately. Note (17) illustrates the nature of these financial instruments and its associated risks.

2.14 Comparative figures

Where necessary, comparative figures are reclassified to conform with changes in the current year presentation. In particular, the comparatives have been adjusted or detailed to take into account the requirements of the following revised or new International Accounting Standards which the Company implemented in 1999:

<u>IAS No.</u>	<u>Description</u>	<u>Effective Date</u>
1	Presentation of Financial Statements	July 1, 1998
10	Contingencies and events occurring after the balance sheet date	January 1, 2000
19	Employee benefits	January 1, 1999
37	Provisions, contingent liabilities and contingent assets	July 1, 1999

No substantial effect has been resulted from applying the above standards in the financial statements.

2.15 Accounting estimates

Preparing the financial statements in accordance with the International Accounting Standards requires from the management to perform estimates and assumptions which may affect the values of assets and liabilities and contingent assets and liabilities at the balance sheet date and the amounts of revenues and expenses. The actual results may differ from these estimates.

3. Cash and Cash Equivalents

	<u>As at 31 December</u>	
	<u>1999</u>	<u>1998</u>
Cash on hand	19,853	33,770
Current accounts at banks & Financial institutions	6,238,262	2,445,189
	<u>6,258,115</u>	<u>2,478,959</u>

NOTES TO THE FINANCIAL STATEMENTS
 (All amounts in Kuwaiti Dinars unless otherwise stated)

Previously, investment in Murabaha expiring within 3 months from the Murabaha commencement date was considered as cash equivalent. The effect of change in this accounting policy on the cash flow statement for the year ended 31 December 1998 is detailed as follows:

	<u>Current presentation</u>	<u>Previous presentation</u>
Net cash (used in) from investing activities	(27,884)	418,757
Cash & cash equivalents	2,478,959	9,117,196
4. Trade receivables	As at 31 December	
	1999	1998
Trade receivables	119,033,221	98,183,714
Deferred profit	(18,941,832)	(17,593,692)
Provision for doubtful debts	100,091,389	80,590,022
General	(1,146,000)	(206,000)
Specific	(4,394,000)	(3,524,000)
	<u>94,551,389</u>	<u>76,860,022</u>
5. Other Debit Balances	As at 31 December	
	1999	1998
Suppliers - advance payments	6,611,300	108,000
Accrued income on Murabaha investments	58,500	21,000
Prepaid expenses	77,741	26,250
Other debit balances	343,573	88,686
	<u>7,091,114</u>	<u>243,936</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 contract in part or in full during a specific period.	
6. Investments in Shares and Funds	As at 31 December	
	1999	1998
Investment in local shares-unquoted	2,080,000	2,080,000
Investment in foreign shares-unquoted	347,082	-
Investment in funds	102,000	102,000
	<u>2,529,082</u>	<u>2,182,000</u>
Decline in investments value	(300,000)	-
	<u>2,229,082</u>	<u>2,182,000</u>
7. Investments in associates		

During the year, the company has subscribed in 20% of the capital shares of the First Finance Co - Q.S.C. (under incorporation) in Qatar with a total amount of Qatari Riyal 10,800,000 which equivalent to KD. 901,603

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in Kuwaiti Dinars unless otherwise stated)

8. Fixed Assets

Cost	1999				1998	
	Land	Furniture	Office Equipment	Computer	Total	Total
As at 1 January	356,800	175,536	31,860	335,487	899,683	755,128
Additions	-	26,604	9,703	146,967	183,274	144,555
As at 31 December	<u>356,800</u>	<u>202,140</u>	<u>41,563</u>	<u>482,454</u>	<u>1,082,957</u>	<u>899,683</u>
Accumulated depreciation						
As at 1 January	-	101,760	17,040	191,900	310,700	159,742
Depreciation for the year	-	51,600	9,600	134,400	195,600	150,958
As at 31 December	<u>-</u>	<u>153,360</u>	<u>26,640</u>	<u>326,300</u>	<u>506,300</u>	<u>310,700</u>
Net book value						
As at 31 December	<u>356,800</u>	<u>48,780</u>	<u>14,923</u>	<u>156,154</u>	<u>576,657</u>	<u>588,983</u>
Estimated useful lives/years	-	3	3	3		

9. Creditors & other credit Balances

	As at 31 December	
	1999	1998
Trade payables	2,200,508	1,847,357
Zakat	232,726	207,412
Special bonus	193,350	112,000
Accrued Expenses	102,620	51,130
Accrued staff leaves	81,000	58,000
End of service benefits	206,000	133,000
Kuwait Foundation for Advancement of Science	61,026	55,356
Board of Directors' remuneration	60,000	51,000
Others	72,862	25,001
	<u>3,210,092</u>	<u>2,540,256</u>

10. Murabaha payables

	As at 31 December	
	1999	1998
Murabaha payables	96,423,415	59,494,285
Deferred cost	(10,213,387)	(6,116,075)
	<u>86,210,028</u>	<u>53,378,210</u>

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

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Kuwaiti Dinars unless otherwise stated)

11. Share capital

The company's original authorised capital was KD.15,800,000 divided into 158,000,000 shares with a value of 100 fils each. On 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 its original capital. The authorised, issued and paid up capital became KD. 22,752,000 divided into 227,520,000 shares at a value of 100 fils per share. Also, the statutory reserve has been increased by the amount of the share premium amounting to KD. 5,530,000 net of the issuance expenses which amounted to KD. 2,392.

12. Proposed dividend

Proposed dividends are recorded in the financial statements at the date of approval of the Board of Directors proposal for distribution by the General Assembly meeting. Previously, the effect of the proposed appropriation is shown in the financial statement before the General Assembly approval. For applying the International Accounting Standard No. (10), "Events Occurring after the balance sheet date", this policy has been amended and the comparative figures have been restated to conform with the current year presentation.

Statutory reserve

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of 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.

Board of Directors' remuneration

Board of Directors' remuneration is calculated based on net profit for the year net of the share of 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 5% of paid up capital at least to shareholders.

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

Proposed dividends for 1999

The Board of Directors proposed cash dividends of 11 fils per share for 1999.

NOTES TO THE FINANCIAL STATEMENTS
 (All amounts in Kuwaiti Dinars unless otherwise stated)

13. Kuwait Foundation for Advancement of Science 'KFAS'

	As at 31 December	
	1999	1998
Operating profit	3,390,357	3,075,332
Less Statutory Reserve	(339,036)	(307,533)
% of KFAS	3,051,321	2,767,799
	2%	2%
	61,026	55,356

14. Earning per share

Earning per share is calculated on the basis of net profit for the period attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year, taking into consideration effect of bonus shares issued.

	As at 31 December	
	1999	1998
Net profit (K.D.)	3,269,331	2,968,976
Weighted average No. of ordinary shares Outstanding (shares)	227,520,000	211,157,260
Earning per share (Fils)	14	14

15. Staff cost

Income statement has been charged for staff cost amounted to KD. 1,295,341 (KD.991,582 for the year ended 31 December 1998). The annual average number of employees was 118 during 1999 (104 employees during 1998).

16. Cash used in operating activities

	As at 31 December	
	1999	1998
Net profit before KFAS	3,330,357	3,024,332
Adjustments:		
Depreciation	195,600	150,958
Provisions	2,110,000	1,500,000
Income from Murabaha Investment	(459,394)	(560,904)
Operating income before changes in working capital	5,176,563	4,114,386
Trade receivables	(19,501,367)	(23,887,888)
Other debit balances	(6,809,678)	716,908
Inventory	-	58,051
Creditors and other credit balances	664,166	569,197
Cash used in operating activities	(20,470,316)	(18,429,346)

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in Kuwaiti Dinars unless otherwise stated)

17. 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 noble Islamic Sharia, the money time value is not considered in determining the fair value, i.e. the money value of future receipts or disbursements does not change whether received or disbursed at present or in future.

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

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

The maturity analysis of the financial assets and liabilities as at 31 December 1998 is as follows:

	Within 3 months	From 3 months to 1 year	From 1-5 Years	More than 5 years	Total
Assets					
Cash & Cash equivalent	2,478,959	-	-	-	2,478,959
Investment in Murabaha	6,638,237	-	-	-	6,638,237
Trade receivables	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
	<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					
Trade payables	1,847,357	-	-	-	1,847,357
Murabaha payables	4,793,623	17,278,556	31,306,031	-	53,378,210
	<u>6,640,980</u>	<u>17,278,556</u>	<u>31,306,031</u>	<u>-</u>	<u>55,225,567</u>

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Risks associated with financial instruments.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Trade debtors represent the significant asset exposed to credit risk. Trade receivables are stated in the balance sheet net of deferred profit. The maximum credit risk exposure represented in trade receivables amounted to KD.94,551,389 as at 31 December 1999 (KD.76,860,022 as at 31 December 1998). The Company believes that the trade receivables balance is distributed among a large number of debtors which decrease the credit risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. There is no currency risk since the Company's activities are concentrated in the Kuwait market and most of its transactions are determined in Kuwaiti Dinar. The balance of investments in associates and investments in foreign unquoted shares represent the significant assets subject to currency risk. These investments amounted to KD 1,248,685 as at 31 December 1999 (nil as at 31 December 1998). The Company is tracking the exchange rates to mitigate this risk.

Liquidity risk

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

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

18. Geographical distribution of assets and liabilities

	Assets		Liabilities	
	As at 31 December		As at 31 December	
	1999	1998	1999	1999
Kuwait	122,239,237	88,992,137	89,420,120	55,918,466
Gulf Co-operation Council	1,217,042	-	-	-
U.S.A.	31,643	-	-	-
	<u>123,487,922</u>	<u>88,992,137</u>	<u>89,420,120</u>	<u>55,918,466</u>

19. Related parties

Related parties are shareholders who have representation in the Board of Directors, members of the Board of Directors, senior management, and their close members of family. In the normal course of business, there were transactions with related parties during the year ended at 31 December 1999 represented in purchase of motor vehicles for resale amounting to KD. 29,787,177 (KD.23,743,156 as at 31 December 1998). The related parties outstanding balances in the balance sheet were as follows:

	As at 31 December	
	1999	1998
Trade payables	145,761	881,385
Suppliers - Advance payment	2,455,736	108,000

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The company also manages portfolios on behalf of a related party. Gross assets of these portfolios amounted to KD. 8,934,922 as at 31 December 1999 (KD.11,532,268 as at 31 December 1998 which is included under off - balance sheet items).

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

In addition, the Board of Directors' remuneration paid during the year amounted to KD. 51,000 (KD. 49,000 for the year ended 31 December 1998).

20. Off balance sheet items

The Company manages portfolios on behalf of others, which are not included in the balance sheet. The total value of the managed portfolios on behalf of others as at 31 December 1999 amounted to KD. 12,254,640 (KD. 12,707,208 as at 31 December 1998).

21. Year 2000 Issue

Systems and applications critical to the Company's operations and financial information are being reviewed to establish the impact of year 2000 on the accuracy of the accounting transactions and reports. Plans are being developed by the company to face this issue. 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 from year 2000 issue. During the year the company has incurred expenditures related to the specific arrangements for this issue amounted to KD. 25,000. The company has adopted an estimated budget of KD 155,000 to replace some systems through one year to develop the current systems.