



**KUWAIT FINANCE HOUSE**

**(K.S.C.)**

**Eleventh  
Annual Report  
1988**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ





# **KUWAIT FINANCE HOUSE (K.S.C.)**

Incorporated In Kuwait  
On 3rd Rabei Al-Akher 1397 A. H.  
Corresponding to 23rd March, 1977 A. D.

**The Report of Board of Directors  
And  
The Financial Statements**

---

**1988**

---



HIS HIGHNESS THE AMIR OF KUWAIT  
SHEIKH JABER AL AHMAD AL JABER AL SABAH



HIS HIGHNESS THE CROWN PRINCE PRIME MINISTER  
SHEIKH SA'AD AL ABDULLA AL SALIM AL SABAH

---

## Contents

---

Members of Al-Fatwa & Sharia'a	7
Members of Board of Directors	8
The General Manager & His Assistants	9
The Statement of The Chairman	11
Report of Fatwa & Sharia'a	15
Auditors Report	19

---

## Members of Al-Fatwa & Sharia'a Supervisory Authority

---

---

**Sheikh Bader A. Abdul Basit**

---

**Dr. Khaled Al-Mathkour**

---

**Dr. Abdul Sattar Abu - Ghuddah**

---

---

## **The Board of Directors**

---

**Ahmad Bazie Al-Yaseen**  
*Chairman*

---

**Faisal Abdul Muhsin Al-Khatrash**  
*Vice - Chairman*

---

**Bader Abdul Muhsin Al-Mukhaizeem**  
*Managing Director*

---

**Ahmad Sa'ad Al-Jaser** *Member*

---

**Khaled Abdullah Al-Zeer** *Member*

---

**Sameer Ya'qoub Al-Nafeesi** *Member*

---

**Abdul Jaleel A. Al-Gharaballi** *Member*

---

**Mohammad Ali Al-Khudairi** *Member*

---

**Mohammad Yousuf Al-Roumi** *Member*

---

**Hazza' Jasem Al-Husayyan** *Member*

---

---

## **THE GENERAL MANAGER**

---

**Adnan A. Al-Bahar**

---

---

## **Assistant General Managers**

---

Ahmad A. Al-Dohsary

---

Dr. Khaled M. Boodai

---

E. Sulaiman A. Al-Braikan

---

Faisal A. Al-Zamil

---

Waleed A. Al-Ruwayeh

---

---

## **Deputy Assistant General Managers**

---

Sa'adi Othman A. Al-Othman

---

Hashim Shukri Jamus

---



---

## The Statement of the Chairman of the Board of Directors

**In the name of Allah, the most  
Gracious, the most Merciful.**

**Praise be to Allah, blessing and peace be upon the Prophet of Allah;  
Mohammad and upon his family, companions and followers.**

Dear brothers,

On behalf of Kuwait Finance House Board of Directors, I take pleasure in warmly welcoming you to your eleventh annual meeting and submit to you the financial statements including the profit and loss account for 1988.

During 1988, the international economic environment continued to be turbulent with direct repercussions on the local economy. But the economic policies of Kuwait which were clearly spelled out and adhered to were successful in offsetting the negative aspects of such economic environment. Consequently, Kuwait was able to take some positive steps to revitalize and activate the local economy in spite of the negative economic environment regionally and globally.

As for Kuwait Finance House, 1988 was an important landmark year. It marked the completion of ten successful years of operations since the inception of the institution's business in 1978. 1988 also witnessed the preparation of the first documented medium term strategy to enhance performance techniques and skills to enable the institution to be closer to its markets, more capable of understanding the inclinations and needs of its customers and faster in its response to such needs.

Kuwait Finance House's strategy clearly states our major responsibilities towards our partners. The mission of the institution states that Kuwait Finance House is an Islamic financial institution with the aim of applying the Islamic approach to financial transactions in order to provide outstanding banking and investment services to customers and achieve rewarding returns for depositors and shareholders.

The strategy focuses on promoting the institution's capabilities and its leading role in the retail markets in banking, trading and real estate. This is being done through the process of developing new products such as KFH visa card, private banking, fast transfer services, foreign currency deposits and real estate portfolios.

The Trading sector has considerably expanded its retail activities such as Murabaha services through KFH branches, dealing in used cars, promotion of sales through car agencies and the sale of "Nasr" cars in Egypt to local clients.



To insure that our retail services are comprehensive and unique, we have expanded our services through various types of sales contracts such as direct sales, Murabaha for houses and residential plots on instalments tailored to the customer needs. The sale of residential plots of land is provided in co-ordination with the Savings and Credit Bank.

In the corporate market we have started the process of improving our services after a period of evaluation and reorganization. Some new innovative products have been introduced to develop our competitive advantage in the corporate market. The most important new products are "Estisnae" i.e. "Order to manufacture" contracts, participation contracts and special services to co-operative societies. Although we are still in the early stages in these fields, the preliminary results are so positive and encouraging that 1989 could be a starting point for a takeoff in this market.

In the international and investment market, our strategy focuses on developing our skills to promote Kuwaiti exports in co-operation with specialized international institutions such as the Islamic Development Bank. Work is also under way in developing new products in areas as counter trade and trade promotion between Islamic countries.

To Augment our internationalization process, we have finalized the establishment of an Islamic Finance House in Turkey. Kuwait Finance House holds a 50% stake in this institution, the Turkish Waqf Bank 30%, the Islamic Development Bank 9%, the Public Institution for Social Security 9% and 2% for individuals. The institution will start operations in the first quarter of 1989. We have adopted the presence in foreign markets to make Kuwait Finance House an International Financial Institution that participates in alleviating the interest rate-generated world economic crisis.

In the international markets new services in international trade finance have been introduced to our customers. An investment fund has been set up in the tankers business in co-operation with Kuwait Oil Tankers Company. The fund has been subscribed and successfully launched. Other participants in the fund include international institutions, such as Citicorp. and Fred Olson and Company.

In the real estate market, our efforts continued in rearranging our real estate assets by improving returns and upgrading the components of these assets. In developing new products for our clients, we issued the fourth real estate portfolio which was subscribed by our customers. Preparations are underway to start the sale of apartments on ownership basis. Moreover, a large number of units have been added to our existing supply of residential and commercial units. Our services to our customers in rented apartments are continuously being improved in terms of letting and eviction procedures and regular and

prompt on-demand maintenance services.

Along with providing diversified services to its customers, Kuwait Finance House continues to stand to its social responsibilities by providing social and charitable services in co-ordination with specialized social institutions such as the Zakat House. Moreover, starting from the inception of KFH the Zakat, Charity and Qard Hasan Committee has been established to provide assistance to Islamic organizations and charities. Free loans are also provided to the needy in co-operation with the Zakat House and we are contemplating to widen the scope of this service.

In the cultural field, we have a prominent role in promoting Islamic ideas and concepts, especially in the field of financial transactions. This is being done through an information policy aimed at projecting the social role of Kuwait Finance House and the close association of its services with basic social needs. Moreover, this policy is addressed to enhance the role of the institution among Islamic and international financial institutions.

In our personnel policies, efforts are continuing in improving and upgrading Islamic understanding of financial transactions and professional skills in management marketing and service delivery aspects. In line with the Government policy of enhancing job opportunities for nationals, Kuwait Finance House has initiated a project with the aim of recruiting and upgrading nationals to fill supervisory and senior posts.

Dear shareholders,

The financial results of 1988 show substantial growth over 1987 as the following figures indicate:  
The Balance Sheet:

The total balance sheet amounted to KD 1,206 million, an increase of KD 120 million over 1987. Total assets increased by 11% to KD 1,173 million.

On the liabilities side, current and investment accounts amounted to KD 919 million, an increase of KD 78 million over 1987. Shareholders' equity increased by 10.6% to KD 47.1 million whereas paid-up capital increased by 13.4% from KD 23.1 million in 1987 to KD 26.2 million in 1988.

---

#### **Revenues And Profit:**

---

Total revenues amounted to KD 43.3 million showing an increase of 20.9% over 1987. After the deduction of expenses and various provisions totalling KD 13.1 million, net profit amounted to KD 30.2 million, 23.3% higher than 1987.

---

**Profit Distribution:**

---

Profit has been distributed on investment deposits as follows:

- Investment deposits – Unlimited period – 5.55%
- Investment deposits – Limited period – 4.625%
- Investment Savings accounts – 3.70%

The Board of Directors has recommended to the General Assembly the distribution of 9% bonus shares and 4% cash dividends to shareholders as at the end of 1988.

Dear Brothers,

In conclusion, we thank Almighty Allah for His help and guidance and we pray to Him to assist us to achieve the objectives of Kuwait Finance House for the benefits of our country and the Arab and Islamic World under the leadership of their Highness the Amir Sheikh Jaber Al Ahmad Al Sabah and the Crown Prince Prime Minister Sheikh Sa'ad Al Abdullah Al Sabah and the esteemed government.

We express our deep thanks to their excellencies the members of the Fatwa and Shariaa supervisory Authority. I also thank my colleagues, the members of the Board for their concerted efforts. I would like to commend the efforts of the Managing Director Bader Abdul Mohsin Al Mukhaizeem, the General Manager Adnan A. Al-Bahar, the Assistant General Managers and all the employees.

I also thank the shareholders, and our customers for their fruitful co-operation for mutual benefits.

We pray to Allah to bless our efforts in the service of Islam and Muslims.

**Ahmad Bazie AlYasseen**

Chairman.

Date: 29th Jumada Al-Akher 1409 A.H.  
Corresponding to 5th February 1989 A.D.

**Report Of Fatwa & Sharia'a  
Supervisory Authority**

By following up the performance of Kuwait Finance House during 1988, we certify that all its activities were practiced in compliance with Islamic Sharia'a, and no violations have occurred, to the best of our knowledge.



Sheikh/Bader  
A. Abdul-Basit

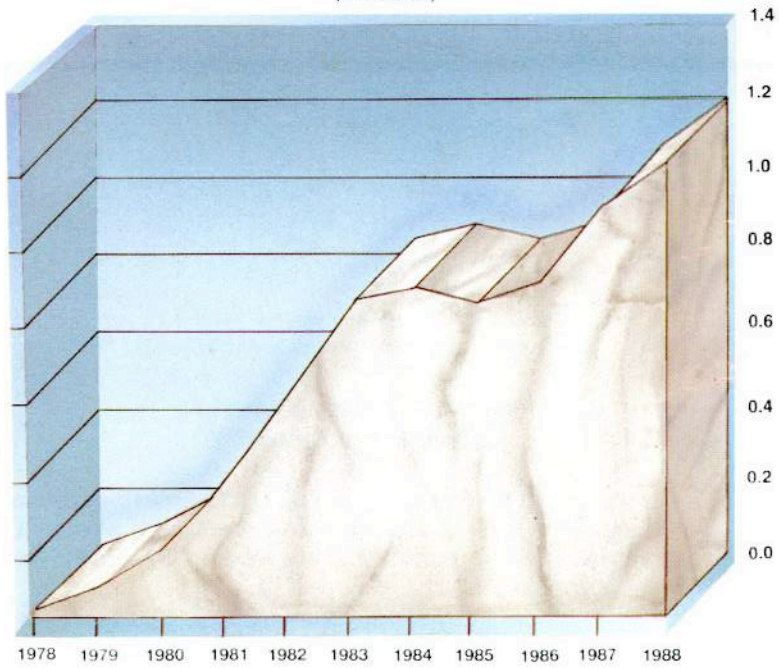


Dr. Abdul-Sattar  
Abu Ghuddah

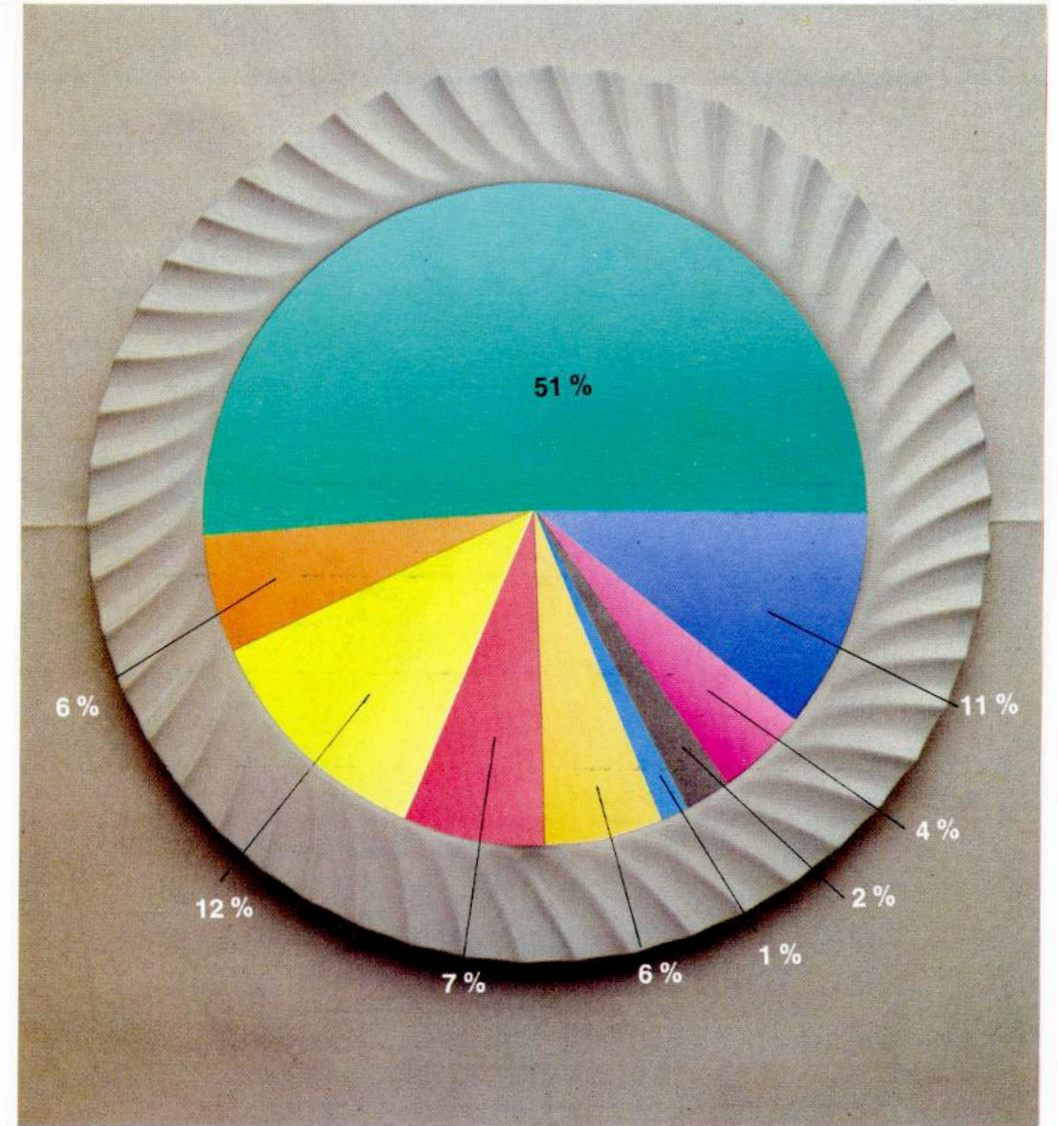
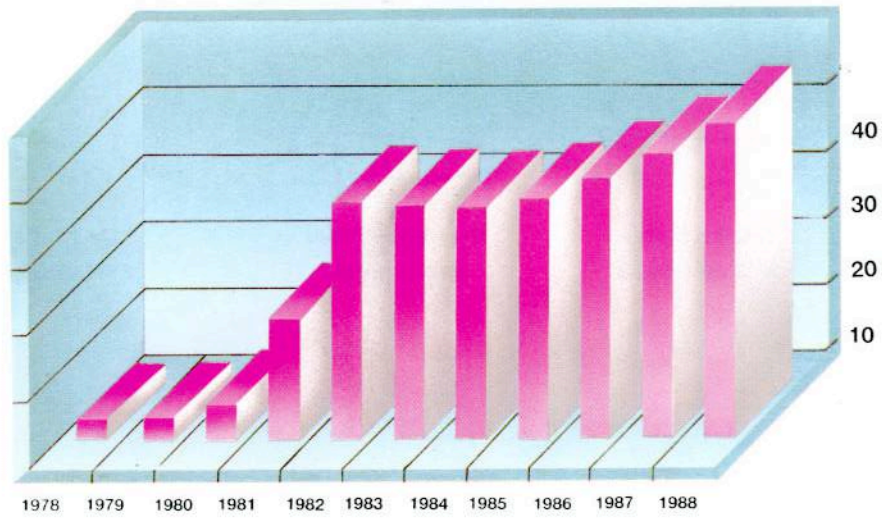


Dr. Khaled  
Al-Mathkour

**TOTAL BALANCE SHEET (1978 - 1988)**  
(K. D. BILLION)



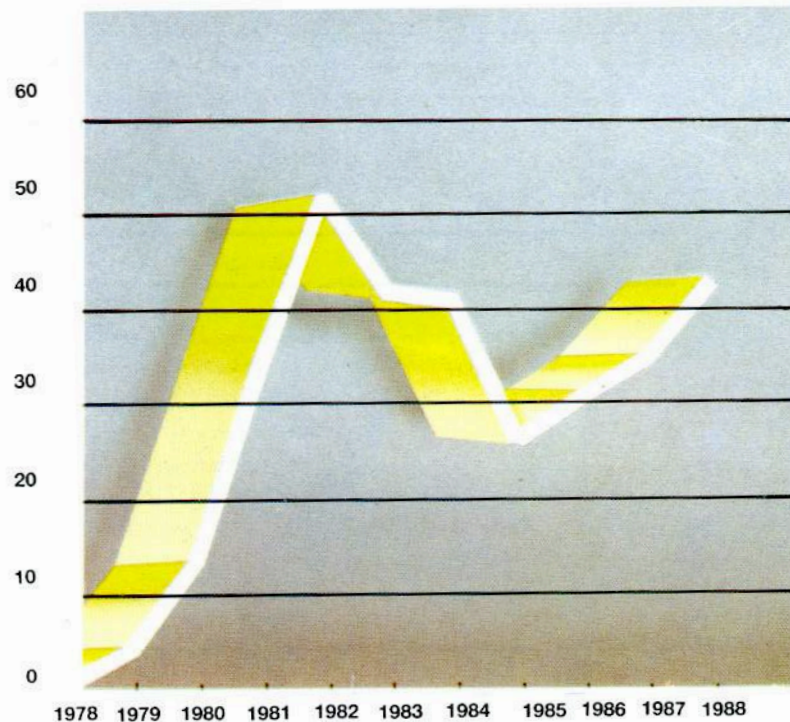
**TOTAL EQUITY (1978 - 1988)**  
(K.D. MILLION)



**L.C. DEPT. OPERATIONS BY COMMODITY**

- FOODSTUFF
- OTHERS
- MACHINERY
- STATIONARY
- HOUSE H. ITEMS
- FURNITURE
- ELECTRONICS
- TEXTILES
- CONST. MATERIALS

**TOTAL INCOME**  
(K.D. MILLION)



**K.F.H. DEVELOPMENT**  
(KD MILL)

YEAR	TOTAL BAL. SHEET	TOTAL EQUITY	NET PROFIT
1978	26.76	2.81	.53
1979	81.60	3.25	3.48
1980	180.71	5.26	4.85
1981	376.97	18.09	25.05
1982	598.14	35.63	45.89
1983	834.94	35.19	36.72
1984	872.67	34.77	-
1985	831.64	35.90	17.52
1986	886.94	38.94	20.56
1987	1086.23	42.61	24.53
1988	1206.34	47.13	30.23

We have examined the financial statements of Kuwait Finance House K.S.C. set out on pages 20 to 32. Our examination included such tests of the accounting records and such other auditing procedures as we considered necessary. We obtained all the information and explanations that we required for the purpose of our examination.

The financial statements have been prepared on the basis set out in Note 2.

On this basis, in our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1988 and of the results of its operations for the year then ended in accordance with the principles of Islamic Sharia.

Furthermore, in our opinion proper books of account have been kept by the company and the financial statements, together with the contents of the report of the board of directors relating to these financial statements, are in accordance therewith. We further report that the financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the company's Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the law nor of the Articles of Association have occurred during the year ended 31 December 1988 that might have had a material adverse effect on the business of the company or on its financial position.

AHMAD M. AL-AIBAN  
R.A.A. No. 65 A  
OF AHMED AL-AIBAN & CO.

WALEED AL-OSAIMI  
R.A.A. No. 68 A  
OF AHMED AL-AIBAN & CO.

Kuwait  
12 January 1989

**KUWAIT FINANCE HOUSE (K.S.C.)**
**BALANCE SHEET  
AT 31 DECEMBER, 1988**

ASSETS EMPLOYED	Note	1988	1987
		KD	KD
ASSETS			
Cash and balances with banks		37,016,135	39,393,665
Deposits with financial institutions		243,329,910	156,407,883
Murabaha and other accounts receivable	4	292,477,815	272,393,391
Inventories	5	5,855,296	3,440,149
Medium term Murabaha and other accounts receivable	6	123,907,126	117,776,755
Trading investments in property	7	389,219,525	373,140,886
Construction work in progress	8	26,890,586	42,130,292
Investment in Al-Muthanna Complex	9	28,223,276	28,901,442
Other investments	10	7,485,954	5,164,149
Property, plant and equipment	11	18,430,057	18,746,651
<b>TOTAL ASSETS</b>		<b>1,172,835,680</b>	<b>1,057,495,263</b>
Liability of customers for letters of credit, acceptances and guarantees		33,508,170	28,732,516
		<b>1,206,343,850</b>	<b>1,086,227,779</b>

AHMAD BAZIE AL-YASEEN  
CHAIRMAN

BADER ABDULMUHSIN  
AL-MUKHAIZEEM  
MANAGING DIRECTOR

FUNDS EMPLOYED	Note	1988	1987
		KD	KD
LIABILITIES			
Current and investment accounts	12	918,990,366	840,526,490
Deposits from financial institutions		163,660,024	138,755,693
Accounts payable and accruals	13	17,992,620	16,146,455
Depositors' share of net profit	14	24,017,813	19,457,070
Proposed dividend	18	1,046,056	-
<b>TOTAL LIABILITIES</b>		<b>1,125,706,879</b>	<b>1,014,885,708</b>
SHAREHOLDERS' EQUITY			
Share capital – authorised, issued and fully paid shares of KD 0.100 each	15	26,151,393	23,142,826
Statutory reserve (including share premium KD 4,328,054)	16	17,403,751	15,899,467
General reserve	17	1,220,032	558,695
Proposed bonus shares	18	2,353,625	3,008,567
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>47,128,801</b>	<b>42,609,555</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,172,835,680</b>	<b>1,057,495,263</b>
Letters of credit, acceptances and guarantees on behalf of customers		33,508,170	28,732,516
		<b>1,206,343,850</b>	<b>1,086,227,779</b>

ADNAN ABDULAZIZ AL-BAHAR  
GENERAL MANAGER

The attached notes 1 to 19 form part of these financial statements.

**STATEMENTS OF INCOME AND APPROPRIATIONS**  
**YEAR ENDED 31 DECEMBER, 1988**

**KUWAIT FINANCE HOUSE (K.S.C.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER, 1988**

STATEMENT OF INCOME	Note	1988 KD	1987 KD
<b>INCOME</b>			
Income from banking, property, commercial and construction operations		35,304,131	29,097,705
Net rental income		7,342,867	6,283,978
Other income		656,364	437,606
<b>Total income</b>		<b>43,303,362</b>	<b>35,819,289</b>
<b>EXPENSES AND PROVISIONS</b>			
General and administration expenses		9,734,652	8,689,047
Depreciation		2,697,505	2,303,632
Provision for obsolete and slow moving inventories		636,916	-
Provision for losses of subsidiary company		-	100,000
Provision for decline in value of other investments		-	196,000
		<b>13,069,073</b>	<b>11,288,679</b>
<b>NET PROFIT FOR THE YEAR</b>		<b>30,234,289</b>	<b>24,530,610</b>
<b>STATEMENT OF APPROPRIATIONS</b>			
Transfer to statutory reserve	16	1,504,284	1,285,713
Transfer to general reserve	17	1,026,901	549,869
Contribution to Kuwait Foundation for the Advancement of Sciences		235,610	189,391
Directors' fees		50,000	40,000
Depositors' share of net profit	14	24,017,813	19,457,070
Proposed bonus shares	18	2,353,625	3,008,567
Proposed dividend	18	1,046,056	-
		<b>30,234,289</b>	<b>24,530,610</b>

The attached notes 1 to 19 form part of these financial statements.

**1. ACTIVITIES**

Kuwait Finance House K.S.C. is a Kuwaiti shareholding company incorporated in Kuwait.

The principal activities of the company include the provision of banking services, the purchase and sale of property and other trading activities including project construction for its own account as well as for third parties. Sales may take various forms including cash, credit and murabaha sales (purchasing of raw materials, goods or equipment and selling them at an agreed negotiated profit margin). It also includes joint venture business with third parties.

All activities are conducted in accordance with the teachings of Islam without practicing usury.

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

At 31 December 1988 there continued to be a shortfall between provisions held and an estimate of those required in respect of decline in the value of trading investments in property and doubtful credit facilities which resulted from trading and banking activities. It is intended that the shortfall will be covered out of future years' earnings.

Kuwait Investment Authority, on behalf of the Ministry of Finance, Kuwait has guaranteed the financial position of the company and has undertaken to ensure that the shortfall shall not result in a reduction in the level of the shareholders' equity at 31 December 1986 amounting to KD 38,138,804. The financial statements have been prepared on this basis.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**a) Accounting convention**

The financial statements are prepared under the historical cost convention.

**b) Income recognition**

Profits and losses arising from all sales, including long term credit sales, are taken to income in full when the sale is made in accordance with principles of Islamic Sharia.

Rental income is recognised on a time proportion basis.

**c) Murabaha and other accounts receivable**

Murabaha and other accounts receivable from customers are stated in the balance sheet under appropriate headings less available provisions for doubtful accounts receivable. Medium term murabaha and other accounts receivable represent amounts

due twelve months or more after the balance sheet date. An estimate of provisions required is made for accounts receivable as soon as they are considered doubtful.

**d) Trading investment in property**

Trading investments in property are carried at cost less available provisions for decline in value, and less depreciation in respect of buildings that are rented out by the company.

**e) Other investments**

Investment in subsidiary company is carried at cost less provision for accumulated losses in the investee company.

Investments in affiliated companies are carried at cost less provision for permanent diminution in value. Investments in joint ventures are carried at the lower of cost and net realisable value.

**f) Construction work in progress**

Construction work in progress is valued at cost of land under development and all construction costs incurred to the date of the balance sheet.

**g) Depreciation**

Freehold land is not depreciated. The cost of other property, plant and equipment is depreciated over the estimated useful lives of the assets.

The cost less estimated residual value of Al-Muthanna complex is depreciated over the initial lease period.

**h) Employees' terminal benefits**

Provision is made for amounts payable under the Kuwait Labour Law applicable to employees' accumulated periods of service at the balance sheet date.

**i) Foreign currencies**

Foreign currency transactions are recorded in Kuwaiti dinars at the rates of exchange prevailing at the time of the transactions. Assets and liabilities in foreign currency at the balance sheet date are translated at the year end rates of exchange. Exchange differences are reported as part of the results for the year.

**j) Inventories**

Inventories are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Cost is determined on a specific identification basis for motor vehicles and on a first-in first-out basis for other inventory items.

**k) Fiduciary assets and liabilities**

Assets and related deposits held in a trust or fiduciary capacity are not treated as assets and liabilities of the company and are accordingly not included in these financial statements.

**4. MURABAHA AND OTHER ACCOUNTS RECEIVABLE**

	1988 KD	1987 KD
Advances to customers against letters of credit and Murabaha contracts	22,917,280	24,628,529
Murabaha accounts receivable from:		
International institutions	196,607,533	184,812,530
Islamic financial institutions	11,765,648	11,114,434
Trade receivables:		
Property	30,769,855	37,806,014
Commercial	37,761,322	11,849,361
Other receivables:	3,399,891	13,101,570
Prepaid expenses	565,762	416,475
	<u>303,787,291</u>	<u>283,728,913</u>
Less: Provision for doubtful receivables	11,309,476	11,335,522
	<u>292,477,815</u>	<u>272,393,391</u>

Murabaha accounts receivable due from international institutions are guaranteed by international banks.

**5. INVENTORIES**

	1988 KD	1987 KD
Motor vehicles, net of provision	4,934,951	2,553,260
Foodstuffs	474,863	692,072
Spare parts	79,502	66,369
Consumer goods	115,891	-
Goods in transit	250,089	128,448
	<u>5,855,296</u>	<u>3,440,149</u>

## 6. MEDIUM TERM MURABAHA AND OTHER ACCOUNTS RECEIVABLE

	1988 KD	1987 KD
Murabaha accounts receivable from:		
International institutions	54,703,924	63,240,360
Local companies and individuals	478,907	1,131,328
Trade receivables:		
Property	21,809,120	15,786,170
Commercial	46,915,175	37,618,897
	<u>123,907,126</u>	<u>117,776,755</u>

Murabaha accounts receivable due from international institutions are guaranteed by international banks.

## 7. TRADING INVESTMENTS IN PROPERTY

	1988 KD	1987 KD
Residential	70,424,947	76,168,913
Commercial, investments and stores	143,752,151	150,988,325
South Surra land	41,269,663	41,434,543
Land – undivided plots	14,158,003	14,713,264
Land and buildings, less provision for depreciation of KD 2,454,586 (1987: KD 1,554,586)	108,493,052	78,869,656
Under expropriation	25,341,900	25,341,900
Land and buildings outside Kuwait	13,951,327	13,795,803
	<u>417,391,043</u>	<u>401,312,404</u>
Less: Provision for decline in value	28,171,518	28,171,518
	<u>389,219,525</u>	<u>373,140,886</u>

## 8. CONSTRUCTION WORK IN PROGRESS

	1988 KD	1987 KD
Cost of land under development	24,042,087	36,321,096
Construction costs incurred	2,848,499	5,809,196
	<u>26,890,586</u>	<u>42,130,292</u>

## 9. INVESTMENT IN AL-MUTHANNA COMPLEX

	1988 KD	1987 KD
Cost of the complex	30,257,774	30,257,774
Less: Accumulated depreciation	2,034,498	1,356,332
	<u>28,223,276</u>	<u>28,901,442</u>

Any net profit generated from Al-Muthanna complex is for the benefit of shareholders of the company (Note 18).



## 10. OTHER INVESTMENTS

	1988 KD	1987 KD
(i) Affiliated companies	7,552,609	5,230,804
Less: Provision for permanent diminution in value	<u>1,007,000</u>	<u>1,007,000</u>
	<u>6,545,609</u>	<u>4,223,804</u>
(ii) Subsidiary company	1,160,524	1,160,524
Less: Provision for losses	<u>260,524</u>	<u>260,524</u>
	<u>900,000</u>	<u>900,000</u>
(iii) Joint ventures in commercial activities	78,345	78,345
Less: Provision for anticipated losses	<u>38,000</u>	<u>38,000</u>
	<u>40,345</u>	<u>40,345</u>
	<u>7,485,954</u>	<u>5,164,149</u>

The affiliated companies are Islamic institutions incorporated outside Kuwait and the company's holdings vary from 0.2% to 50% of their capital.

There were financial commitments in respect of uncalled capital at 31 December 1988, amounting to KD 1,773,420 (1987: KD 877,537).

The investment in the subsidiary company is represented by 100% of the shares of International Turnkey Systems Company K.S.C. (Closed). The financial statements of the subsidiary company have not been consolidated for the following reasons:

- The activities of the subsidiary company are dissimilar from those of the company.
- The net assets of the subsidiary company are immaterial in relation to those of the company and their non-consolidation has therefore no material effect on these financial statements.

## 11. PROPERTY, PLANT AND EQUIPMENT

The estimated useful lives of the assets for depreciation purposes are as follows:

Buildings on freehold land – head office	30 years
– others	7–20 years
Leasehold property	20 years or lease period whichever is shorter.
Furniture and fittings	3 years
Plant and equipment	3 years
Motor vehicles	3 years

Cost:	Freehold property		Leasehold property KD	Furniture and fittings KD	Plant, equipment and motor vehicles KD	Total KD
	Head office KD	others KD				
<b>At 31 December 1987</b>	14,563,982	2,771,831	1,144,275	1,055,092	2,860,557	22,395,737
Addition during the year	45,162	–	–	344,902	418,641	808,705
Cost of disposals	–	–	(250)	–	(20,307)	(20,557)
<b>At 31 December 1988</b>	<b>14,609,144</b>	<b>2,771,831</b>	<b>1,144,025</b>	<b>1,399,994</b>	<b>3,258,891</b>	<b>23,183,885</b>
<b>Depreciation:</b>						
<b>At 31 December 1987</b>	551,171	181,977	205,930	828,022	1,881,986	3,649,086
Charge for the year	360,000	79,044	57,711	190,203	432,381	1,119,339
Relating to disposals	–	–	–	–	(14,597)	(14,597)
<b>At 31 December 1988</b>	<b>911,171</b>	<b>261,021</b>	<b>263,641</b>	<b>1,018,225</b>	<b>2,299,770</b>	<b>4,753,828</b>
<b>Net book amounts:</b>						
<b>At 31 December 1988</b>	13,697,973	2,510,810	880,384	381,769	959,121	18,430,057
<b>At 31 December 1987</b>	14,012,811	2,589,854	938,345	227,070	978,571	18,746,651

## 12. CURRENT AND INVESTMENT ACCOUNTS

	1988 KD	1987 KD
Current accounts	143,330,899	107,792,290
Investment and non-investment savings accounts	502,911,986	493,335,202
Investment deposits for limited period	6,511,147	—
Investment deposits for unlimited period	<u>266,236,334</u>	<u>239,398,998</u>
	<u>918,990,366</u>	<u>840,526,490</u>

The current accounts are deposits payable on demand. The customers are not entitled to any profits and do not bear any losses. The company guarantees to pay the balance on demand. From the Islamic point of view, current accounts are interest free loans (Qard Hassan) from the customer to the company.

Investment deposits for limited period are valid for one year. Investment deposits for unlimited period are valid for one year, and are automatically renewable for the same period unless the customer gives written notice to the contrary at least three months before the due date.

In all cases the investment accounts receive or bear such proportion of the related profits or losses as the directors may determine based on the results earned at the end of the financial year.

## 13. ACCOUNTS PAYABLE AND ACCRUALS

	1988 KD	1987 KD
Trade payables	5,608,439	5,553,395
Other payables	9,948,596	8,139,851
Accrued expenses	<u>2,435,585</u>	<u>2,453,209</u>
	<u>17,992,620</u>	<u>16,146,455</u>

## 14. DEPOSITORS' SHARE OF NET PROFIT

The share of the depositors in the net profit has been calculated at the following rates as determined by the Board based on the profit earned.

	1988	1987
Investment savings accounts	3.700%	3.6%
Investment deposit accounts – limited period	4.625%	4.8%
Investment deposit accounts – unlimited period	5.550%	5.4%

## 15. SHARE CAPITAL

	1988 KD	1987 KD
At beginning of the year	23,142,826	20,571,401
Bonus issue during the year	<u>3,008,567</u>	<u>2,571,425</u>
At end of the year	<u>26,151,393</u>	<u>23,142,826</u>

## 16. STATUTORY RESERVE

In accordance with the Law of Commercial Companies and the Company's Articles of Association, an amount of KD 1,504,284 has been transferred to the statutory reserve to bring the total balance to 50% of the share capital.

Distribution of the reserve is limited to the amount required to enable payment of a dividend of 5% of share capital in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

## 17. GENERAL RESERVE

	1988 KD	1987 KD
Balance at beginning of the year	558,695	382,224
Zakat paid during the year	(365,564)	(373,398)
Transfer this year	<u>1,026,901</u>	<u>549,869</u>
Balance at end of the year	<u>1,220,032</u>	<u>558,695</u>

As permitted by the Company's Articles of Association the directors have proposed to transfer KD 1,026,901 from net profit to general reserve this year. There are no restrictions on the distribution of this reserve.

## 18. PROPOSED BONUS SHARES AND DIVIDEND

The share of net profits for the year attributable to share capital has been determined by the Board at the rate of 6.167% (1987 – 6%) which amounts to KD 1,612,756 (1987 – KD 1,388,570).

The Board of Directors proposes a cash dividend of 4% (1987 – Nil) and a bonus issue of 9% (1987 – 13%) of share capital as shown below:

	1988 KD	1987 KD
Profit attributable to share capital	1,612,756	1,388,570
Profit attributable to reserve accounts (Note 19)	992,430	899,758
Net profit from Al-Muthanna complex (Note 9)	1,520,000	1,085,804
Less: Transfer to general reserve	<u>(725,505)</u>	<u>(365,565)</u>
Proposed bonus shares and dividend	<u>3,399,681</u>	<u>3,008,567</u>

## 19. NET PROFIT ATTRIBUTABLE TO RESERVE ACCOUNTS

As the statutory and general reserve balances (together with the share capital) represent part of the funds invested, they are entitled to a share of the net profit for the year calculated at the rate attributable to share capital. This share of net profit is calculated on the reserve balances at the end of each year.

## Kuwait Finance House Branches

### 1 – Head Office Branch

Abdulla Mubarak St.  
Tel: 2445050 - 2445070

### 2 – Jahra Branch

Jahra, Behind Jahra Co-Op.  
Tel: 4775325 - 4775326 - 4775327

### 3 – Rigah Branch

Rigah, Near Vegetable & Fruit Market  
Tel: 3941582 - 3941583 - 3941584

### 4 – Sharq Branch

Sharq, Ahmad Al-Jaber St.  
Al-Jaz Tower.  
Tel: 2426511 - 2426536 - 2426514

### 5 – Fahaheel Branch

Fahaheel, dabbous St.  
Tel: 3911904 - 3913400 - 3911997

### 6 – Farwaniya Branch

Farwaniya, Sixth Ring Road,  
Near Public Housing Authority  
Tel: 4746053 - 4746054 - 4746057

### 7 – Failaka Branch

Failaka, Failaka St., Ahmed Rabie Building  
Tel: 2790267 - 2790269 - 2791805 - 2791809

### 8 – Faiha Branch

Faiha, Faiha Co-Op.  
Tel: 2520174 - 2520175 - 2520176 - 2520168

### 9 – Salmiya Branch

Salmiya, Salmiya Co-Op.  
Tel: 5724350 - 5724536 - 5724958 - 5722489

### 10 – Hawally Branch

Hawally, Beirut St., Mubarak Al Hasawi Building  
Tel: 2644143 - 2644162

### 11 – Ministries Complex Branch

Ministries Complex Building  
Tel: 2436203 - 2439176

### 12 – Al Muthanna Complex Branch

Al Muthanna Complex. Fahed Al Salem St.  
Tel: 2414090 - 2414095 (Six Lines)

### 13 – Al Sheib Branch

Al Sheib, Near Sheib Co-Op.  
Tel: 2610439 - 2610436 - 2610562  
2610561 - 2610607 - 2610608

### 14 – Al Ardhiya Branch

Al Ardhiya Co-Op  
Tel: 4880986 - 4880462 - 4880439 - 4880347

### 15 – Sabah Al-Salim Branch – Dahiyat Sabah Al-Salem.

Tel: 5517472 - 5517476 - 5517482

أوردت مجلة ( The Banker ) البريطانية الجدول المرفق متضمناً البنوك والمؤسسات الإسلامية الأولى في العالم مرتبة حسب أولويتها وأهميتها. وتعتبر هذه المجلة من أقدم المجلات البريطانية التي تهتم بشؤون المال والاقتصاد في بريطانيا إن لم يكن في العالم حيث أسست عام ١٩٢٦. ويتضمن الجدول الوضع المالي لكل بنك ومؤسسة كما هو موضح بالأرقام حتى نهاية العام ١٩٨٧.

"The Banker" British Magazine published the attached, schedule of the first Islamic banks and Institutions in the world according to its priority and importance "The Banker" is one of the British and World Finance and Business magazines, and was established on 1926.

The schedule contains the Financial situation of every bank and institution as explained with figures.

## TOP 15 ARAB ISLAMIC INSTITUTIONS

Rank	Name and head office	Assets less contra acoutns 1	Capital and reserves 2	Pre-tax profits 3	Pre-tax profits on assets (%) 4	Pre-tax profits on capital (%) 5	Capital/assets ratio (%) 6	Number of employees 7
1	Kuwait Finance House Kuwait	3,916 22.6	159 13.2	90.9 19.3	2.56 2.57	60.57 55.57	4.07 4.41	1,300 24.5
2	Faisal Islamic Bank of Egypt Cairo	1,905 <sup>1</sup> -4.5	98 1.0	10.0 3.1	0.51 na	10.26 na	5.14 4.86	1,063 2.8
3	Jordan Islamic Bank Jordan	599 21.6	30 0.0	2.5 6.5	0.46 na	8.20 na	5.08 6.17	400 5.3
4	Dubai Islamic Bank Dubai	470 <sup>3</sup> 13.1	25 28.2	na na	na na	na na	5.27 4.65	na na
5	Qatar Islamic Bank Qatar	355 <sup>1</sup> 46.4	20 13.8	3.7 58.8	1.23 1.13	19.28 13.40	5.72 7.36	64 28.0
6	Dar Al-Maal Al-Islami Nassau	344 4.2	283 0.7	8.7 4.2	2.59 na	3.09 na	82.27 85.15	700 na
7	Albaraka Islamic Investment Bank Bahrain	233 -7.5	52 2.0	2.3 0.4	0.94 0.87	4.43 4.37	22.32 19.70	26 -7.1
8	Bahrain Islamic Bank Bahrain	187 10.7	19 0.0	8.4 12.0	4.72 4.45	44.21 42.85	10.16 11.24	82 2.5
9	Faisal Islamic Bank of Sudan Khartoum	136 17.8	30 0.8	0.5 -64.5	0.39 1.24	1.65 4.66	21.97 25.68	781 -14.6
10	Albaraka International Bank London	107 32.6	19 0.0	-0.1 -108.3	-0.06 na	-0.30 na	17.54 23.26	75 na
11	Tadamon Islamic Bank Khartoum	99 <sup>2</sup> 37.0	10 8.7	1.8 -16.7	2.10 na	18.75 na	10.08 12.71	341 2.4
12	Faysal Islamic Bank of Bahrain Bahrain	70 52.2	39 11.4	3.0 15.8	5.43 na	8.51 na	55.71 76.09	88 49.2
13	Islamic Finance House Luxembourg	45 -2.2	20 -20.0	-0.1 99.3	-0.11 na	-0.22 na	44.44 54.35	20 0.0
14	Islamic Bank International Copenhagen	44 11.1	10 0.0	0.0 0.0	na na	na na	22.96 25.51	19 18.8
15	Bahrain Islamic Investment Bahrain	21 0.0	13 0.0	0.4 433.3	na na	na na	62.50 62.50	6 20.0

<sup>1</sup> Year-end 24 Aug 87. <sup>2</sup> Year-end 31 Aug 87. <sup>3</sup> Year-end 31 Dec 86. Figures on first line in \$ million (columns 1-3) converted from local currency at the balance-sheet date of 31 Dec. 87, unless otherwise noted (4) % change over previous year.

## البنوك والمؤسسات الإسلامية الأولى في العالم

اسم البنك ومقره	الاصول والاحتياطي رأسال ١	الارباح قبل الضرائب ٢	نسبة الأرباح على الدخول ٣	نسبة الأرباح على المال ٤	معدل رأس المال الى الاصول ٥	عدد الموظفين ٦
بيت التمويل الكويتي الكويت	٣٩١٦ ١٥٩	٩٠٩٩	٢٥٦	٦٠٥٧	٤٠٧	١٣٠٠
بنك فيصل الإسلامي المصري القاهرة	٢٢٦ ١٣٢	١٩٣	٢٥٧	٥٥٥٧	٤٤١	٢٤٥
البنك الإسلامي الأردني عمان - الأردن	١٩٠٥ ٩٨	١٠٠	٥١	١٠٢٦	٥١٤	١٠٦٣
بنك دبي الإسلامي دبي	٤٧٠ ٢٥	٣٠	٤٦	٨٢٠	٥٠٨	٤٠٠
بنك قطر الإسلامي قطر	١٣١ ٢٨٢	٣٧	٢٣	١٩٢٨	٥٧٢	٦٤
دار المال الإسلامي ناساو	٤٦٤ ١٣٨	٥٨٨	١١٣	١٣٤٠	٧٣٦	٢٨٠
بنك البركة الإسلامي الاستثماري البحرين	٤٢ ٤٧	٤٢	٩٤	٤٣٣	٨٥١٥	-
بنك البحرين الإسلامي البحرين	١٨٧ ١٩	٨٤	٧٢	٤٢١	١٠١٦	٨٢
بنك فيصل الإسلامي السوداني الخرطوم	١٣٦ ٣٠	٣٩	٤٥	٤٢٨٥	١١٢٤	٢٨
بنك البركة الدولي لندن	١٧٨ ١٧٨	٤٦٥	٢٤	٤٦٦	٢٥٦٨	١٤٦
بنك التضامن الإسلامي الخرطوم	١٠٧ ١٩	١٠	٠٦	١٧٥٤	١٧٥٤	٧٥
بنك فيصل الإسلامي البحري البحرين	٣٢٦ ٣٢٦	١٠٨٣	٣	٢٣٢٦	٢٣٢٦	-
بيت التمويل الإسلامي لوكسمبورغ	٩٩ ١٠	١٨	١٠	١٨٧٥	١٠٠٨	٣٤١
البنك الإسلامي الدولي كوبنهاغن	٣٧٠ ٨٧	١٦٧	٤٣	٨٥١	١٢٧١	٢٤
شركة البحرين الإسلامية للاستثمار البحرين	٧٠ ٣٩	٣٠	٤٣	٨٥١	٥٥٧١	٨٨
بيت التمويل الإسلامي لوكسمبورغ	٥٢٢ ١١٤	١٥٨	٤٣	٧٦٠٩	٧٦٠٩	٤٩٢
البنك الإسلامي الدولي كوبنهاغن	٤٥ ٢٠	١٠	١١	٤٤٤٤	٤٤٤٤	٢٠
شركة البحرين الإسلامية للاستثمار البحرين	٢٢٠ ٢٢٠	٩٩٣	٤	٥٤٣٥	٥٤٣٥	-
بيت التمويل الإسلامي لوكسمبورغ	٤٤ ١٠	٤٤	١١	٢٢٩٦	٢٢٩٦	١٩
شركة البحرين الإسلامية للاستثمار البحرين	٢١ ١٣	٤	٤	٦٢٥٠	٦٢٥٠	٦
بيت التمويل الإسلامي لوكسمبورغ	- ٤٣٣٣	-	-	٦٢٥٠	٦٢٥٠	٢٠

١ - ٢ - ٣ بملايين الدولارات.

٤ - ٥ - ٦ كافة الأرقام الواردة في السطر الثاني لكل بنك تمثل نسبة التغير عن العام السابق.