



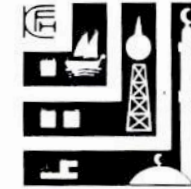
KUWAIT FINANCE HOUSE (K.S.C.)

TENTH ANNUAL REPORT

1987

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

1987



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

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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
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Khaled Abdullah Al-Zeer	Member
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Sameer Ya’qoub Al-Nafeesi	Member
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Abdul Jaleel A. Al-Gharabaili	Member
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Mohammad Ali Al-Khudairi	Member
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Mohammad Yousuf Al-Roumi	Member
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Hazza’ Jasem Al-Husayyan	Member
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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

Dr. Nasser J. Al-Sane

Waleed A. Al-Ruwayeh



BOARD OF DIRECTORS CONFERENCE ROOM.

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, blessings and peace be upon the prophet of Allah, our prophet Mohammad, and upon his family and companions.

Dear brothers,

It is the pleasure of Kuwait Finance House, to welcome you warmly and submit to you, the Tenth Annual Report, and the profit and loss accounts.

The year of 1987, witnessed many internal and external developments, that affected the economy.

On the external level, the occasional escalations of the Gulf war left negative effects on the developments in the Gulf area in general, and on the local economy in particular.

But the firmness of oil prices, and Kuwait's capability to overstep obstacles and hindrances, and export its quota of oil, lessened to a far extent those negative effects. The collapse of world stock markets had positive impact presented in the return of amounts of funds to the local investment channels.

On the internal level, the developments and decisions which were taken, left positive effects on the local economic conditions.

An expansionist budget was approved for the fiscal year 87/88, to strengthen local activity.

In the banking sector, the substantial progress in settling the difficult debts strengthened the local and world confidence in this sector and prepared it to enter a new phase of activity. This phase coincided with the use of the new debt instruments which aimed at developing this sector by a new way of organizing economic policy to encourage funds to stay in the local market, and activate the economy and provide ways of financing general expenditure instead of drawing from the reserves.

The real estate activity achieved some revival. Trading and prices achieved some rise though most rises were in residential real estate.

The stock market also witnessed some activity in deals, and substantial improvements in prices during the year.

Consequently, it could be said that, the developments during 1987 indicate that this year is a turning point from recession of the previous period, to a new phase aimed at putting the economy on the threshold of a new cycle of balanced activity. As a financial, economic, and development institution, Kuwait Finance House is affected by the local and external developments.

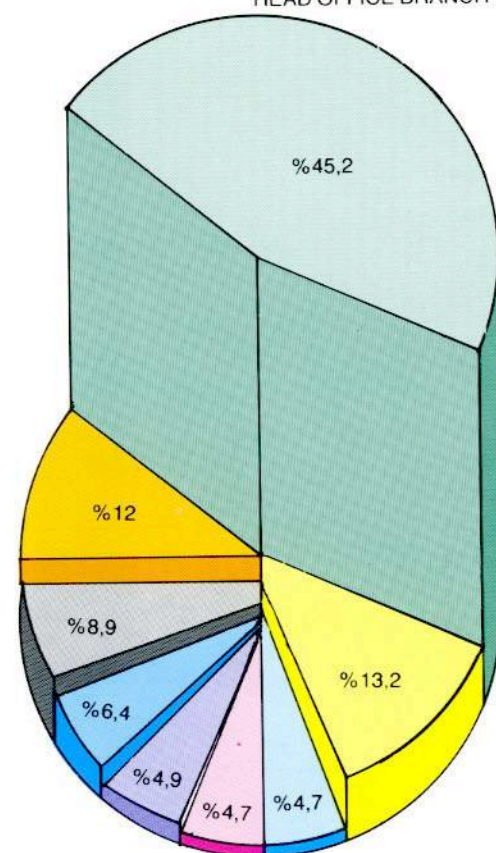
Nevertheless, we have accomplished the following achievements, aiming at serving our clients and developing the national, Arab, and Islamic economies.



HEAD OFFICE



HEAD OFFICE BRANCH



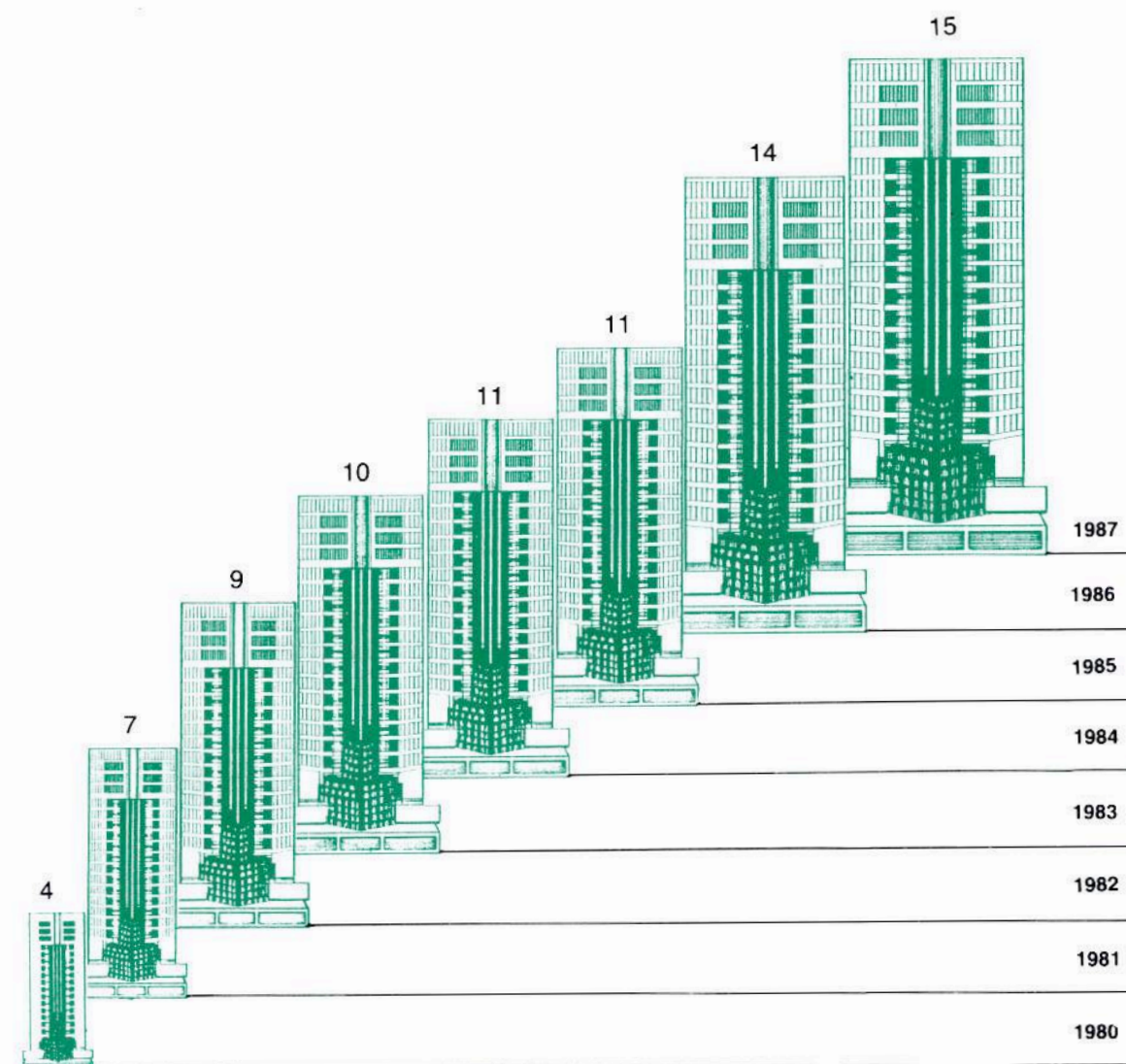
Foodstuffs Manufacturing Machines Others Stationery
 Textiles Electronics Furniture Construction Materials

L.C. DEPT. OPERATIONS BY COMMODITY

In order to achieve continuous developments, in services offered to our clients in this sector, we have provided new services and used developed techniques, so that these services can be provided more efficiently, quickly and accurately.

The following are the most important steps and developments undertaken.

- 1 - Kuwait Finance House opened a new branch in Sabah Al-Salem Suburb thereby raising the total number of branches to fifteen branches located in different areas throughout Kuwait. The new office of Al-Reqqa Branch was also opened
- 2 - We have started this year, the process of developing the branches to be marketing outlets to deliver services of Kuwait Finance House. The delivery of Al-Murabaha deals through some branches has already started.
- 3 - The start of application of KFHB. to automate all the banking services. This will enable this sector to steadily improve the standard of the services provided.
- 4 - The expansion of automatic teller machines services, to include ten branches, and provide services to about fifty five thousand clients by using sixteen machines.
- 5 - We have accomplished all necessary steps in preparations to issue the visa card during 1988. This card will enable holders to be serviced by 5.6 million establishments in 165 countries.



Growth in Branches

- 6 - We have also accomplished the necessary preparations to start providing the service of current accounts in foreign currencies. At the same time we are going to start providing the service of the investment deposits accounts with new maturities during 1988.
- 7 - Developing and expanding the range of our services provided to the Cooperative Societies as well as to financial institutions and charitable foundations.

The Commercial Sector



CAR SERVICE CENTER

Substantial expansion has been achieved in different areas of commercial activities during this year, especially in the markets of durables and consumer goods. In these areas the most important achievements were as follows :-

- 1 - Car sales this year recorded an increase of 37.5%, by adoption of close cooperation with car agents.
Dealing in cars is expected to increase after cars showrooms were enlarged following the policy of dealing in used cars to serve all income levels in the society.
- 2 - Local murabaha dealings recorded a 46.6% increase and car sales came on top of these sales, making 70%, while furniture sales came second with 14%. Expansion in this field is expected in fu-



AL-MURABHA SECTION IN COMMERCIAL SECTOR

ture by providing these services to a broader segment of our clients through the branches of Kuwait Finance House.

- 3 - Applying the policy of providing a complete Package of services to our clients in the commercial field, we have exerted efforts to achieve further commercial presence in Al-Muthanna Complex. In the framework of this policy Al-Muthanna (Prisunic) market was opened during this year.
This step came after the successful experiment of Al-Muthanna Electronic Center which was opened last year. Al-Muthanna (Prisunic) Market contains many sections, and caters for the demands of medium income clients for reasonable prices and good quality.



COMMERCIAL ARCADE IN AL-MUTHANNA COMPLEX



- 1 - In the endeavor to provide wide services to the citizens, we have extended our contacts with Ministry of Housing to follow - up the project of building villas for citizens through shareholding companies. This is being done as a participation in the efforts of the Public Housing Authority to provide suitable residences to the citizens. An exhibition was also set up, in which a collection of designs were displayed. These designs suit the sizes and dimensions of the residential land plots distributed by the Public Housing Authority.
- 2 - As for Kuwait Finance House construction projects, four construction projects were completed. These projects include commercial and investment complexes and stores at a cost of KD. 2.2 million. There are another ten construction projects under completion. These projects include one commercial complex and 41 investment buildings in different areas in Kuwait. Their sites were carefully chosen based on supply and demand trends for various types and locations. There are a number of other projects under design and others under study.
- 3 - Kuwait Finance House has another four branches under design in preparation to meet any future requirements for expansion in the branches network.
- 4 - Trading in real estate continued as the operations of Al-Murabaha were expanded to fulfil the needs of clients in possessing real estate.
- 5 - As to managing real estate, and real estate portfolios, Kuwait Finance House is currently managing a large number of its own commercial and residential complexes, including Al-Muthanna commercial and residential complex and Bibi residential complex.



BIBI ALSALEM COMPLEX

cial and residential complex and Bibi residential complex.

At the same time, Kuwait Finance House is managing three real estate portfolios on behalf of individual and corporate clients.

Besides, Kuwait Finance House is managing the joint real estate portfolio with the Public Investment Authority. It also participates with other partners in managing the portfolio of south Mishref (Assurah). An amount of KD.15 million is expected to be received in annual instalments till 1991.

The related real estate bonds have already been received and 160 clients have benefited from this scheme.

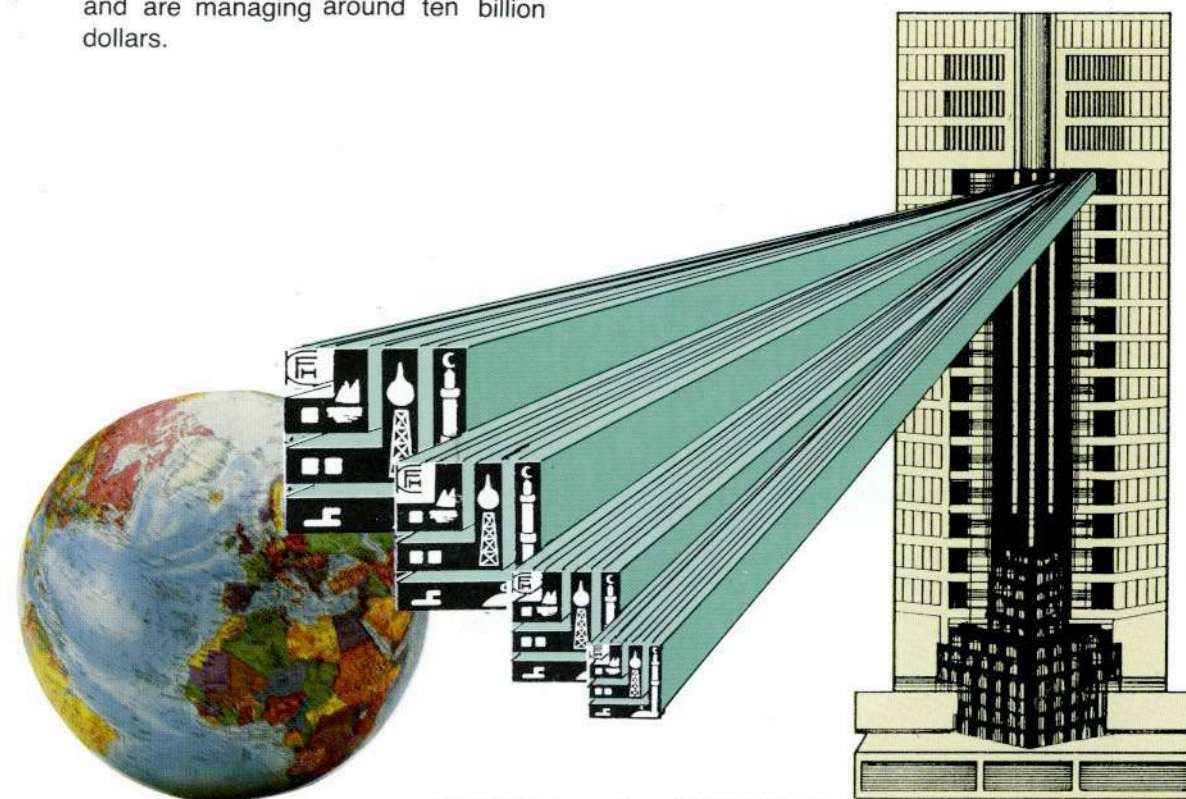
In the field of our external relations we have directed our endeavors towards strengthening our presence in the local, Islamic, and international markets by means of the following.

- 1 - Expansion of our dealing in foreign currencies and by broadening the scope of our dealings with financial, industrial and commercial institutions in the Islamic and international markets.
- 2 - Expansion in managing clients portfolios in the international trade operations which attracted many businessmen, locally and from the Gulf region.
- 3 - Strengthening cooperation with, Islamic financial institutions which are growing in importance. The present number of these institutions amounts to fifty five and are managing around ten billion dollars.

Within this framework we have organized the ninth conference of operations and investments managers in the Islamic banks, during 24 - 26 of October 1987. We have also participated with Islamic institutions in the trade portfolio which is managed by the Islamic Development Bank and which amounts to sixty five million dollars.

Moreover, we have confirmed our role in supporting the efforts of the International Association of Islamic Banks to establish more financial institutions to augment the development endeavors of the Islamic world.

- 4 - Starting the procedures of establishing an Islamic bank in Turkey.
- 5 - Cooperating with Sudan in providing its requirements of educational materials and equipments which amounted to KD. 14.8 million.



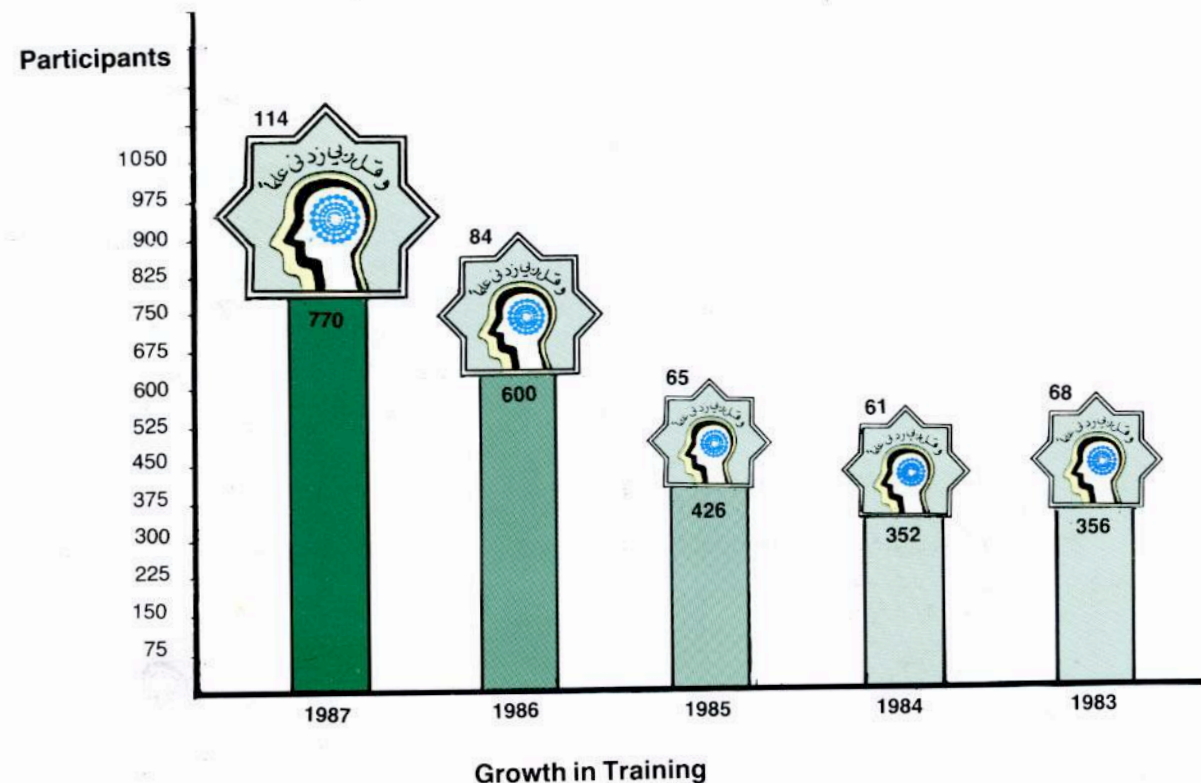
K. F. H. International Operations

The Supporting Sectors

The good results achieved in the above-mentioned activities reflect also, the efforts exerted by other supporting sectors and departments.

We State here some of these efforts :

- 1 - The continuous development and modernization of the units organizational structures, and creating the appropriate atmosphere for the best utilization of manpower.
- 2 - The ever growing role of training as an effective way of developing the employees capabilities to accomplish the required changes and targets.
- 3 - Using the most modern systems and procedures in accounting, and control to cope with the expansion of the different current and future activities of the institution.



- 4 - Preparing budgets as a tool for planning controlling, and evaluation along with the necessary improvements of the appropriate information systems.
- 5 - Expansion in using computers to automate the whole procedures and operations in the different activities of the institution.
- 6 - Developing the concepts of strategic planning in the institution, so that all departments and sectors can prepare their plans and programmes by close monitoring of present and future variables.
- 7 - Intensifying the role of information to project and emphasize the role of the institution in its areas of activities.

The Social and Cultural activities

- 1 - Al-Fatwa and Sharia'a Supervisory Authority continues its role to secure the compliance of Kuwait Finance House activities with rules of Sharia'a and issue Fatawa on subjects brought before it whether those subjects were related to the work of Kuwait Finance House or to other parties. The second volume of (Al-Fatawa on Economic Issues) has been published, and is now being freely distributed as a contribution in spreading awareness of the Islamic transactions.
- 2 - Al-Noor Magazine continues its message projecting the pioneering role of Islamic economics, and Islamic financial institutions in general and the role of Kuwait Finance House in particular. Besides, there is a continuous process of publishing pamphlets and booklets and supplying the researchers with information on the performance of our institution.
- 3 - The Information and Zakat Fund Committee continued collecting Zakat and Sadakat money and distributing it to those who are needy inside and outside Kuwait. The total sums of Zakat and Sadakat money distributed during 1980 - 1987 amounted to KD. 2,873,513. Total disbursements amounted to KD. 2,811,830. This sum was distributed in 2896 cases. As to the money of Qard Hassan, it was transferred to Zakat House, beginning from January, 1987. The total money of Qard Hassan which was distributed in 692 cases during 1980 - 1987, amounted to KD. 973.699.
- 4 - The first Islamic Fiqh seminar of Kuwait Finance House was held in Kuwait during 7 - 11 March 1987. Many Islamic scholars participated in this seminar. The Seminar Fatawa and recommendations have already been published and distributed and the seminar proceedings are now under publication.



TRAINING IN H. R. D. CENTER



AN INTERVIEW WITH THE DIRECTOR OF THE INTERNATIONAL ISLAMIC COMPANY

Dear Shareholders

The financial results at the end of December 1987 show considerable growth over 1986. The total balance sheet amounted to KD 1086 million, an increase of KD 199 million over 1986. Total assets amounted to KD 1057 million, an increase of 22.7% over 1986.

On the liabilities side, current and investment accounts grew by KD 81 million to KD 840 million. Shareholders' equity increased by 11.8% to KD 42.6 million and paid-up capital was raised from KD 20.6 million to KD 23.1 million.

We must refer here to an important factor related to capital adequacy. In an Islamic bank the traditional capital adequacy ratio of commercial banks does not apply. This is so because in an Islamic bank shareholders' funds protect current accounts and similar funds where as deposit

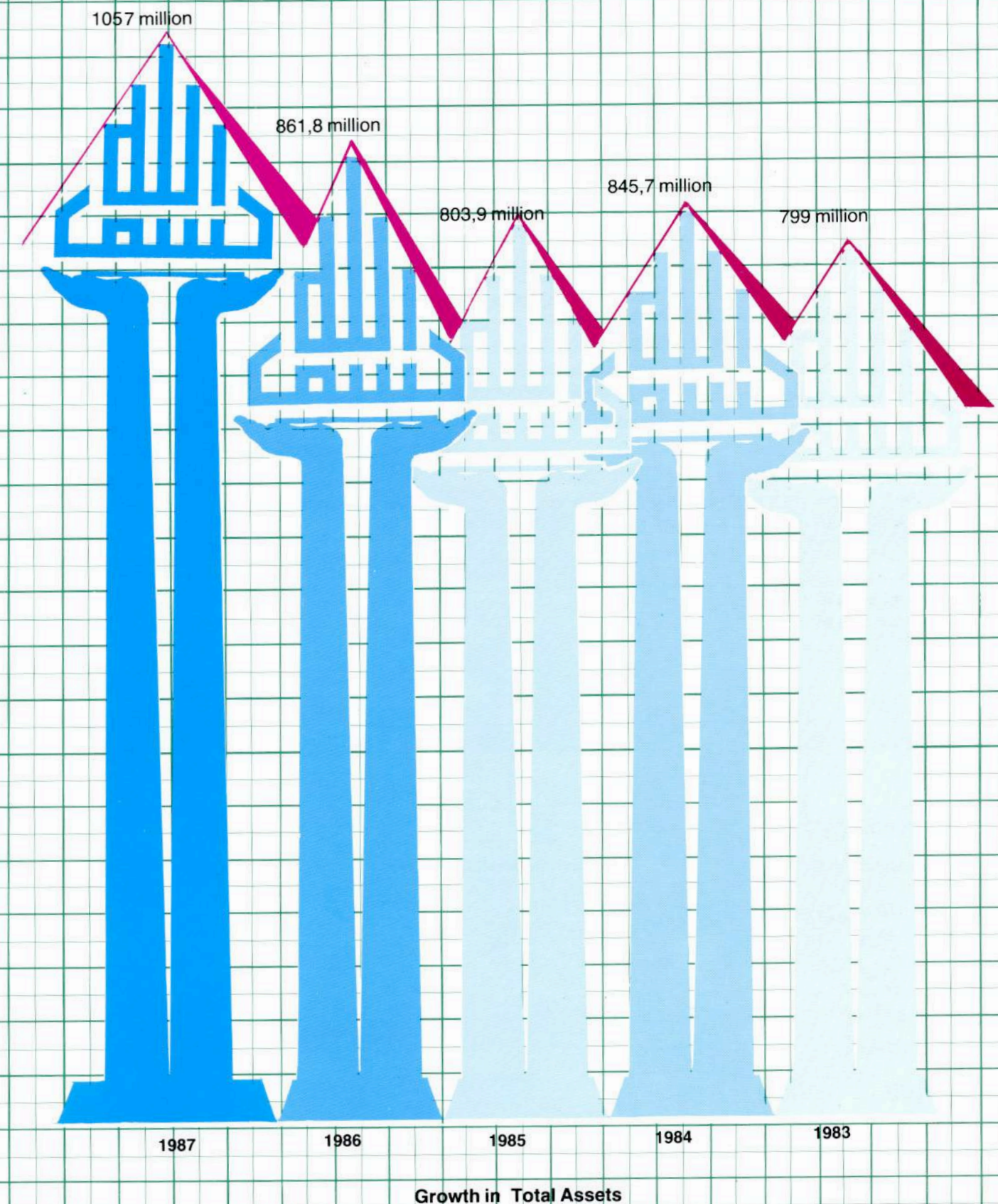
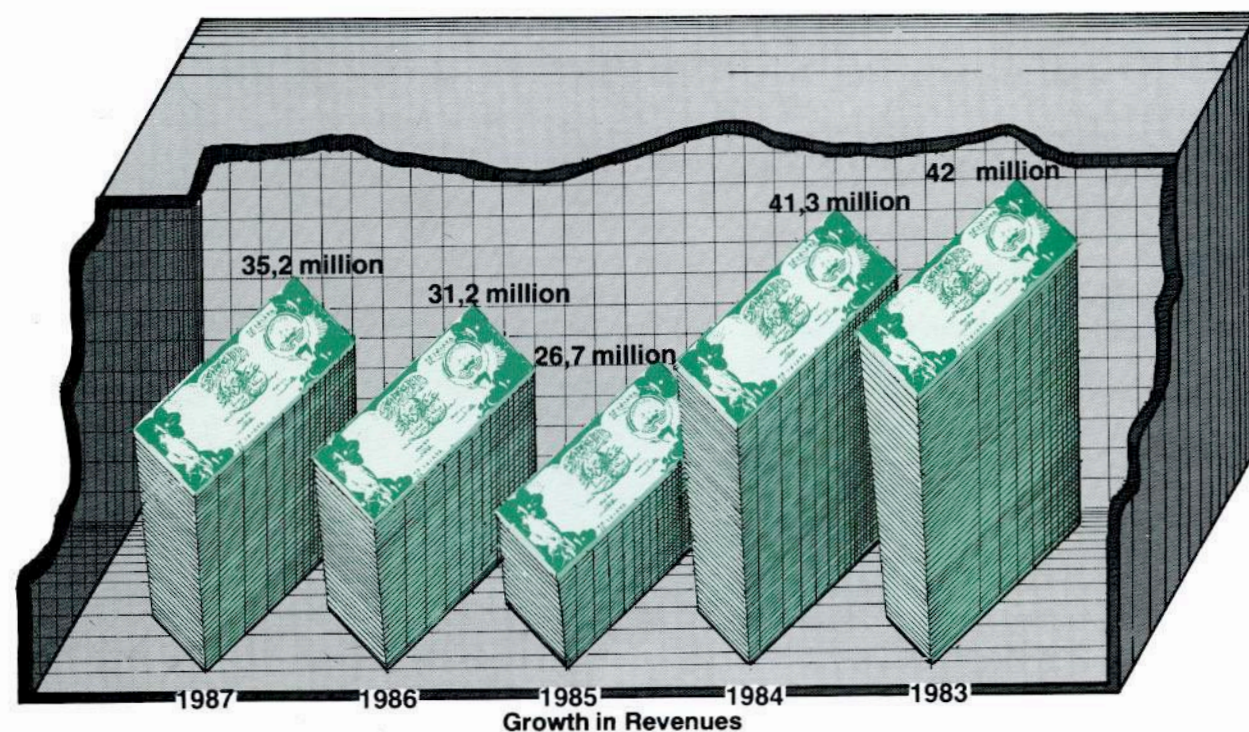
accounts for investments participate in profit and loss. Hence if we relate shareholders' funds to protected funds, our capital adequacy ratio is quite satisfactory.

Total revenues amounted to KD 35.2 million compared with KD 31.2 million in 1986. Net profits for the year increased by 20% to KD 24.5 million.

Profit distributions on investment deposits were as follows :

Investment deposits - unlimited period	5.4%
Investment deposits - limited period	4.8%
Investment - savings accounts	3.6%

The Board of Directors has recommended to the General Assembly the distribution of bonus shares at the rate of 13% to the shareholders as at 31st December 1987.



Dear Brothers,

As we review our results, we turn to Al mighty Allah with sincere thanks for His guidance of all our efforts.

We express our deep thanks to His Highness the Amir Sheikh Jaber Al Ahmed Al Sabah and the Crown Prince, Prime Minister Sheikh Sa'ad Al Abdallah Al Sabah and the esteemed government for their support for this institution as well as other national institutions.

We express our utmost thanks to their excellencies the members of the Fatwa and Sharia'a Supervisory Authority Sheikh Badr A. Abdul Basit, Dr. Khaled Al-Mathkour and Dr. Abdul-Sattar Abu Ghuddah for their great efforts and contributions.

I would like to extend many thanks to my colleagues, the members of the Board for their continuous and concerted efforts . I would like to commend the efforts of the Managing Director Badr Abdul Mohsin Al Mukhaizeem, the General Manager Adnan A. Al-Bahar, the Assistant General Managers and all the employees.

I also thank all the shareholders, the investors and customers and all those who entrusted us with this mission and all those who support and advise us to achieve our goals.

We pray to Allah to lead us along the right path.

AHMAD BAZIE AL-YASEEN


Chairman

Date : 13th Jumada Al-Akher 1408 A. H.
Corresponding to 1st. February 1988 A. D.

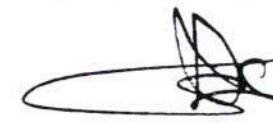
Report Of Fatwa & Sharia'a Supervisory Authority

By following up the performance of Kuwait Finance House during 1987, 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

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
KUWAIT FINANCE HOUSE K.S.C.**

We have examined the financial statements of Kuwait Finance House K.S.C. set out on pages **28** to **38**. 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 financial position of the company at 31 December 1987 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 1987 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 AHMAD AL-AIBAN & CO.

Kuwait
21 January 1988.



KUWAIT FINANCE HOUSE (K.S.C)
BALANCE SHEET
AT 31 DECEMBER 1987

ASSETS EMPLOYED	Note	1987 KD	1986 KD
ASSETS			
Cash and balances with banks		39,393,665	44,071,246
Deposits with other financial institutions		156,407,883	40,005,840
Murabaha and other accounts receivable	4	272,393,391	221,121,048
Inventories	5	3,440,149	2,052,767
Medium term Murabaha and other accounts receivable	6	117,776,755	75,403,550
Trading investments in property	7	373,140,886	393,433,544
Construction work in progress	8	42,130,292	33,788,219
Investment in Al-Muthanna complex	9	28,901,442	29,161,145
Other investments	10	5,164,149	3,889,370
Property, plant and equipment	11	18,746,651	18,890,698
TOTAL ASSETS		1,057,495,263	861,817,427
Liability of customers for letters of credit, acceptances and guarantees		28,732,516	25,117,364
		1,086,227,779	886,934,791

AHMAD BAZIE AL-YASEEN
CHAIRMAN

BADER ABDULMUHSIN AL-MUKHAIZEEM
MANAGING DIRECTOR

The attached notes 1 to 19 form part

FUNDS EMPLOYED	Note	1987 KD.	1986 KD.
LIABILITIES			
Current and investment accounts	12	840,526,490	758,817,697
Deposits from other financial institutions		138,755,693	35,115,138
Accounts payable and accruals	13	16,146,455	11,943,798
Depositors' share of net profit	14	19,457,070	17,801,990
TOTAL LIABILITIES		1,014,885,708	823,678,623
SHAREHOLDERS' EQUITY			
Share capital	15	23,142,826	20,571,401
Statutory reserve (including share premium KD 4,328,054)	16	15,899,467	14,613,754
General reserve	17	558,695	382,224
Proposed bonus shares	18	3,008,567	2,571,425
TOTAL SHAREHOLDERS' EQUITY		42,609,555	38,138,804
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,057,495,263	861,817,427
Letters of credit, acceptances and guarantees on behalf of customers		28,732,516	25,117,364
		1,086,227,779	886,934,791

of these financial statements.

ADNAN ABDULAZIZ AL-BAHAR
GENERAL MANAGER

KUWAIT FINANCE HOUSE (K.S.C)
STATEMENTS OF INCOME AND APPROPRIATIONS
YEAR ENDED 31 DECEMBER 1987

STATEMENT OF INCOME	Note	1987 KD	1986 KD
INCOME			
Net income from banking operations		17,242,540	17,664,001
Net income from property, commercial and construction operations		11,855,165	8,645,855
Net rental income		5,683,978	4,616,262
Other income		437,606	314,257
Total income		35,219,289	31,240,375
EXPENSES AND PROVISIONS			
General and administration expenses		10,392,679	9,642,830
Provision for losses of subsidiary company		100,000	221,677
Provision for decline in value of other investments		196,000	811,000
		10,688,679	10,675,507
NET PROFIT FOR THE YEAR		24,530,610	20,564,868
STATEMENT OF APPROPRIATIONS			
Net profit for the year		24,530,610	20,564,868
Transfer from general reserve	17	--	875,000
		24,530,610	21,439,868
APPROPRIATIONS			
Transfer to statutory reserve	16	1,285,713	935,063
Transfer to general reserve	17	549,869	--
Contribution to Kuwait Foundation for the Advancement of Sciences		189,391	91,390
Directors' fees		40,000	40,000
Depositors' share of net profit	14	19,457,070	17,801,990
Shareholders' share of net profit	18	3,008,567	2,571,425
		24,530,610	21,439,868

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

KUWAIT FINANCE HOUSE (K.S.C)
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 1987

1. ACTIVITIES

Kuwait Finance House K.S.C. is a limited liability share company incorporated in Kuwait and is registered as a bank with the Central Bank of 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 practising usury.

2. PRESENTATION OF FINANCIAL STATEMENTS

At 31 December 1987 there was 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.

The General 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.

d) Trading investments in property

Trading investments in property are carried at cost less available provisions, 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 expensed over the estimated useful lives of the assets.

The cost less estimated residual value of Al-Muthanna complex is expensed 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

	1987 KD	1986 KD
Advances to customers against letters of credit and Murabaha contracts	24,628,529	22,030,407
Murabaha accounts receivable from :		
International financial institutions	184,812,530	139,077,183
Islamic financial institutions	11,114,434	10,500,174
Trade receivables	49,655,375	56,131,978
Other receivables	13,101,570	4,216,946
Prepaid expenses	416,475	676,250
	<u>283,728,913</u>	<u>232,632,938</u>
Less: Provision for doubtful accounts	<u>11,335,522</u>	<u>11,511,890</u>
	<u>272,393,391</u>	<u>221,121,048</u>

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

5. INVENTORIES

	1987 KD	1986 KD
Motor vehicles, net of provision	2,553,260	1,214,504
Foodstuffs	692,072	431,499
Spare parts	66,369	38,646
Goods in transit	128,448	368,118
	<u>3,440,149</u>	<u>2,052,767</u>

6. MEDIUM TERM MURABAHA AND OTHER ACCOUNTS RECEIVABLE

	1987 KD	1986 KD
Murabaha accounts receivable from :		
International financial institutions	63,240,360	54,157,015
Local companies and individuals	1,131,328	3,064,906
Trade receivables :		
Property	15,786,170	6,467,048
Commercial	37,618,897	11,714,581
	<u>117,776,755</u>	<u>75,403,550</u>

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

7. TRADING INVESTMENTS IN PROPERTY

	1987 KD	1986 KD
Residential	76,168,913	74,007,246
Commercial investments and stores	150,988,325	149,329,324
South Surra land	41,434,543	56,092,725
Large lands	14,713,264	19,011,701
Land and buildings, less provision for depreciation	78,869,656	82,322,132
Under expropriation	25,341,900	27,789,664
Land and buildings outside Kuwait	13,795,803	13,052,270
	<u>401,312,404</u>	<u>421,605,062</u>
Less: Provision for decline in value	<u>28,171,518</u>	<u>28,171,518</u>
	<u>373,140,886</u>	<u>393,433,544</u>

8. CONSTRUCTION WORK IN PROGRESS

	1987 KD	1986 KD
Cost of land under development	36,321,096	32,361,157
Construction costs incurred	5,809,196	1,427,062
	<u>42,130,292</u>	<u>33,788,219</u>

9. INVESTMENT IN AL-MUTHANNA COMPLEX

	1987 KD	1986 KD
Cost of the complex	30,257,774	29,839,311
Less: Depreciation	1,356,332	678,166
	<u>28,901,442</u>	<u>29,161,145</u>

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

10. OTHER INVESTMENTS

	1987 KD	1987 KD
(i) Affiliated companies	5,230,804	3,860,915
Less: Provision for permanent diminution in value	<u>1,007,000</u>	<u>811,000</u>
	<u>4,223,804</u>	<u>3,049,915</u>
(ii) Subsidiary company	1,160,524	1,160,524
Less: Provision for losses	<u>260,524</u>	<u>360,524</u>
	<u>900,000</u>	<u>800,000</u>
(iii) Joint ventures in commercial activities	78,345	107,455
Less: Provision for anticipated losses	<u>38,000</u>	<u>68,000</u>
	<u>40,345</u>	<u>39,455</u>
	<u>5,164,149</u>	<u>3,889,370</u>

The affiliated companies are Islamic institutions incorporated outside Kuwait and the company's holdings vary from 0.2% to 20% of their capital.

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	30years
others	7-20years
Leasehold property	20years or lease period whichever is shorter
Furniture and fittings	3years
Plant and equipment	3years
Motor vehicles	3years

	Freehold Head Office KD	Property Others KD	Lease- hold property KD	Furni- ture and fittings KD	Plant, equipment and motor vehicles KD	Total KD
Cost:						
At 31 December 1986	14,113,467	2,771,831	1,138,345	929,165	2,664,451	21,617,259
Additions during year	450,515	--	5,930	132,317	292,780	881,542
Cost of disposals	--	--	--	(6,390)	(96,674)	(103,064)
At 31 December 1987	14,563,982	2,771,831	1,144,275	1,055,092	2,860,557	22,395,737
Depreciation:						
At 31 December 1986	166,650	131,543	147,918	713,175	1,567,275	2,726,561
Charge for year	384,521	50,434	58,012	121,115	411,384	1,025,466
Relating to disposals	--	--	--	(6,268)	(96,673)	(102,941)
At 31 December 1987	551,171	181,977	205,930	828,022	1,881,986	3,649,086
Net book amounts:						
At 31 December 1987	14,012,811	2,589,854	938,345	227,070	978,571	18,746,651
At 31 December 1986	13,946,817	2,640,288	990,427	215,990	1,097,176	18,890,698

12. CURRENT AND INVESTMENT ACCOUNTS

	1987 KD	1986 KD
Current accounts	107,792,290	133,440,627
Investment and non-investment savings accounts	493,335,202	428,750,114
Investment deposits for limited periods	--	98,662
Investment deposits for unlimited periods	239,398,998	196,528,294
	<u>840,526,490</u>	<u>758,817,697</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 periods are valid for one year. Investment deposits for unlimited periods 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

	1987 KD	1986 KD
Trade payables	5,553,395	4,459,315
Other payables	8,139,851	5,124,505
Accrued expenses	2,453,209	2,359,978
	<u>16,146,455</u>	<u>11,943,798</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 profits earned:

	1987	1986
Investment savings accounts	3.6%	3.5%
Investment deposit accounts - limited period	4.8%	4.66%
Investment deposit accounts - unlimited period	5.4%	5.25%

15. SHARE CAPITAL

	1987 KD	1986 KD
Authorised, issued and fully paid	<u>23,142,826</u>	<u>20,571,401</u>

In accordance with Article 99 of the Commercial Companies Law amended by resolution number 132 of 1986 each share of KD 1 each was divided into 10 shares of 100 fils each.

16. STATUTORY RESERVE

In accordance with the Law of Commercial Companies and the Company's Articles of Association, an amount of KD 1,285,713 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

	KD	1987 KD	1986 KD
Balance at beginning of the year		382,224	1,649,017
Zakat paid during the year		(373,398)	(391,793)
Transfer this year - From net profit of			
Al-Muthanna complex	365,565		
- From other net profit	<u>184,304</u>		
Transfer to appropriations		549,869	(875,000)
Balance at end of the year		<u>558,695</u>	<u>382,224</u>

As permitted by the Company's Articles of Association the directors have proposed to transfer KD 549,869 from net profit to general reserve this year. There are no restrictions on the distribution of this reserve.

18. PROPOSED BONUS SHARES

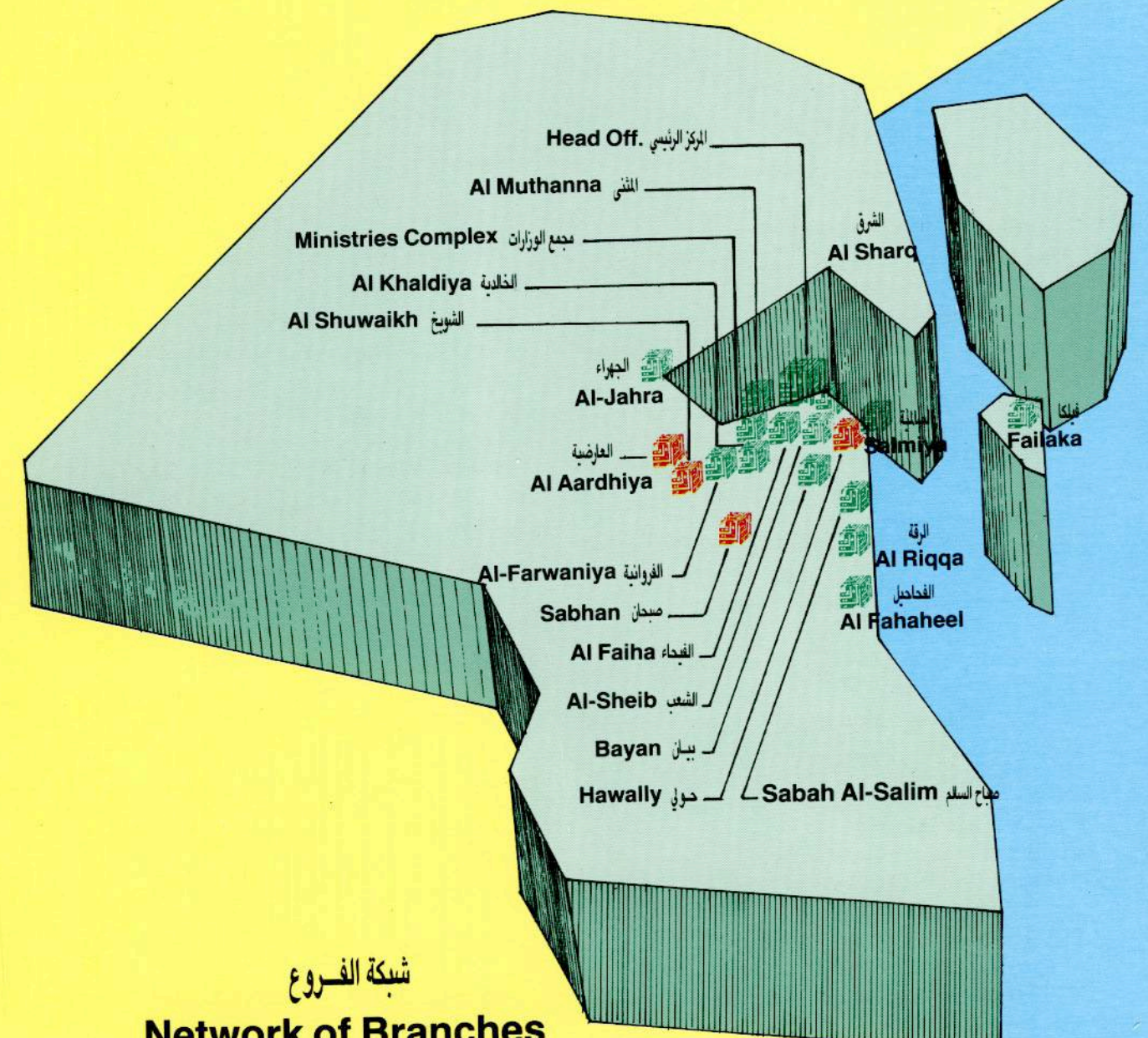
The share of net profits for the year attributable to share capital has been determined by the Board at the rate of 6% (1986 - 5.834%) which amounts to KD 1,388,570 (1986 - KD 1,200,136).

The Board of Directors proposes a bonus issue of 13 percent (1986 - 12.5 percent) of share capital as shown below :

	KD	1987 KD	1986 KD
Profit attributable to share capital		1,388,570	1,200,136
Profit attributable to reserve accounts (Note 19)		899,758	871,361
Net profit from Al-Muthanna complex (Note 9)	1,085,804		
Less: Transfer to general reserve	<u>(365,565)</u>		
		720,239	499,928
Proposed bonus shares		<u>3,008,567</u>	<u>2,571,425</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.



شبكة الفروع
Network of Branches

- Head Office المركز الرئيسي
- Branches in Operation فروع قائمة حالياً
- Branches to be Established. فروع تحت التأسيس

Kuwait Finance House Branches

فروع بيت التمويل الكويتي

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 Rigah Co-Op.
Tel: 3941582 - 3941583 - 3941584

4- Sharg Branch:

Sharg, Agool Roundabout, Abdelrahman
Al Rafei Building
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

Tel: 5517472 - 5517476 - 5517482

١ - فرع المركز الرئيسي

شارع عبد الله مبارك
تلفون : ٢٤٤٥٠٥٠ - ٢٤٤٥٠٧٠

٢ - فرع الجهراء

الجهراء - خلف الجمعية التعاونية
تلفون : ٤٧٧٥٣٢٥ - ٤٧٧٥٣٢٦ - ٤٧٧٥٣٢٧

٣ - فرع الرقة

الرقة - جمعية الرقة التعاونية
تلفون : ٣٩٤١٥٨٢ - ٣٩٤١٥٨٣ - ٣٩٤١٥٨٤

٤ - فرع الشرق

الشرق - دوار العاقول - بناية عبد الرحمن الرافعي
تلفون : ٢٤٢٦٥١١ - ٢٤٢٦٥٣٦ - ٢٤٢٦٥١٤

٥ - فرع الفحيحيل

الفحيحيل - شارع الدبوس
تلفون : ٣٩١١٩٠٤ - ٣٩١٣٤٠٠ - ٣٩١١٩٩٧

٦ - فرع الفروانية

الفروانية - الطريق الدائري السادس - بجوار الهيئة العامة للاسكان
تلفون : ٤٧٤٦٠٥٣ - ٤٧٤٦٠٥٤ - ٤٧٤٦٠٥٧

٧ - فرع فيلكا

فيلكا - مقابل مركز شباب فيلكا بناية أحمد ربيع محمد
تلفون : ٢٧٩٠٢٦٧ - ٢٧٩٠٢٦٩ - ٢٧٩١٨٠٥ - ٢٧٩١٨٠٩

٨ - فرع الفيحاء

الفيحاء - جمعية الفيحاء التعاونية
تلفون : ٢٥٢٠١٧٤ - ٢٥٢٠١٧٥ - ٢٥٢٠١٧٦ - ٢٥٢٠١٦٨

٩ - فرع السالمية

السالمية - جمعية السالمية التعاونية
تلفون : ٥٧٢٤٣٥٠ - ٥٧٢٤٥٣٦ - ٥٧٢٤٩٥٨ - ٥٧٢٤٨٩

١٠ - فرع حولي

حولي - شارع بيروت - بناية مبارك الحساوي
تلفون : ٢٦٤٤١٤٣ - ٢٦٤٤١٦٢

١١ - فرع مجمع الوزارات

مبنى مجمع الوزارات
تلفون : ٢٤٣٦٢٠٣ - ٣٤٣٩١٧٦

١٢ - فرع مجمع المثني

مجمع المثني - شارع فهد السالم
تلفون : ٢٤١٤٠٩٠ - ٢٤١٤٠٩٥ (ستة خطوط)

١٣ - فرع الشعب

الشعب - جمعية الشعب التعاونية
تلفون : ٢٦١٠٤٣٩ - ٢٦١٠٤٣٦ - ٢٦١٠٥٦٢

١٤ - فرع العارضية

جمعية العارضية التعاونية
تلفون : ٤٨٨٠٩٨٦ - ٤٨٨٠٤٦٢ - ٤٨٨٠٤٣٩ - ٤٨٨٠٣٤٧

١٥ - فرع صاحبة صباح السالم

تلفون : ٥٥١٧٤٧٢ ، ٥٥١٧٤٧٦ ، ٥٥١٧٤٨٢

١٩٨٦

دينار كويتي

١٩٨٧

دينار كويتي

١٢٠٠ر١٣٦

٨٧١ر٣٦١

٤٩٩ر٩٢٨

٢٥٧١ر٤٢٥

١٣٨٨ر٥٧٠

٨٩٩ر٧٥٨

٧٢٠ر٢٣٩

٣٠٠٨ر٥٦٧

حصة رأس المال المساهم به

في صافي الربح

حصة الاحتياطيات في صافي الربح

(إيضاح ١٩)

صافي ربح مجمع المثني الاستشاري

(إيضاح ٩)

١ر٠٨٥ر٨٠٤

(٣٦٥ر٥٦٥)

ناقصا : المحول الى الاحتياطي العام

أسهم منحة مقترحة توزيعها

١٩ - حصة الاحتياطيات في صافي الربح

حيث أن أرصدة الاحتياطي القانوني والاحتياطي العام (مع رأس المال المساهم به) تمثل جزءا من الاموال المستثمرة فانها تستحق حصة من صافي ربح السنة وتحتسب بذات النسبة التي يحصل عليها رأس المال . ان هذه الحصة من صافي الارباح تحتسب على أساس أرصدة الاحتياطيات في نهاية السنة .