Annual Report 08

شركة الساحل للتنمية والاستثمار ش.م.ك (مقفلة)

COAST INVESTMENT & DEVELOPMENT CO.K.S.C (CLOSED)

Annual Report 2008

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

His Highness
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

His Highness
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince

His Highness
Sheikh Nasser Al-Mohammed Al-Ahmad Al-Sabah
Prime Minister

CONTENTS

BOARD OF DIRECTORS

Sulaiman Khaled Al Sahli
Chairman

Nasser Saad Al-Muneefi
Vice Chairman

Khaled Abdulaziz Al-Usaimi
Board Member

Abdulhadi Ahmed Al-Dousari
Board Member

Hamad Ahmad Al-Amiri
Board Member

Anwar Jassim Al-Kharafi
Board Member

Naji Abdullah Al-Abdul Hadi
Board Member

GENERAL MANAGEMENT

Khaled Abdulaziz Al-Usaimi
Chief Executive Officer

Muneer Abdulmuhsen Al-Sharhan
Senior Vice President - Investment Group

Mohammad Rashed Al-Qaoud
Senior Vice President - Support Group

CHAIRMAN'S STATEMENT

Sulaiman Khaled Al Sahli - Chairman

Dear Shareholders of Coast Investment & Development Company,

Peace and Blessings of Allah Be Upon You!

For myself and on behalf of my colleagues ,the Board Members, I have the pleasure to welcome you to the General Assembly meeting and present to you Coast Investment & Development Company's Annual Report for the financial year ended December 31, 2008.

The onset of the year 2008 was auspicious for the Kuwaiti economy in the wake of the continued increase of oil prices ,where as, in July global oil prices reached U.S $ 147 and in Kuwait U.S $ 133 per barrel with an average price of U.S $ 90 per Kuwaiti barrel for the year 2008. This would have led to surpluses in the Country's budget as the GDP was expected to reach more than KD 46 billion for the financial year 2008/2009, thus encouraging the government to increase the public spending for the various vital projects suspended since long.

Such optimism was reflected in Kuwaiti Stock Market, where the Market Capitalization of the listed shares amounted to about KD 58 billion at the beginning of the year, while the Weighted Index reached 715 points. Such amount further rose to reach its maximum at KD 64 billion and the Weighted Index to reach around 800 points.

This situation prevailed throughout the 1st quarter of the year 2008 until global markets and economies started actually entering into economic recession. At this point, the problem of the American and European Sub-

prime crisis surfaced with its consequences, bringing some of the largest U.S banks down, and affecting a large number of dealers in such derivatives. Furthermore, the local financial and economic communities were pessimistic about the consequences of such problems. Such condition created a psychological dimension transcending those countries and affecting our local economy.
On another hand, and on the local frontier, the tension between the government and the National Assembly was strained afresh, the fact that led to the dissolution of the latter in March and holding the elections in May.

Consequently, questionings were again revived, whether those already submitted or those yet to be submitted, on all levels, that foreshadowed the dissolution of the National Assembly again at any time. Once again, the issue of writing off the citizens' loans was raised with controversial stands varying between advocation and objection.

Oil prices sharply declined after the big rise witnessed since 2007 to reach U.S $ 37 per global barrel, and U.S $ 36 per Kuwaiti barrel. This was accompanied by an unprecedented fall in the KSE's Market Capitalization to reach KD 34 million, down by 41%, and Weighted Index reaching 420 points, also down by 41%, which led to great loss to a wide range of listed stocks.

Through its prudent investment policy, your Company has always been seeking the acquisition of diverse financial assets with utmost care based on the selection of defensive and remunerative opportunities as proved by studies, technical and fundamental information. Yet, the events of the 4th quarter of 2008 were too violent to leave any financial entity unharmed.

Therefore, and looking into the financial statements, the company's operating income recorded KD 27.5 million, whereas unrealized losses recorded KD 39 million as a result of the depreciating prices of the Company's local and foreign investments in financial markets. Had it not been for such huge unrealized losses resulting from the decline in the markets encompassing the Company's investments, the Company would have realized net profits rather than the losses reaching KD 24.9 million

Despite the above-mentioned, the Company, by God's praise, owns enough diversified portfolio of assets and solvency that allow it to carry further its conservative policy and deal with all banking institutions with no need to forcibly liquidate its assets to satisfy its obligations towards them. Moreover, we are quite sure that it will take the global and local economies a lapse of time to recover from the past and present conditions, and when such recovery is attained, it will undoubtedly bear its impacts on the Company's conditions. Further, we pin much hope on witnessing a real cooperation between the executive and legislative authorities pushing the economy steps forward.

May God protect Kuwait and all its people from all evils!

May Peace and Blessings of God be Upon You!

Sulaiman Khaled Al Sahli
Chairman

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the shareholders of
Coast Investment & Development Co. – KSC (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Coast Investment & Development Co. – KSC (Closed) (the "parent company") and Subsidiaries (collectively "the group"), which comprise the consolidated balance sheet as at 31 December 2008, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

The management of the parent company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards adopted for use by State of Kuwait. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2008, and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as applied by the State of Kuwait.

Report on Other Legal and Regulatory Matters

In our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the parent company's articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law, as amended, nor of the parent company's articles of association, as amended, have occurred during the year ended 31 December 2008 that might have had a material effect on the business of the group or on its financial position.

We further report that, during the course of our audit we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations during the year ended 31 December 2008.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Waleed A. Al Osaimi
(Licence No. 68-A)
of Ernst & Young

Kuwait
30 April 2009

CONSOLIDATED STATEMENT OF INCOME

	Notes	**Year ended 31 Dec. 2008**	Year ended 31 Dec. 2007
		KD '000	KD '000
Income			
Realised gain on investments at fair value through statement of income	6	**3,946**	10,994
Unrealised (loss)/gain on investments at fair value through statement of income	7	**(15,912)**	2,495
Gain on sale of available for sale investments		**1,919**	213
Gain on sale of non-current asset held for sale		**-**	1,025
Dividend income	8	**2,761**	2,304
Management fees	9	**2,038**	4,497
Share of results of associates	19	**(8,770)**	8,038
Interest and similar income	10	**12,554**	9,302
Other income	11	**4,269**	124
		2,805	38,992
Expenses			
Finance costs	13	**(10,214)**	(9,879)
General and administrative expenses	14	**(2,601)**	(2,327)
Provision write back/(charge) for impairment of receivables		**460**	(381)
Impairment loss on available for sale investments	18	**(15,832)**	(121)
Impairment in fair value of investment property	20	**(193)**	-
Foreign exchange gain		**574**	546
(Loss)/profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' remuneration		**(25,001)**	26,830
Provision for contribution to KFAS		**-**	(241)
Provision for NLST		**-**	(543)
Provision for Zakat		**-**	(16)
Directors' remuneration		**-**	(150)
(Loss)/profit for the year		**(25,001)**	25,880
Attributable to:			
Shareholders of the parent company		**(24,961)**	25,880
Minority interest		**(40)**	-
		(25,001)	25,880
Basic and diluted (loss)/earnings per share	15	**(44) fils**	46 fils

The notes set out on pages 22 to 52 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Notes	31 Dec. 2008 KD '000	31 Dec. 2007 KD '000
Assets			
Cash and bank balances	27	**792**	499
Money at call and short notice	27	**16,515**	392
Accounts receivable and other assets	16	**34,876**	79,457
Investments at fair value through statement of income	17	**29,736**	20,203
Available for sale investments	18	**34,134**	41,046
Investment in associates	19	**66,078**	65,872
Investment properties	20	**139**	328
Property and equipment	21	**1,202**	1,120
Total assets		**183,472**	208,917
Liabilities and equity			
Liabilities			
Bank overdraft	27	**2,030**	148
Accounts payable and other liabilities	22	**3,651**	5,341
Borrowings	23	**114,578**	108,652
Total liabilities		**120,259**	114,141
Equity attributable to the shareholders of the parent company			
Share capital	24	**62,529**	52,108
Treasury shares	25	**(7,377)**	(6,575)
Treasury shares reserve		**589**	111
Statutory reserve	26	**11,647**	11,647
Voluntary reserve	26	**1,991**	1,991
Foreign currency translation reserve		**4,542**	4,215
Fair value reserve		**(225)**	(741)
(Accumulated losses)/retained earnings		**(10,511)**	31,952
		63,185	94,708
Minority interest		**28**	68
Total equity		**63,213**	94,776
Total liabilities and equity		**183,472**	208,917

Sulaiman K. Al-Sahli
Chairman

Khaled A. Al-Usaimi
Chief Executive Officer

The notes set out on pages 22 to 52 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the parent company									Minority interest	Total
	Share capital	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Fair value reserve	Retained earnings/ (accumulated losses)	Sub Total		
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD 000
At 1 January 2008	52,108	(6,575)	111	11,647	1,991	4,215	(741)	31,952	94,708	68	94,776
Net change in fair value of available for sale investments during the year	-	-	-	-	-	-	(15,316)	-	(15,316)	-	(15,316)
Impairment in value of available for sale investments transferred to consolidated statement of income	-	-	-	-	-	-	15,832	-	15,832	-	15,832
Foreign currency translation gain	-	-	-	-	-	327	-	-	327	-	327
Total income recognised directly in equity	-	-	-	-	-	327	516	-	843	-	843
Loss for the year	-	-	-	-	-	-	-	(24,961)	(24,961)	(40)	(25,001)
Total income and expenses for the year	-	-	-	-	-	327	516	(24,961)	(24,118)	(40)	(24,158)
Purchase of treasury shares	-	(1,181)	-	-	-	-	-	-	(1,181)	-	(1,181)
Sale of treasury shares (note 25)	-	379	478	-	-	-	-	-	857	-	857
Issue of bonus shares (note 24)	10,421	-	-	-	-	-	-	(10,421)	-	-	-
Dividend paid (note 28)	-	-	-	-	-	-	-	(7,081)	(7,081)	-	(7081)
At 31 December 2008	**62,529**	**(7,377)**	**589**	**11,647**	**1,991**	**4,542**	**(225)**	**(10,511)**	**63,185**	**28**	**63,213**

The notes set out on pages 22 to 52 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to shareholders of the parent company									Minority interest	Total
	Share capital	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Fair value reserve	Retained earnings	Sub Total		
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000
At 1 January 2007	52,108	(6,053)	71	8,964	1,991	892	1,492	17,057	76,522	-	76,522
Prior year adjustment	-	-	-	-	-	2,633	-	(8,792)	(6,159)	-	(6,159)
Adjustment to retained earnings of associate	-	-	-	-	-	-	-	490	490	-	490
At 1 January 2007 as restated	52,108	(6,053)	71	8,964	1,991	3,525	1,492	8,755	70,853	-	70,853
Net change in fair value of available for sale investments during the year	-	-	-	-	-	-	(2,233)	-	(2,233)	-	(2,233)
Foreign currency translation gain	-	-	-	-	-	690	-	-	690	-	690
Total income and expenses recognised directly in equity	-	-	-	-	-	690	(2,233)	-	(1,543)	-	(1,543)
Profit for the year	-	-	-	-	-	-	-	25,880	25,880	-	25,880
Total income and expenses for the year	-	-	-	-	-	690	(2,233)	25,880	24,337	-	24,337
Purchase of treasury shares	-	(543)	-	-	-	-	-	-	(543)	-	(543)
Sale of treasury shares	-	21	-	-	-	-	-	-	21	-	21
Treasury shares reserve	-	-	40	-	-	-	-	-	40	-	40
Arising on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	68	68
Transfer to statutory reserve	-	-	-	2,683	-	-	-	(2,683)	-	-	-
At 31 December 2007	52,108	(6,575)	111	11,647	1,991	4,215	(741)	31,952	94,708	68	94,776

The notes set out on pages 22 to 52 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**Year ended 31 Dec. 2008 KD '000**	Year ended 31 Dec. 2007 KD '000
OPERATING ACTIVITIES			
(Loss)/profit before tax		**(25,001)**	26,830
Adjustments for:			
Depreciation	21	**48**	58
Finance costs		**10,214**	9,879
Provision write back/(charge) for impairment of receivables		**(460)**	381
Interest and similar income		**(12,554)**	(9,302)
Dividend income		**(2,761)**	(2,304)
Unrealised loss/(gain) on investments at fair value through statement of income		**15,912**	(2,495)
Gain on sale of available for sale investments		**(1,919)**	(213)
Impairment loss on available for sale investments		**15,832**	121
Impairment in fair value of investment property		**193**	-
Gain on sale of non-current asset held for sale		**-**	(1,025)
Share of results of associates		**8,770**	(8,038)
Foreign exchange gain on non-operating assets and liabilities		**(358)**	(780)
		7,916	13,112
Changes in operating assets and liabilities:			
Investments at fair value through statement of income		**(25,445)**	23,570
Accounts receivable and other assets		**45,954**	(56,652)
Accounts payable and other liabilities		**(1,690)**	1,240
Cash from /(used in) operations		**26,735**	(18,730)
KFAS paid		**-**	(285)
Net cash from/(used in) operating activities		**26,735**	(19,015)
INVESTING ACTIVITIES			
Purchase of available for sale investments		**(7,831)**	(32,992)
Proceeds from sale and redemption of available for sale investments		**868**	1,482
Purchase of investment properties		**(1)**	(328)
Purchase of equipment		**(130)**	(60)
Proceeds from disposal of investment held for sale		**-**	31,214
Income from available for sale investments		**1,919**	213
Acquisition of investment in associates		**(11,941)**	(20,862)
Disposal/redemption of investment in associates		**2,355**	1,397
Dividend income received		**2,761**	2,304
Dividend received from associates		**50**	817
Interest and similar income received		**11,132**	9,302
Net cash used in investing activities		**(818)**	(7,513)
FINANCING ACTIVITIES			
Dividend paid		**(6,762)**	-
Purchase of treasury shares		**(1,181)**	(543)
Sale of treasury shares		**857**	61
Net increase in borrowings		**6,263**	34,575
Minority interest		**-**	68
Finance costs paid		**(10,560)**	(9,434)
Net cash (used in)/from financing activities		**(11,383)**	24,727
Increase/(decrease) in cash and cash equivalents		**14,534**	(1,801)
Cash and cash equivalents at the beginning of the year	27	**743**	2,544
Cash and cash equivalents at the end of the year	27	**15,277**	743

The notes set out on pages 22 to 52 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

1 Incorporation and activities

Coast Investment & Development Co. – KSC (Closed) (the parent company) is a Kuwaiti closed shareholding company incorporated on 29 July 1975 under the Commercial Companies Law of 1960, as amended and its shares are quoted on the Kuwait Stock Exchange. The parent company is regulated by the Central Bank of Kuwait as an investment company.

The group comprises the parent company and its subsidiaries. Details of subsidiary companies are set out in Note 5.

The group is engaged in various types of investment activities.

The address of the parent company's registered office is PO Box 26755, Safat 13128, State of Kuwait.

The consolidated financial statements for the year ended 31 December 2008 were authorised for issue by the parent company's board of directors on 30 April 2009 and are subject to the approval of the general assembly of the shareholders.

2 Adoption of new and revised International Financial Reporting Standards

Adoption of the IFRIC 11 *IFRS 2*: Group and Treasury Shares Transactions, IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction and IFRIC 12 Service Concession Arrangements did not have any impact on the financial position or performance of the group as no events occurred that this interpretation relates to.

The following new standards, amendments to standards and interpretations which are yet to become effective have not been adopted:

- IFRS 1 (Revised) First-time Adoption of International Financial Reporting Standards (Effective for annual periods beginning on or after 1 January 2009)
- IFRS 2 Share Based Payments (Revised) (effective for annual periods on or after 1 January 2009)
- IFRS 3 Business Combinations (Revised) (effective for annual periods on or after 1 July 2009)
- IFRS 5 Non Current Assets Held for Sale and Discontinued Operations (effective for annual periods on or after 1 July 2009)
- IFRS 8 Operating Segments (effective for annual periods on or after 1 January 2009)
- IAS 1 Presentation of Financial Statements (Revised) (effective for annual periods beginning on or after 1 January 2009)
- IAS 16 Property, Plant and Equipment (effective for annual periods on or after 1 January 2009)
- IAS 19 Employee Benefits (effective for annual periods on or after 1 January 2009)
- IAS 20 Accounting for Government grants – Disclosure of Government Assistance (effective for annual periods on or after 1 January 2009)
- IAS 23 Borrowing costs (Revised) (effective for accounting periods beginning on or after 1 January 2009)
- IAS 27 Consolidated and Separate Financial Statements (effective for annual periods on or after 1 January 2009 and 1 July 2009)
- IAS 28 Investment in Associates (effective for annual periods on or after 1 January 2009 and 1 July 2009)

2 Adoption of new and revised International Financial Reporting Standards (continued)

- IAS 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods on or after 1 January 2009)
- IAS 31 Interests in Joint Ventures (effective for annual periods on or after 1 January 2009 and 1 July 2009)
- IAS 32 Financial Instruments: Presentation (effective for annual periods on or after 1 January 2009)
- IAS 36 Impairment of Assets (effective for annual periods on or after 1 January 2009)
- IAS 38 Intangible Assets (effective for annual periods on or after 1 January 2009)
- IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods on or after 1 January 2009 and 1 July 2009)
- IAS 40 Investment Property (effective for annual periods on or after 1 January 2009)
- IAS 41 Agriculture (effective for annual periods on or after 1 January 2009)
- IFRIC 13 Customer Loyalty Programs (effective for annual periods on or after 1 July 2008)
- IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods on or after 1 January 2009)
- IFRIC 16 Hedges of Net Investment in Foreign Operation (effective for annual periods on or after 1 October 2008)
- IFRIC 17 Distribution of Non Cash Assets to Owners (effective for annual periods on or after 1 July 2009)

The adoption of IAS 1 and IFRS 8 will result in amendments to the presentation of the consolidated financial statements of the group.

Based on the group's current business model and accounting policies, management does not expect material impact on the group's financial statements in the period of initial applications of the above standards and interpretations.

The group does not intend to apply any of the above pronouncements early.

3 Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Basis of preparation

The consolidated financial statements have been prepared in accordance with the regulations of the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirements for a collective provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments at fair value through statement of income, available for sale investments and investment properties.

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2007 except for the adoption of the revised and new standards discussed in Note 2.

The consolidated financial statements have been presented in Kuwaiti Dinars which is the parent company's functional and presentation currency.

3 Significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company for the year ended 31 December 2008, and the financial statements of its subsidiaries prepared to that date, or to a date not earlier than three months of the parent company's year end using consistent accounting policies.

Subsidiaries are those enterprises controlled by the parent company. Control exists when the parent company has the power, directly or indirectly, to govern the financial and operating polices of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any significant intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated on consolidation. Adjustments are made for non-uniform accounting policies.

Minority interests represent the portion of profit or loss and net assets not held by the group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the group's share of the fair value of the net identifiable assets of the acquired subsidiary or associate as at the date of the acquisition. Goodwill arising on the acquisition of a subsidiary is recognised as a separate asset in the balance sheet. Goodwill arising on the acquisition of an associate is included within the carrying amount of the investment. Any excess, at the date of acquisition, of the group's share in the fair value of the net identifiable assets acquired over the cost of the acquisition is recognised as negative goodwill.

Goodwill is stated at cost less impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in the consolidated statement of income.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income

Interest and similar income considered an integral part of the effective yield of a loan, is recognised using the effective yield method. The recognition of interest and similar income is suspended when loans become impaired, such as when overdue by more than 90 days. Notional interest is recognised on impaired loans and other financial assets based on the rate used to discount future cash flows to their net present value.

3 Significant accounting policies (continued)

Dividend income
Dividend income other than those from investments in associate is recognised when the right to receive payment is established.

Fee and commission income
Management and incentive fees, relating to fiduciary client portfolios, fund management and custody services, are recognised over the period of time when these services are rendered .

Finance costs
Finance costs are recognised on a time proportion basis, taking into account the loan outstanding and the applicable interest rate.

Taxation and Zakat
The parent company calculates the National Labour Support Tax (NLST) in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

The parent company calculates the contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) at 1% of taxable profit in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Contribution to Zakat is calculated at 1% of the profit of the parent company in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Investment securities
The group classifies its investment securities as follows:

- Available for sale
- Investments at fair value through statement of income

Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through statement of income, or available for sale.

Available for sale investments
After initial recognition at cost including transaction costs associated with the acquisition, available for sale investments are remeasured at fair value unless fair value cannot be reliably measured. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Changes in fair value of the investments are reported as a separate component of equity until the investment is either derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is included in the consolidated statement of income. Reversal of previously recognised impairment losses in the consolidated statement of income are recorded as an increase in cumulative changes in fair value.

3 Significant accounting policies (continued)

Investment securities (continued)

Investments at fair value through statement of income

Classification of investments as financial assets at fair value through income statement depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of income statement in the management accounts, they are classified as designated at fair value through income statement.

Investments at fair value through statement of income are initially recognised at fair value, excluding transaction costs.

1- Held for trading

Held for trading investments are acquired principally for the purpose of selling or repurchasing it in the near term or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

2- Investments designated at fair value through statement of income

Financial assets are designated at fair value through income statement if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy.

After initial recognition, investments at fair value through statement of income are remeasured at fair value.

Gains or losses arising either from the sale or changes in fair value of "investments designated at fair value through statement of income" are recognised in the consolidated statement of income.

Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Recognition and de-recognition of financial assets and liabilities

A financial asset or a financial liability is recognised when the group becomes a party to the contractual provisions of the instrument. A financial asset (or where applicable a part of a financial asset or a part of group of financial assets) is de-recognised either when the rights to receive cash flows from the asset have expired;

The group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

The group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different

3 Significant accounting policies (continued)

Recognition and de-recognition of financial assets and liabilities (continued)

terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of income.

Impairment and uncollectability of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

a) For financial assets carried at fair value, impairment is the difference between cost and fair value; and
b) For financial assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
c) For financial assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

In addition, in March 2007, the Central Bank of Kuwait (CBK) issued a circular amending the basis of making general provisions of facilities changing the rate from 2% to 1% for cash facilities and 1% to 0.5% for non-cash facilities. The required rates were to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period. The general provision in excess of the present 1% for cash facilities and 0.5% for non-cash facilities were retained as a general provision

During the year, CBK allowed the group to reverse the excess general provision of 1% for cash facilities and 0.5% for non-cash facilities to the consolidated statement of income provided that the amount is transferred to general reserve.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for equity instruments classified as available for sale, reversals of impairment losses are recognised in the consolidated statement of income to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. Reversals in respect of equity instruments classified as available for sale are recognised in the fair value reserve.

Fair values

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on an earnings multiple, or an industry specific earnings multiple or is based on the expected cash flows of the investment discounted at current rates applicable for items with similar terms and risk characteristics. Fair value estimates take into account liquidity constraints and assessment for any impairment. Investments for which there is no reliable measure of fair value are carried at cost less impairment.

The determination of fair value is done for each investment individually.

3 Significant accounting policies (continued)

Investment in associates

An associate is an entity over which the group exerts significant influence. Significant influence is presumed to exist when the group holds between 20 to 50 percent of the voting power of another entity. Investment in associates are accounted for under the equity method of accounting. Where an associate is acquired and held exclusively for resale, it is accounted for as a non-current asset held for resale under IFRS 5.

Under the equity method, the investment in associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of the associate's equity. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associate from the date that influence effectively commenced until the date that it effectively ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the group's share in the associate arising from changes in the associate's equity. The group's share of those changes is recognised directly in equity.

Unrealised gains on transactions with associate are eliminated to the extent of the group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

An assessment of investment in an associate is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist. Whenever impairment requirements of IAS 36, indicate that investment in an associate may be impaired, the entire carrying amount of investment is tested by comparing its recoverable amount with its carrying value. Goodwill is included in the carrying amount of an investment in associate and, therefore, is not separately tested for impairment.

The reporting dates of the associates and the group are identical or are not more than three months apart if different. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the group's consolidated financial statements. The associate's accounting policies conform to those used by the group for like transactions and events in similar circumstances.

Investment properties

Investment properties are initially recorded at cost, being the purchase price and any directly attributable expenditure for a purchased investment property and cost at the date when construction or development is complete for a self constructed investment property. Subsequent to initial recognition, investment properties outside Kuwait are re-measured at fair value on an individual basis based on an external valuation by an independent registered valuer and for properties inside Kuwait by two independent registered valuers. Gains and losses arising either from remeasurement to fair value or the sale of investment properties are included in the consolidated statement of income.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated income statement.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property and equipment.

3 Significant accounting policies (continued)

Property and equipment (continued)

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed recoverable amounts assets are written down to their recoverable amounts.

Depreciation

Land is not depreciated. Depreciation is provided for all other property and equipment at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life. The estimated useful life of the building is 20 years and 5 years for all other assets. The useful economic lives of assets are reviewed annually and revised where necessary.

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or a cash-generating unit's fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount by recognising impairment loss in the consolidated statement of income.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating units to which goodwill has been allocated, an impairment loss is recognised immediately in consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The group performs its annual impairment test of goodwill as at 31 December.

3 Significant accounting policies (continued)

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Treasury shares

The parent company's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and current accounts, money at call and short notice with an original maturity of less than three months from inception net of bank overdrafts.

End of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law, employee contracts and applicable labor laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the balance sheet date.

Foreign currencies

The consolidated financial statements are presented in Kuwaiti Dinars, which is the parent company's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to gain/ loss on foreign currency translation in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

3 Significant accounting policies (continued)

Foreign currencies (continued)

Group companies
As at the reporting date, the assets and liabilities of foreign subsidiaries, and the carrying value of foreign associates, are translated into the parent company's presentation currency (the Kuwaiti Dinars) at the rate of exchange ruling at the balance sheet date, and their income statements are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to foreign exchange translation reserve within equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

Fiduciary assets

Assets held in trust or fiduciary capacity are not treated as assets of the group and, accordingly, are not included in the consolidated balance sheet.

Segmental information

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments.

Contingencies

Contingent liabilities are not recognised in the consolidated balance sheet, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting polices, which are described in note 3, management is required to make judgements, estimates and assumption about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:
• recent arm's length market transactions;
• current fair value of another instrument that is substantially the same;

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

- an earnings multiple or industry specific multiple;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Critical judgements in applying accounting polices

In the process of applying the group's accounting policies, management has made the following significant judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Classification of real estate property

Management decides on acquisition of a real estate property whether it should be classified as trading, property held for development or investment property.

The group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The group classifies property as property under development if it is acquired with the intention of development.

The group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through statement of income, or available for sale.

The group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investments as investment at fair value through income statement depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of statement of income in the management accounts, they are classified as at fair value through statement of income.

All other investments are classified as available for sale.

Impairment of available for sale investments

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

5 Subsidiary companies

Details of subsidiary companies are set out below:

	Country of incorporation	Percentage ownership %		Principal activity
		2008	2007	
Coast Investments Limited	British Virgin Islands	**100**	100	Investment services
Coast Holding Corporation	USA	**100**	100	Investment services
Winters Estate LLC	USA	**80**	80	Real estate investment

6 Realised (loss) gain on investments at fair value through statement of income

	2008 KD '000	2007 KD '000
Investments held for trading	**(1,718)**	10,991
Investments designated as investments at fair value through statement of income	**5,664**	3
	3,946	10,994

7 Unrealised (loss)/gain on investments at fair value through statement of income

	2008 KD '000	2007 KD '000
Investments held for trading	**(13,618)**	1,064
Investments designated as investments at fair value through statement of income	**(2,294)**	1,431
	(15,912)	2,495

8 Dividend income

	2008 KD '000	2007 KD '000
Investments held for trading	**565**	2,036
Investments designated as investments at fair value through statement of income	**903**	268
Available for sale investments	**1,293**	-
	2,761	2,304

9 Management fees

Management fees relates to income arising from the group's management of portfolios, funds and commission income, fee from subscription activities.

	2008 KD '000	2007 KD '000
Fees from portfolio management	**503**	517
Fees from fund management	**979**	1,042
Commission income and subscription fee	**556**	2,938
	2,038	4,497

10 Interest and similar income

	2008 KD '000	2007 KD '000
Money at call and short notice	**285**	25
Financing of future trades by customers	**10,692**	9,277
Accounts receivable and other assets (note 16)	**1,577**	-
	12,554	9,302

11 Other income

Other income includes incentive fees of KD4,045 thousand (2007: KD Nil thousand) from a fund managed by the parent company.

12 Net gain or (loss) on financial assets

Net gain or (loss) on financial assets, analysed by category, is as follows:

	2008 KD '000	2007 KD '000
Money at call and short notice	**285**	25
Investments held for trading	**(14,771)**	14,091
Investments designated as investments at fair value through statement of income	**4,273**	1,702
Available for sale investments	**(12,170)**	92
Financing of future of trades by customers/Accounts receivable & other assets	**12,729**	8,896
Net realised and unrealised gain/(loss)	**(9,654)**	24,806
Net unrealised gain/(loss) recognised in equity	**516**	(2,233)
	(9,138)	22,573

13 Finance costs

Finance costs relate to borrowings and bank overdraft. All these financial liabilities are stated at amortised cost.

14 General and administrative expenses

	2008 KD'000	2007 KD '000
Staff costs	**1,503**	1,781
Other expenses	**1,050**	488
Depreciation	**48**	58
	2,601	2,327

15 Basic and diluted (loss)/earnings per share

Basic and diluted (loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to the shareholders of the parent company by the weighted average number of shares excluding treasury shares (note 24).

	2008	Restated 2007
(Loss)/profit for the year attributable to shareholders of the parent company (KD '000)	**(24,961)**	25,880
Weighted average number of shares (excluding treasury shares)	**565,641,646**	566,566,166
Basic and diluted (loss)/earnings per share	**(44) Fils**	46 Fils

The weighted average number of shares for the calculation of (loss)/earnings per share has been adjusted to reflect the bonus issue in April 2008.

16 Accounts receivable and other assets

	2008 KD '000	2007 KD '000
Financing of future trades by customers	**13,163**	59,186
Due from Kuwait Clearing Company	**1,275**	1,358
Due from associate on sale of non – current asset held for sale (See below)	**15,129**	15,703
Due from Middle Coast Trading Co.	**1,146**	2,500
Due from Moya Projects Management Co.	**3,513**	-
Accrued income	**496**	557
Other assets	**154**	153
	34,876	79,457

Due from associate represents balance amount receivable on sale of a non-current asset held for sale in the previous year. This amount carries interest at 1% above the Central Bank of Kuwait discount rate. Out of this amount, KD14,985 thousand will utilised for planned capital increase of the associate by the end of 2010. The remaining amount is payable in cash and has no specific repayment date.

17 Investments at fair value through statement of income

	2008 KD '000	2007 KD '000
Held for trading		
Local quoted securities	**27,146**	11,995
	27,146	11,995
Designated		
Local quoted securities	**598**	765
Local unquoted securities	**2**	2,552
Local mutual funds (investing in quoted securities)	**1,448**	3,067
Foreign mutual funds	**443**	1,359
Foreign quoted securities	**99**	465
	2,590	8,208
	29,736	20,203

18 Available for sale investments

	2008 **KD '000**	2007 KD '000
Quoted Investments	**16,064**	26,830
Unquoted investments	**18,070**	14,216
	34,134	41,046

During the year, the group recognised an impairment loss of KD15,832 thousand (2007: KD121 thousand) in respect of quoted securities and unquoted funds.

Investments with a carrying amount of KD2,085 thousand (2007: KD Nil) at the balance sheet date are pledged as security against a bank loan (Note 23).

Investments in unquoted shares amounting to KD10,354 thousand (2007: KD6,937 thousand) are stated at cost due to the unavailability of other information to arrive at a reliable measure of fair value. Management has preformed an analysis of the underlying investments which indicates that there is no impairment.

19 Investment in associates

Details of associates are set out below:

Name	**Country of incorporation**	**Voting capital held %**		**Principal activity**
		2008	2007	
Rico GmbH (unquoted)	Germany	**23.73**	23.73	Manufacturing
Weinig Int'l A.G. (unquoted)	Germany	**14.37***	14.37	Manufacturing
Coast Investment Fund (unquoted)	Kuwait	**30.32**	29.09	Investing activities
Coast Pearl Fund (unquoted)	Kuwait	**51.25**	-	Investing activities
Coast Mutajara Fund (unquoted)	Kuwait	**50.00**	50.00	Investing activities
Aqar Real Estate Investment Co. – KSC (Closed) (quoted)	Kuwait	**19.90**	20.08	Real estate activities
Kuwait German Holding Co. – KSC(Closed) (unquoted)	Kuwait	**49.60**	48.25	Investing activities
Union Securities Brokerage (unquoted)	Kuwait	**20.00**	-	Brokerage co.

* Indirect interest of 22.32% held through Kuwait German Holding Co. K.S.C. (Closed).

19 Investment in associates (continued)

Movement in the carrying amount of investment in associates is as follows:

	2008 KD '000	2007 KD '000
Balance as at 1 January, as reported	-	28,663
Reclassification of associate	-	15,489
Adjustment to equity	-	(5,669)
Carrying amount as at 1 January, as restated	65,872	38,483
Additions	11,300	20,875
Change in associates equity	641	(13)
Redemptions during the year	(2,355)	(1,397)
Share of results	(8,770)	8,038
Dividend received	(50)	(817)
Foreign exchange translation adjustments	(560)	703
Carrying amount at 31 December	66,078	65,872

Aggregate share of associates' balance sheet:	KD '000	KD '000
Total assets	86,350	84,431
Total liabilities	(27,906)	(20,010)
Net Assets	58,444	64,421

Aggregate share of associates' revenue and profit:		
Revenue	2,171	12,532
(Loss)/profit	(8,770)	8,038

The carrying amount of the investments in Aqar Real Estate Investment Company – KSC (Closed), Union Securities Brokerage and Kuwait German Holding Co. includes goodwill of KD7,634 thousand (2007: KD1,451 thousand).

Investments in associates with a carrying value of KD25,376 thousand (2007: KD25,476 thousand) have a fair value of KD23,475 thousand (2007: KD25,808 thousand) based on market bid prices. In accordance with IAS 36 requirement for impairment of assets, the group's carrying value of the associates did not exceed its recoverable amount (higher of fair value less cost to sell and value in use), accordingly no impairment was recognized.

The group has accounted for its investments and share of result of associates namely Weinig International A.G., Rico GmbH and Kuwait German Holding based on the 31 December 2008 management accounts.

20 Investment properties

	2008 KD '000	2007 KD '000
Carrying amount at 1 January	328	-
Additions	1	328
Impairment loss	(193)	-
Foreign exchange translation adjustments	3	-
Carrying amount at 31 December	139	328

Investment properties are located outside Kuwait.

21 Property and equipment

It comprises of the following

	2008 **KD '000**	2007 KD '000
Freehold land, at cost	**1,053**	1,053
Office furniture and equipment, net book value	**149**	67
	1,202	1,120

Movement in property and equipment during the year is as follows:

31 December 2008:

	Freehold land KD'000	**Office furniture and equipment KD'000**	**Total KD'000**
Cost:			
At 1 January	**1,614**	**401**	**2,015**
Additions	**-**	**130**	**130**
31 December	**1,614**	**531**	**2,145**
Accumulated depreciation:			
At 1 January	**561**	**334**	**895**
Charge for the year	**-**	**(48)**	**48**
31 December	**561**	**382**	**(943)**
Net book value:	**1,053**	**149**	**1,202**

31 December 2007:

	Freehold land KD'000	**Office furniture and equipment KD'000**	**Total KD'000**
Cost:			
At 1 January	1,614	341	1,955
Additions	-	60	60
31 December	1,614	401	2,015
Accumulated depreciation:			
At 1 January	547	290	837
Charge for the year	14	44	58
31 December	561	334	895
Net book value:	1,053	67	1,120

22 Accounts payable and other liabilities

	2008 KD '000	2007 KD '000
Accrued expenses	**1,224**	2,066
Other liabilities	**2,427**	3,275
	3,651	5,341

23 Borrowings

	2008 KD'000	2007 KD '000
Bank loans due within one year	**102,878**	91,552
Bank loans due more than one year	**11,700**	17,100
	114,578	108,652

	Effective interest rate %	Security	2008 KD '000	2007 KD '000
Loans in KD	6.25	Secured	**2,110**	-
Loans in KD	6.75	Secured (guarantee)	**2,500**	-
Loans in KD	6.00 – 7.00	Unsecured	**103,750**	89,385
Loans in U.S. Dollars	5.68 – 8.25	Unsecured	**6,218**	15,120
Loans in EURO	6.60	Unsecured	**-**	4,147
			114,578	108,652

The group has pledged investments with a carrying amount of KD2,085 thousand as securities against the total borrowings of KD2,110 thousand (note 18).

A local bank has given a guarantee against a loan payable to a foreign bank on behalf of the group against the total borrowing of KD2,500 thousand.

24 Share capital

	Authorised, Issued and fully paid	
	2008	2007
Shares of KD0.100 each	**625,293,152**	521,077,627

On 24 April 2008, the Annual General Meeting of the shareholders of the parent company approved the increase of authorised share capital from KD 52,108 thousand to KD 62,529 thousand by way of issuance of 104,215,525 bonus shares of 100 Fils each equivalent to 20% of paid-up share capital as at 31 December 2007

25 Treasury shares

	2008	2007
Number of shares	**62,743,268**	50,041,301
Percentage of holding	**10.03%**	9.60%
Market value (KD '000)	**5,898**	19,766

Reserves of the parent company equivalent to the cost of treasury shares have been earmarked as non-distributable.

26 Statutory and voluntary reserves

The statutory reserve is held by the parent company. As required by the Commercial Companies Law of Kuwait and the parent company's articles of association, 10% of the profit before KFAS, NLST, Zakat and board of directors' remuneration for each year attributable to the shareholders of the parent company should be transferred to the statutory reserve. The parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

The parent company's articles of association require that 10% of the profit before KFAS, NLST, Zakat and board of directors' remuneration for the year attributable to the shareholders of the parent company should be transferred to a voluntary reserve. The shareholders resolved to discontinue transfer to voluntary reserve at the general assembly held on 3 May 2003. There are no restrictions on distribution of voluntary reserve.

No transfer is required in a year when losses are incurred or where cumulative losses exist.

27 Cash and cash equivalents

	2008 **KD '000**	2007 KD '000
Cash and bank balances	**792**	499
Money at call and short notice	**16,515**	392
Bank overdraft	**(2,030)**	(148)
	15,277	743

The effective interest rate on money at call and short notice was 0.25% to 1.5% (2007: 0.5% to 2%), with an average maturity of 30 days. All deposits are placed with reputable international and local banks and are capable of being realised as cash within 90 days.

The effective interest rate on bank overdraft was 8% - 9% (2007: 7% - 8.5%).

28 General assembly of shareholders

The directors do not propose any dividend for the year ended 31 December 2008.

The annual general assembly of the shareholders held on 24 April 2008 approved the consolidated financial statements for the year ended 31 December 2007 and cash dividend of 15 fils per share amounting to KD7,081 thousand and bonus share of 20% of the paid up share capital.

29 Related party transactions

These represent transactions with certain related parties (directors and executive officers of the parent company and their related concerns including funds managed by the parent company) entered into by the group in the ordinary course of business and key management compensation.

	2008 KD '000	2007 KD '000
Transactions included in the consolidated statement of income:		
Management fees (associate)	**1,364**	3,898
Gain on sale of non-current asset held for sale (associate)	**-**	1,025
Interest income (associate)		
Included in the consolidated balance sheet:		
Due on sale of non-current asset held for sale (associate)	**15,129**	15,703
Key management compensation:		
Salaries and other short term benefits	**290**	232
Terminal benefits	**28**	22
	318	254

30 Segmental analysis

The group primarily operates in one business segment: investment. The group operates in three geographical segments: Kuwait and the Middle East, the United States of America and Europe. The geographical analysis of segment information is as follows:

	Kuwait and the Middle East KD '000	**United States of America** KD '000	**Europe** KD '000	**Total** KD '000
Year ended 31 December 2008				
Segment (loss)/income	**(1,326)**	**316**	**3,815**	**2,805**
Segment results	**(28,531)**	**(411)**	**3,367**	**(25,575)**
Foreign exchange gain				**574**
Loss for the year				**(25,001)**
As at 31 December 2008				
Segment assets	**162,277**	**3,439**	**17,756**	**183,472**
Segment liabilities	**118,663**	**10**	**-**	**118,673**
Unallocated liabilities				**1,586**
Total liabilities				**120,259**
Net assets				**63,213**

30 Segmental analysis (continued)

	Kuwait and the Middle East	United States of America	Europe	Total
	KD '000	KD '000	KD '000	KD '000
Year ended 31 December 2007				
Segment income	37,065	333	1,594	38,992
Segment results	24,473	264	1,547	26,284
Foreign exchange gain				546
Unallocated expenses				(950)
Profit for the year				25,880
As at 31 December 2007				
Segment assets	188,883	4,025	16,009	208,917
Segment liabilities	112,289	10	-	112,299
Unallocated liabilities				1,842
Total liabilities				114,141
Net assets				94,776

31 Fiduciary accounts

The group manages portfolios on behalf of others and maintains cash balances and securities in fiduciary accounts without risk of recourse to the group, which are not reflected in the consolidated balance sheet. Funds under management at 31 December 2008 amounted to KD 298,965 thousand (2007: KD436,277 thousand).

The total income earned from trust and other fiduciary activities amounted to KD1,554 thousand (2007: KD1,527).

32 Capital commitments

At the balance sheet date the group had capital commitments of KD 7,910 thousand (2007: KD7,526 thousand) towards purchase of available for sale investments.

33 Risk management objectives and policies

The group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk, price risk), credit risk and liquidity risk.

33 Risk management objectives and policies (continued)

The parent company's board of directors are ultimately responsible for the overall risk management and for approving risk strategies and principles. The group's risk management is carried out by investment and audit committee and focuses on actively securing the group's short to medium term cash flows by minimizing the potential adverse effects on the group's financial performance through internal risk reports. Long term financial investments are managed to generate lasting returns.

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the group is exposed to are described below.

33.1 Market risk

a) Foreign currency risk

The group mainly operates in the Kuwait and other Middle Eastern countries, the United States of America and Europe and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Euro and UK Pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the group's exposure to foreign currency risk, management works on maintaining a balanced exposure of assets and liabilities by currency to minimize fluctuations and enter into forward foreign exchange contracts, if needed, in accordance with the group's risks management polices. Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign exchange contracts may be entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

The group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	2008 KD '000	2007 KD '000
US Dollar	**(1,627)**	(9,763)
Euro	**17,425**	10,665

The foreign currency sensitivity is determined on the following assumptions:

	Exchange rate sensitivity %	
	2008	2007
US Dollar	**2.61**	(3.78)
Euro	**2.23**	(2.89)

The above percentages have been determined based on the average market volatility in exchange rates in the previous twelve months. There has been no change during the year in the methods and assumptions used in the preparation of the sensitivity analysis.

33 Risk management objectives and policies (continued)

33.1 Market risk (continued)

a) Foreign currency risk (continued)

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity, then this would have the following impact on the (loss)/profit for the year and equity:

	(Loss)/profit for the year		Equity	
	2008	2007	**2008**	2007
	KD'000	KD'000	**KD'000**	KD'000
US Dollar	**134**	514	**(92)**	(145)
Euro	**(2)**	(120)	**(386)**	428
	132	394	**(478)**	283

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity, then this would have the following impact on the (loss)/profit for the year and equity:

	(Loss)/profit for the year		Equity	
	2008	2007	**2008**	2007
	KD'000	KD'000	**KD'000**	KD'000
US Dollar	**(134)**	(514)	**92**	145
Euro	**2**	120	**386**	(428)
	(132)	(394)	**478**	(283)

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to the foreign currency risk.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group is exposed to interest rate risk with respect to financing of future trades by customers (included in accounts receivable and other assets) and its borrowings. The financing of future trades by customers are for a period of twelve months or less from the date of financing and bear fixed rates of interest. The borrowings mainly represent short term money market borrowing and bear fixed rates of interest. The management has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Positions are monitored on a regular basis and hedging strategies maybe used to ensure positions are maintained within established limits.

33 Risk management objectives and policies (continued)

33.1 Market risk (continued)

a) Interest rate risk (continued)

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

The group's interest rate exposure based on earlier of contractual repricing arrangements and maturity at 31 December 2008 and 2007 was as follows:

	Up to 1 month	1-3 months	3-12 months	Over 1 year	Not exposed to interest rate risk	Total	Effective interest rate
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	%
At 31 December 2008							
ASSETS							
Cash and bank balances	-	-	-	-	792	792	-
Money at call and short notice	16,508	7	-	-	-	16,515	0.25-1.5
Accounts receivable and other assets	-	10,010	18,282	-	6,584	34,876	4.75-12
Investments at fair value through statement of income	-	-	-	-	29,736	29,736	-
Available for sale investments	-	-	-	-	34,134	34,134	-
Investment in associates	-	-	-	-	66,078	66,078	-
Investment properties	-	-	-	-	139	139	-
Property and equipment	-	-	-	-	1,202	1,202	-
Total assets	16,508	10,017	18,282	-	138,665	183,472	
LIABILITIES							
Bank overdraft	**2,030**	**-**	**-**	**-**	**-**	**2,030**	**6.5-8.5**
Accounts payable and other liabilities	**-**	**531**	**-**	**-**	**3,120**	**3,651**	**6.5-12**
Borrowings	**20,072**	**51,336**	**31,470**	**11,700**	**-**	**114,578**	**5.68-8.25**
Total liabilities	**22,102**	**51,867**	**31,470**	**11,700**	**3,120**	**120,259**	

33 Risk management objectives and policies (continued)

33.1 Market risk (continued)

a) Interest rate risk (continued)

	Up to 1 month	1-3 months	3-12 months	Over 1 year	Not exposed to interest rate risk	Total	Effective interest rate
At 31 December 2007							
ASSETS							
Cash and bank balances	-	-	-	-	499	499	-
Money at call and short notice	376	16	-	-	-	392	0.5-2
Accounts receivable and other assets	-	49,644	9,542	-	20,271	79,457	13
Investments at fair value through statement of income	-	-	-	-	20,203	20,203	-
Available for sale investments	-	-	-	-	41,046	41,046	-
Investment in associates	-	-	-	-	65,872	65,872	-
Investment properties	-	-	-	-	328	328	-
Property and equipment	-	-	-	-	1,120	1,120	-
Total assets	376	49,660	9,542	-	149,339	208,917	
LIABILITIES							
Bank overdraft	148	-	-	-	-	148	8-9
Accounts payable and other liabilities	-	-	-	-	5,341	5,341	-
Borrowings	29,801	48,891	12,860	17,100	-	108,652	8-9
Total liabilities	29,949	48,891	12,860	17,100	5,341	114,141	

The group does not have any off balance sheet financial instruments which are used to manage the interest rate risk.

The following table illustrates the sensitivity of the (loss)/profit for the year and equity to a reasonably possible change in interest rates of +.25% and -.25% (2007: +.25% and -.25%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculation are based on the group's financial instruments exposed to interest rate risk held at each balance sheet date. All other variables are held constant. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	2008		2007	
	+ 0.25 %	**- 0.25 %**	+ 0.25 %	- 0.25 %
	KD'000	**KD'000**	KD'000	KD'000
(Loss)/profit for the year	**(180)**	**180**	(123)	123
Equity	**-**	**-**	-	-

33 Risk management objectives and policies (continued)

33.1 Market risk (continued)

b) Price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through statement of income (including trading securities) and available for sale securities. The majority of the group's investments are listed on the Kuwait Stock Exchange.

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. There has been no change in the method and assumptions used in the preparation of the sensitivity analysis.

If equity prices had been 5% higher/lower, the effect on the loss for the year and equity for the year ended 31 December would have been as follows:

	(Loss)/profit for the year		Equity	
	2008 KD'000	2007 KD'000	**2008 KD'000**	2007 KD'000
Kuwait Stock Exchange index + 5%	**1,833**	1,210	913	1,307
Kuwait Stock Exchange index – 5%	**(1,833)**	(1,210)	(913)	(1,307)

33.2 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. The group credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains collateral security when appropriate.

The group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the balance sheet date, as summarized below:

	2008 KD '000	2007 KD '000
Bank balances	**792**	499
Money at call and short notice	**16,515**	392
Accounts receivables and other assets	**34,876**	79,457
	52,183	80,348

The maximum credit exposure to a single counter party is KD15,129 thousand (2007: KD15,703 thousand). Information on other significant concentrations of credit risk is set out in note 33.3.

33 Risk management objectives and policies (continued)

33.3 Concentration of assets

The distribution of assets by geographic region and industry sector was as follows:

	GCC KD '000	Europe KD '000	USA KD '000	Total KD '000
At 31 December 2008				
Geographic region:				
Cash and bank balances	**791**	**-**	**1**	**792**
Money at call and short notice	**16,507**	**-**	**8**	**16,515**
Accounts receivable and other assets	**34,770**	**95**	**11**	**34,876**
Investments at fair value through statement of income	**29,293**	**320**	**123**	**29,736**
Available for sale investments	**27,023**	**3,954**	**3,157**	**34,134**
Investment in associates	**52,691**	**13,387**	**-**	**66,078**
Investment properties	**-**	**-**	**139**	**139**
Property and equipment	**1,202**	**-**	**-**	**1,202**
	162,277	**17,756**	**3,439**	**183,472**
Industry sector				
Trading and manufacturing	**3,764**	**13,431**	**-**	**17,195**
Banks and financial institutions	**129,086**	**365**	**132**	**129,583**
Real estate	**14,670**	**-**	**477**	**15,147**
Others	**14,757**	**3,960**	**2,830**	**21,547**
	162,277	**17,756**	**3,439**	**183,472**

	GCC KD '000	Europe KD '000	USA KD '000	Total KD '000
At 31 December 2007				
Geographic region:				
Cash and bank balances	499	-	-	499
Money at call and short notice	376	-	16	392
Accounts receivable and other assets	79,408	42	7	79,457
Investments at fair value through statement of income	18,844	1,161	198	20,203
Available for sale investments	34,012	3,558	3,476	41,046
Investment in associates	54,624	11,248	-	65,872
Investment properties	-	-	328	328
Property and equipment	1,120	-	-	1,120
	188,883	16,009	4,025	208,917
Industry sector				
Trading and manufacturing	2,555	11,248	-	13,803
Banks and financial institutions	153,351	4,719	2,897	160,967
Real estate	10,502	-	977	11,479
Others	22,475	42	151	22,668
	188,883	16,009	4,025	208,917

33 Risk management objectives and policies (continued)

33.4 Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. To limit this risk, the parent company's management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The table below summarises the maturity profile of the group's assets and liabilities based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Maturity periods for investments at fair value through statement of income and available for sale investments are based on planned exit dates.

The maturity profile of the assets and liabilities at 31 December 2008 and 2007 are as follows:

	Up to 1 month	1-3 months	3-12 months	1-3 years	Over 3 years	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
At 31 December 2008						
ASSETS						
Cash and bank balances	**792**	**-**	**-**	**-**	**-**	**792**
Money at call and short notice	**16,508**	**7**	**-**	**-**	**-**	**16,515**
Accounts receivable and other assets	**1,241**	**14,129**	**19,506**	**-**	**-**	**34,876**
Investments at fair value through statement of income	**-**	**-**	**28,477**	**1,259**	**-**	**29,736**
Available for sale investments	**-**	**-**	**34,134**	**-**	**-**	**34,134**
Investments in associates	**-**	**-**	**-**	**-**	**66,078**	**66,078**
Investment properties	**-**	**-**	**-**	**-**	**139**	**139**
Property and equipment	**-**	**-**	**-**	**-**	**1,202**	**1,202**
	18,541	**14,136**	**82,117**	**1,259**	**67,419**	**183,472**
LIABILITIES						
Bank overdrafts	**2,030**	**-**	**-**	**-**	**-**	**2,030**
Accounts payable and other liabilities	**53**	**667**	**2,931**	**-**	**-**	**3,651**
Borrowings	**20,072**	**51,336**	**31,470**	**4,200**	**7,500**	**114,578**
	22,155	**52,003**	**34,401**	**4,200**	**7,500**	**120,259**

The group's short term borrowings represent revolving facilities with the local banks. The management has successfully renewed their short term facilities falling due up to 1 month and one to three months.

33 Risk management objectives and policies (continued)

33.4 Liquidity risk (continued)

	Up to 1 month	1-3 months	3-12 months	1-3 years	Over 3 years	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
At 31 December 2007						
ASSETS						
Cash and bank balances	499	-	-	-	-	499
Money at call and short notice	376	16	-	-	-	392
Accounts receivable and other assets	587	51,853	27,017	-	-	79,457
Investments at fair value through statement of income	-	420	16,716	397	2,670	20,203
Available for sale investments	-	-	41,046	-	-	41,046
Investment in associates	-	-	-	-	65,872	65,872
Investment properties	-	-	-	-	328	328
Property and equipment	-	-	-	-	1,120	1,120
	1,462	52,289	84,779	397	69,990	208,917
LIABILITIES						
Bank overdrafts	148	-	-	-	-	148
Accounts payable and other liabilities	4	1,900	3,437	-	-	5,341
Borrowings	29,801	48,891	12,860	6,600	10,500	108,652
	29,953	50,791	16,297	6,600	10,500	114,141

The maturity profile of financial liabilities at 31 December 2008 and 2007 based on undiscounted contractual arrangements is as follows:

	Up to 1 month	1-3 months	3-12 months	1-3 years	Over 3 years	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
At 31 December 2008						
Bank overdrafts	**2,030**	**-**	**-**	**-**	**-**	**2,030**
Accounts payable and other liabilities	**53**	**667**	**2,931**	**-**	**-**	**3,651**
Borrowings	**20,168**	**52,134**	**32,900**	**4,888**	**9,183**	**119,273**
Capital commitments	**-**	**-**	**-**	**7,132**	**778**	**7,910**
	22,251	**52,801**	**35,831**	**12,020**	**9,961**	**132,864**
At 31 December 2007						
Bank overdrafts	150	-	-	-	-	150
Accounts payable and other liabilities	4	1,900	3,437	-	-	5,341
Borrowings	30,261	49,853	13,640	7,359	12,534	113,647
Capital commitments	-	-	-	4,494	3,032	7,526
	30,415	51,753	17,077	11,853	15,566	126,664

34 Summary of financial assets and liabilities by category

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated balance sheet may also be categorized as follows:

	2008 KD '000	2007 KD '000
Cash and bank balances	**792**	499
Money at call and short notice	**16,515**	392
Accounts receivable and other assets-at cost	**34,876**	79,457
Financial assets at fair value through statement of income:		
• Investments held for trading	**27,146**	11,995
• Investments at fair value through statement of income	**2,590**	8,208
Available for sale investments	**34,134**	41,046
	116,053	141,597
Financial liabilities at amortised cost:		
• Bank overdraft	**2,030**	148
• Borrowings	**114,578**	108,652
Accounts payable and other liabilities-at amortised cost	**3,651**	5,341
	120,259	114,141

35 Capital management objectives

The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the group consists of the following:

	2008 KD '000	2007 KD '000
Borrowings (note 23)	**114,578**	108,652
Less: Cash and cash equivalents (note 27)	**(15,277)**	(743)
Net debt	**99,301**	107,909
Equity attributable to the shareholders of the parent company	**63,185**	94,708
Add: Fair value reserve	**225**	741
Total capital	**63,410**	95,449

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital as follows:

35 Capital management objectives (continued)

	2008 **KD '000**	2007 KD '000
Net debt	**99,301**	107,909
Total capital	**63,410**	95,449
Gearing ratio	**1.57**	1.13

36 Subsequent event

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified as investments at fair value through statement of income (including trading securities) and available-for-sale.

Subsequent to the balance sheet date, as a result of volatility in the local and global equity markets, there has been a decline in the major stock indices throughout the world including Kuwait, Gulf Co-operation Countries (GCC) and Middle East and North Africa (MENA) region.

The decline in the stock market indices, where 84% of the group's investments are concentrated in Kuwait and GCC market subsequent to the balance sheet date up to 30th of April 2009, the date of the approval of the consolidated financial information, were as follows:

	Up to 30 April 2009 %
Kuwait market	(2.9)
Bahrain market	(11.53)
Egypt market	12.95
Other international markets:	
UK	(1.63)
USA	(6.93)

37 Fair value of financial instruments

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. Fair values are determined from quoted prices in active markets for identical financial assets or financial liabilities where these are available. Where the market for a financial instrument is not active, fair value is established using a valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data. The fair values of financial instruments, with the exception of certain financial assets available-for-sale carried at cost (see note 18) are not materially different from their carrying values. For other financial asset and liabilities carried at amortized cost, the carrying value is not significantly different from their fair values

38 Comparative amounts

Comparative amounts for the previous year for certain captions have been reclassified to be consistent with the presentation of the consolidated financial statements for the current year.