Consolidated financial statements and independent auditors' report

National Industries Group Holding – SAK and Subsidiaries

Kuwait

31 December 2008

LDD 07-04-09 0960

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Independent auditors' report

To the shareholders of
National Industries Group Holding – SAK
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Industries Group Holding (A Kuwaiti Shareholding Company) ("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 parent company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. 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 in 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 management, as well as evaluating the overall presentation of the consolidated financial statements.

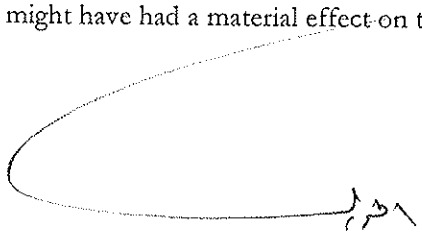
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

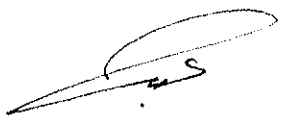
Opinion

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 its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards

Report on Other Legal and Regulatory Requirements

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 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 or of the 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.





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Allied Accountants

Kuwait
31 March 2009

Consolidated statement of income

	Note	Year ended 31 Dec. 2008 KD '000	Year ended 31 Dec. 2007 KD '000
Sales		**112,821**	117,458
Cost of sales		**(89,782)**	(90,102)
Gross profit		**23,039**	27,356
Income from investments	6	**37,088**	250,129
Share of profits of associates	15	**2,451**	19,737
Changes in fair value of investment properties	16	**5,697**	-
Interest and other operating income	7	**31,509**	22,122
Distribution costs		**(6,612)**	(7,979)
General, administrative and other expenses		**(22,815)**	(24,127)
		70,357	287,238
Finance costs	9	**(67,609)**	(52,220)
Profit on disposal of property, plant & equipment		**-**	2,215
Impairment in value of available for sale investments	17c	**(326,305)**	(2,000)
Impairment in value of wakala investment	20	**(2,485)**	-
Impairment in value of goodwill		**-**	(2,608)
Impairment in value of associates		**-**	(6,084)
(Loss)/gain on foreign exchange		**(11,514)**	19,790
(Loss)/profit before taxation, KFAS, NLST, Zakat and directors' remuneration		**(337,556)**	246,331
Taxation	10	**(314)**	(616)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**-**	(1,993)
National Labour Support Tax (NLST)		**-**	(4,746)
Zakat provision		**-**	(115)
Directors' remuneration		**-**	(200)
(Loss)/profit for the year	11	**(337,870)**	238,661
Attributable to :			
Shareholders of the parent		**(281,963)**	209,364
Minority interest		**(55,907)**	29,297
		(337,870)	238,661
Basic and diluted (loss)/earnings per share	12	**(224)Fils**	167 Fils

The notes set out on pages 9 to 48 form an integral part of these consolidated financial statements.

Consolidated balance sheet

	Note	31 Dec. 2008 KD '000	(Restated) 31 Dec. 2007 KD '000
Assets			
Non-current assets			
Goodwill	13	**8,231**	10,697
Property, plant and equipment	14	**40,506**	34,304
Investment in associates	15	**303,079**	286,301
Investment properties	16	**22,645**	-
Available for sale investments	17	**634,900**	846,206
Deferred tax		**108**	132
Total non-current assets		**1,009,469**	1,177,640
Current assets			
Inventories	18	**22,992**	23,323
Available for sale investments	17	**178,114**	-
Accounts receivable and other assets	19	**89,635**	129,232
Murabaha and wakala investments	20	**29,800**	33,883
Investments at fair value through statement of income	21	**158,816**	590,542
Short-term deposits	31	**214,999**	187,079
Bank balances and cash	31	**29,325**	17,894
Total current assets		**723,681**	981,953
Total assets		**1,733,150**	2,159,593
Equity and liabilities			
Equity attributable to shareholders of the parent company			
Share capital	22	**129,510**	117,736
Treasury shares	23	**(31,998)**	(27,156)
Reserves	25	**304,142**	303,723
Cumulative changes in fair value		**43,968**	215,451
(Accumulated losses)/ retained earnings		**(97,752)**	323,664
Equity attributable to shareholders of the parent company		**347,870**	933,418
Minority interest		**137,927**	196,999
Total equity		**485,797**	1,130,417
Non-current liabilities			
Bonds issued and trust certificates	26	**158,720**	171,227
Long-term borrowings	27	**177,837**	165,190
Leasing creditors		**608**	375
Provisions	28	**8,369**	9,558
Total non-current liabilities		**345,534**	346,350
Current liabilities			
Accounts payable and other liabilities	29	**80,545**	74,569
Bonds issued	26	**14,431**	-
Short-term borrowings	30	**767,124**	571,211
Due to banks	31	**39,719**	37,046
Total current liabilities		**901,819**	682,826
Total equity and liabilities		**1,733,150**	2,159,593

Mr. Sa'ad Mohammed Al-Sa'ad
Chairman & Managing Director

The notes set out on pages 9 to 48 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to shareholders of the parent company							
	Share capital	Treasury shares	Reserves (Note 25)	Cumulative changes in fair value	Retained earnings/ (accumulated losses)	Sub-Total	Minority interest	Total
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000
Balance at 1 January 2008 (as previously reported)	117,736	(27,156)	303,723	215,451	359,741	969,495	196,999	1,166,494
Prior period adjustment on acquisition of associate								
- reversal of changes in fair value (refer note 15a.)	-	-	-	-	(65,756)	(65,756)	-	(65,756)
- recognition of share of profits (refer note 15a.)	-	-	-	-	29,679	29,679	-	29,679
Balance at 1 January 2008 (as restated)	117,736	(27,156)	303,723	215,451	323,664	933,418	196,999	1,130,417
Net changes in fair value of available for sale investments	-	-	-	(386,329)	-	(386,329)	(83,192)	(469,521)
Share of fair value adjustment in associates	-	-	-	(45,175)	-	(45,175)	-	(45,175)
Transferred to consolidated statement of income on impairment in value of available for sale investments	-	-	-	278,374	-	278,374	47,931	326,305
Transferred to consolidated statement of income on sale of available for sale investments	-	-	-	(18,353)	-	(18,353)	(1,313)	(19,666)
Transfer of excess depreciation	-	-	(28)	-	28	-	-	-
Currency translation differences	-	-	(1,037)	-	-	(1,037)	(2,407)	(3,444)
Net (expense)/income recognised directly in equity	-	-	(1,065)	(171,483)	28	(172,520)	(38,981)	(211,501)
Loss for the year	-	-	-	-	(281,963)	(281,963)	(55,907)	(337,870)
Adjustment related to acquisition of associate – reversal of changes in fair value (refer note 15a.)	-	-	-	-	(43,903)	(43,903)	-	(43,903)
Adjustment related to acquisition of associate – recognition of share of profits (refer note 15a)	-	-	-	-	2,145	2,145	-	2,145
Total recognised expense for the year	-	-	(1,065)	(171,483)	(323,693)	(496,241)	(94,888)	(591,129)
Issue of bonus share (refer note 32)	11,774	-	-	-	(11,774)	-	-	-
Issue of staff bonus shares by utilizing treasury shares (refer note 24)	-	1,047	-	-	-	1,047	-	1,047
Gain on issue of treasury shares to staff	-	-	1,484	-	-	1,484	-	1,484
Purchase of treasury shares	-	(5,889)	-	-	-	(5,889)	-	(5,889)
Cash dividend to shareholders of the parent company (refer note 32)	-	-	-	-	(85,949)	(85,949)	-	(85,949)
Investment made by minority shareholders of subsidiaries	-	-	-	-	-	-	52,270	52,270
Dividend paid to minority by the subsidiaries	-	-	-	-	-	-	(16,454)	(16,454)
	11,774	(4,842)	1,484	-	(97,723)	(89,307)	35,816	(53,491)
Balance at 31 December 2008	**129,510**	**(31,998)**	**304,142**	**43,968**	**(97,752)**	**347,870**	**137,927**	**485,797**

Consolidated statement of changes in equity (Continued)

	Equity attributable to shareholders of the parent company							
	Share capital KD '000	Treasury shares KD '000	Reserves (Note 25) KD '000	Cumulative changes in fair value KD '000	Retained earnings KD '000	Sub-Total KD '000	Minority interest KD '000	Total KD '000
Balance at 1 January 2007 (as previously reported)	107,033	(56,378)	264,315	146,409	260,404	721,783	111,057	832,840
Prior period adjustment on acquisition of associate								
- reversal of changes in fair value (refer note 15.a.)	-	-	-	-	(30,209)	(30,209)	-	(30,209)
- recognition of share of profits (refer note 15a.)	-	-	-	-	3,671	3,671	-	3,671
Balance at 1 January 2007 (as restated)	107,033	(56,378)	264,315	146,409	233,866	695,245	111,057	806,302
Net changes in fair value of available for sale investments	-	-	-	70,663	-	70,663	18,571	89,234
Share of fair value adjustment in associates	-	-	-	27,932	-	27,932	-	27,932
Transferred to consolidated statement of income on impairment in value of available for sale investments				2,000	-	2,000	-	2,000
Transferred to consolidated statement of income on sale of available for sale investments	-	-	-	(31,553)	-	(31,553)	-	(31,553)
Transfer of excess depreciation	-	-	(309)	-	309	-	-	-
Currency translation differences	-	-	(520)	-	-	(520)	-	(520)
Net (expense)/income recognised directly in equity	-	-	(829)	69,042	309	68,522	18,571	87,093
Profit for the year	-	-	-	-	209,364	209,364	29,297	238,661
Adjustment related to acquisition of associate – reversal of changes in fair value (refer note 15a.)	-	-	-	-	(35,547)	(35,547)	-	(35,547)
Adjustment related to acquisition of associate – recognition of share of profits (refer note 15a)	-	-	-	-	26,008	26,008	-	26,008
Total recognised (expense)/income for the year	-	-	(829)	69,042	200,134	268,347	47,868	316,215
Issue of bonus share (refer note 32)	10,703	-	-	-	(10,703)	-	-	-
Issue of staff bonus shares by utilizing treasury shares (refer note 24)	-	757	-	-	-	757	-	757
Gain on issue of treasury shares to staff	-	-	562	-	-	562	-	562
Cash dividend to shareholders of the parent company (refer note 32)	-	-	-	-	(71,421)	(71,421)	-	(71,421)
Purchase of treasury shares	-	(25,630)	-	-	-	(25,630)	-	(25,630)
Disposal of treasury shares	-	54,095	-	-	-	54,095	-	54,095
Transfer to reserves	-	-	28,212	-	(28,212)	-	-	-
Profit on disposal of treasury shares	-	-	11,463	-	-	11,463	-	11,463
Investment made by minority shareholders of subsidiaries	-	-	-	-	-	-	49,098	49,098
Dividend paid to minority by the subsidiaries	-	-	-	-	-	-	(11,024)	(11,024)
	10,703	29,222	40,237	-	(110,336)	(30,174)	38,074	7,900
Balance at 31 December 2007	**117,736**	**(27,156)**	**303,723**	**215,451**	**323,664**	**933,418**	**196,999**	**1,130,417**

The notes set out on pages 9 to 48 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2008 KD '000	Year ended 31 Dec. 2007 KD '000
OPERATING ACTIVITIES		
(Loss)/profit before taxation, KFAS, NLST, Zakat and board of directors' remuneration	**(337,556)**	246,331
Adjustments:		
Depreciation of property, plant and equipment	**4,849**	5,023
Change in fair value of investment properties	**(5,697)**	-
Profit on disposal of property, plant and equipment	**(9)**	(2,215)
Impairment in value of goodwill	**-**	2,608
Impairment in value of associates and joint ventures	**-**	6,084
Share of profits of associates	**(2,451)**	(19,737)
Income from murabaha and wakala investments	**(2,095)**	(3,311)
Dividend income from available for sale investments	**(19,067)**	(9,151)
Profit on sale of available for sale investments	**(32,445)**	(30,372)
Unrealised loss on interest rate swaps	**5,260**	-
Impairment in value of available for sale investments and wakala investments	**328,790**	2,000
Net provisions released	**(1,189)**	(660)
Finance costs	**67,609**	52,220
Interest income	**(12,069)**	(10,753)
	(6,070)	238,067
Changes in operating assets and liabilities:		
Inventories	**331**	637
Accounts receivable and other assets	**43,015**	(72,689)
Investments at fair value through statement of income	**3,958**	(236,295)
Accounts payable and other liabilities	**14,163**	18,726
Cash from/(used in) operations	**55,397**	(51,554)
Taxation paid	**(496)**	(500)
KFAS contribution paid	**(1,402)**	(1,492)
Board of directors' remuneration paid	**(180)**	(180)
National labour support tax paid	**(4,955)**	(3,429)
Net cash from/(used in) operating activities	**48,364**	(57,155)

Consolidated statement of cash flows (continued)

	Note	Year ended 31 Dec. 2008 KD '000	Year ended 31 Dec. 2007 KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(13,828)**	(11,878)
Proceeds from sale of property, plant and equipment		**2,684**	3,921
Additions to investment properties		**(16,948)**	-
Additions to investment in associates		**(51,438)**	(66,730)
Dividend received from associates		**9,979**	6,653
Decrease in wakala investments maturing after three months		**9,715**	5,000
Income received from murabaha and wakala investments		**2,095**	3,311
Increase in short term deposits maturing after three months		**(71,102)**	-
Increase in blocked deposits		**(500)**	-
Purchase of available for sale investments		**(192,435)**	(424,028)
Proceeds from sale of available for sale investments		**130,095**	98,765
Dividend income received from available for sale investments		**19,067**	9,151
Interest income received		**8,651**	12,520
Net cash used in investing activities		**(163,965)**	(363,315)
FINANCING ACTIVITIES			
Net increase in long-term borrowings, bonds and trust certificates		**14,571**	210,850
Finance lease receipt		**249**	365
Net increase in short-term borrowings		**195,913**	168,026
Dividend paid to the shareholders of the parent		**(84,291)**	(70,305)
Finance costs paid		**(66,157)**	(50,556)
Purchase of treasury shares		**(5,889)**	(25,630)
Proceeds from sale of treasury shares		**-**	65,558
Increase in minority interest		**35,816**	38,074
Net cash from financing activities		**90,212**	336,382
Net decrease in cash and cash equivalents		**(25,389)**	(84,088)
Translation difference		**(1,418)**	(74)
		(26,807)	(84,162)
Cash and cash equivalents at beginning of the year		**171,810**	255,972
Cash and cash equivalents at end of the year	31	**145,003**	171,810

The notes set out on pages 9 to 48 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

31 December 2008

1 Incorporation and activities

National Industries Group Holding – SAK ("the parent company") was incorporated in 1961 as a Kuwaiti shareholding company in accordance with the Commercial Companies Law in the State of Kuwait and in April 2003, its status was transformed to a "Holding Company". The parent company along with its subsidiaries are jointly referred to as "the group". The parent company's shares are traded on the Kuwait Stock Exchange and Dubai Financial Market.

The main objectives of the parent company are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.
- Lending money to companies in which it owns 20% or more of the capital of the borrowing company, along with acting as guarantor on behalf of these companies.
- Owning industrial equities such as patents, industrial trade marks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.
- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.
- Employing excess funds available with the company by investing them in investment and real estate portfolios managed by specialised companies.

The address of the parent company's registered office is PO Box 417, Safat 13005, State of Kuwait.

The board of directors of the parent company approved these consolidated financial statements for issuance on 31 March 2009. The general assembly of the parent company's shareholders has the power to amend these consolidated financial statements after issuance.

2 New and revised International Financial Reporting Standards ("IFRS") and Interpretations ("IFRIC")

a) In the current year the group has adopted the following amendments to the standards:

- Adoption of amendments to IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures, relating to reclassification of financial assets

On 13 October 2008, the International Accounting Standards Board issued amendments to IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures. These amendments permit reclassification of financial instruments other than derivatives from "at fair value through statement of income" category to "available for sale" in rare circumstances and reclassification of a financial asset that meets the definition of loans and receivables out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

2 New and revised International Financial Reporting Standards ("IFRS") and Interpretations ("IFRIC") (continued)

These financial instruments are reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the statement of income is not reversed. The group has implemented the amendments to IAS 39 with effect from 1 July 2008 (refer note 21a).

b) The International Accounting Standards Board (IASB) has issued new and revised IFRS and interpretations which are not yet effective, and therefore have not yet been adopted by the group. The new and revised IFRS and interpretations relevant to the group are:

- Amendments to IFRS 2 Share-based Payments (effective for annual periods beginning on or after 1 January 2009)

The IASB has issued an amendment to IFRS 2 regarding vesting conditions and cancellations. None of the Group's current share-based payments schemes is affected by the amendments. Management does not consider the amendments to have an impact on the Group's accounting policies.

- IFRS 3 Business Combination (Revised 2008) (effective for annual periods beginning on or after 1 July 2009)

The standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard introduces changes to the accounting requirements for business combinations, but still requires use of purchase method, and will have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

- IFRS 8 Operating Segments (effective for annual periods on or after 1 January 2009)

IFRS 8 Operating Segments is a disclosure standard which may result in a redesignation of the group's reportable segments but is not expected to have any impact on the results or financial position of the group.

- IAS 1 (Revised) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)

IAS 1 Presentation of Financial Statements has been revised to require that an entity must present all non-owner changes in equity either in one statement of comprehensive income or in two separate statements (i.e. a statement of income and a statement of comprehensive income). Components of comprehensive income such as changes in revaluation surplus, gains and losses on remeasuring available for sale investments and gains and losses arising from translating the financial statements of foreign operation may not be presented in the statement of changes in equity. The application of the revised standard is not expected to result in any prior period adjustments of cash flow, net income or balance sheet line items in the initial period of application.

- IAS 23 (Revised) Borrowing costs (effective for annual periods beginning on or after 1 January 2009)

IAS 23 Borrowing Costs has been amended resulting in elimination of the previously available option to expense all borrowing costs when incurred. Under the revised standard, all borrowing costs that are directly attributable to qualifying assets are to be capitalised. The application of the revised standard is not expected to have a material impact on the financial statements in the period of initial application because it has always been group's accounting policy to capitalise borrowing costs incurred on qualifying assets.

- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective for annual periods beginning on or after 1 July 2009)

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The changes in IAS 27 will affect future acquisitions or loss of control and transactions with minority interests.

2 New and revised International Financial Reporting Standards ("IFRS") and Interpretations ("IFRIC") (continued)

- Annual Improvements 2008

The IASB has issued Improvements for International Financial Reporting Standards in May 2008. Most of these amendments will become effective in annual period beginning on or after 1 January 2009. The group's expects the following amendments to be relevant to the group's accounting policies, however these amendment are not expected to have a material impact on the consolidated financial statements.

- *IFRS 7 Financial Instruments: Disclosures*
- *IAS 1 Presentation of Financial Statements*
- *IAS 8 Accounting Policies, Change in Accounting Estimates and Errors*
- *IAS 10 Events after the Reporting Period*
- *IAS 16 Property, Plant and Equipment*
- *IAS 18 Revenue*
- *IAS 19 Employee Benefits*
- *IAS 23 Borrowing Costs*
- *IAS 27 Consolidated and Separate Financial Statements*
- *IAS 28 Investment in Associates*
- *IAS 34 Interim Financial Reporting*
- *IAS 36 Impairment of Assets*
- *IAS 38 Intangible Assets*
- *IAS 39 Financial Instruments: Recognition and Measurement*
- *IAS 40 Investment properties*

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

c) The new and revised IFRS and interpretations that are not yet effective and not relevant for the group's operations are:

- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after 1 January 2009)
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for annual periods beginning on or after 1 January 2009)
- Amendments that are part of the annual improvements project published in May 2008 (not addressed above):
  - *IAS 20 Accounting for Government Grants and Disclosures of Government Assistance*
  - *IAS 29 Financial Reporting in Hyperinflationary Economies*
  - *IAS 31 Interest in Joint ventures*
  - *IAS 41 Agriculture*
- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008)
- IFRIC 15 Agreements for construction of real estate (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation(effective for annual periods beginning on or after 1 October 2008)
- IFRIC 17 Distribution of Non Cash Asset to owner (effective for annual periods beginning on or after 1 1 July 2009)

2 New and revised International Financial Reporting Standards ("IFRS") and Interpretations ("IFRIC") (continued)

d) The following interpretations are mandatory for reporting periods beginning on or after 1 January 2008 but they are not relevant to the group's operations:

- IFRIC 11 IFRS 2 Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007)
- IFRIC 12 Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008)
- IFRIC 14 IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008)

3 Significant accounting policies

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 adoption of amendments to IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures, relating to reclassification of financial assets and the adoption of the new accounting policy for "investment properties". The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Basis of preparation

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

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.

Necessary adjustments are made for the effects of significant transactions or other events that occur between the reporting date of the subsidiaries and 31 December 2008, the reporting date of the parent company. The details of the significant consolidated subsidiary companies are set out in Note 5 to the consolidated financial statements.

Subsidiaries are those enterprises controlled by the group and are fully consolidated from the date on which control is transferred to the group. Control is achieved where the group has the power to govern the financial and operating policies of an entity 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 in preparing the consolidated financial statements.

Minority interest represents 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 the equity attributable to the shareholders of the parent company.

3 Significant accounting policies (continued)

Business combinations
Acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, plus any costs directly attributable to the business combination. The acquirer's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date. Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquirer at the date of the acquisition. Any excess, at the date of acquisition, of the group's share in the fair value of the identifiable net assets acquired over the acquisition cost is recognised as negative goodwill in the consolidated statement of income.

Goodwill
Goodwill arising on the acquisition of a subsidiary is recognised as a separate asset in the consolidated balance sheet. Goodwill arising on the acquisition of an associate is included within the carrying amount of the investment. Goodwill, which represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired at the date of acquisition, is measured at cost less impairment losses. Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill is allocated to cash generating units.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

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. The following specific recognition criteria must also be met before revenue is recognised.

Sales
Sales represent the value of goods and services supplied during the year excluding value added tax or other sales taxes.

Dividend income
Dividend income is recognised when the group's right to receive payment is established.

Interest income
Interest income is recognised using the effective interest method.

Fee income
Management fees relating to portfolio management services and other fee income are recognised as revenue as the services are provided.

Finance costs
Finance costs are calculated and recognised on a time proportionate basis taking into account the principal loan balance outstanding and the interest rate applicable.

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sales are complete. Other finance costs are recognised as an expense in the period in which they are incurred.

3 Significant accounting policies (continued)

Development costs
Expenditure on development activities which are not expected to generate future economic benefits are written off as incurred. Development costs are carried forward only if specific criteria are met. Such development costs carried forward are amortised over their estimated useful lives on a straight line basis and are subject to regular impairment review.

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.

Share-based Payment
Certain employees of the parent company receive remuneration in the form of share-based payment transactions, whereby the employees render services in exchange for shares ("equity settled transactions").

Equity-settled transactions
The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the period end market value of the parent company's shares with the issue price. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the shares vest.

Property, plant and equipment and depreciation
Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost or valuation, less the estimated residual value of property, plant and equipment, on a straight-line basis over their estimated useful lives as follows:

Freehold buildings	Lower of 50 years or remaining useful life
Long leasehold property	Lower of 50 years or remaining lease term
Short leasehold property	Lease term
Property on leasehold land	4 to 20 years
Plant and machinery	1 to 15 years
Motor vehicles	2 to 10 years
Furniture and equipment	4 to 10 years

Any increase arising on revaluation is credited directly to equity as "revaluation reserve" except to the extent where the increase reverses a revaluation decrease related to the same asset for which a decrease in valuation has previously been recognised as an expense, it is credited to the consolidated statement of income. Any decrease in the net carrying amount arising on revaluation is charged directly to the consolidated statement of income, or charged to the revaluation reserve to the extent that the decrease is related to an increase for the same asset which was previously recorded as a credit to the revaluation surplus.

3 Significant accounting policies (continued)

Property, plant and equipment and depreciation (continued)
Depreciation on the re-valued properties is charged to the consolidated statement of income over their remaining estimated useful lives and an amount equivalent to the excess depreciation charge relating to the increase in carrying amount is transferred each year from the revaluation reserve to retained earnings.

No depreciation is provided on freehold land. Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, are on the same basis as other property assets, commences when the assets are ready for their intended use.

Investment in associates
An associate is a company over which the group has significant influence usually evidenced by holding of 20% to 50% of the voting power of the investee company. The consolidated financial statements include the group's share of the associates' results using the equity method of accounting.

Under the equity method, investment in an associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of net assets of the investee. The group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associates from the date the influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from an 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 associates' equity that have not been recognised in the associate's statement of income. The group's share of those changes is recognised directly in equity. The financial statements of the associates are prepared either to the reporting date of the parent company or to a date not earlier than three months of the parent company's reporting date, using consistent accounting policies.

Unrealised gains on transactions with associates 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 for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

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 are re-measured at fair value on an individual basis based on a valuation by an independent real estate valuer. Changes in fair value are taken to the consolidated statement of income.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

3 Significant accounting policies (continued)

Financial instruments

Classification

The group classifies financial assets upon initial recognition into the following categories:

i. Investments at fair value through statement of income
ii. Loans and receivables
iii. Available for sale investments

Financial liabilities are classified as "non trading financial liabilities". The group's financial liabilities are classified under "bonds and trust certificates", "long term and short term borrowings", "lease creditors", "accounts payable and other liabilities" and "due to banks" in the consolidated balance sheet.

Investments at fair value through statement of income are either "held for trading" or "designated" as such on initial recognition.

The group classifies investments as trading if they are acquired principally for the purpose of selling 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.

Investments are classified as designated at fair value through consolidated statement of income at inception if they have readily available reliable fair values and the changes in fair values are reported as part of the consolidated statement of income in the management accounts, according to a documented investment strategy.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The groups loans and receivables are classified under "accounts receivables and other assets", "murabaha and wakala investments", "short term deposits" and "bank balances and cash" in the consolidated balance sheet.

Financial assets which are not classified as above are classified as available for sale investments.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of these financial instruments at initial recognition.

Measurement

Investments at fair value through statement of income

Investments at fair value through statement of income are initially recognised at cost, being the fair value of the consideration given, excluding transaction costs.

Subsequent to initial recognition, investments at fair value through statement of income are re-measured at fair value and changes in fair value are recognised in the consolidated statement of income.

Loans and receivables

Loans and receivables are stated at amortised cost using the effective interest rate method.

Available for sale investments

Available for sale investments are initially recognised at cost, being the fair value of the consideration given, plus transaction costs that are directly attributable to the acquisition.

Subsequent to initial recognition, available for sale investments are re-measured at fair value unless fair value cannot be reliably measured, in which case they are measured at cost less impairment, if any.

Changes in fair value of available for sale investments are recognised as a separate component in equity under "cumulative changes in fair value" account until the investment is either derecognised or determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously recognised in equity is recognised in the consolidated statement of income.

3 Significant accounting policies (continued)

Financial liabilities
Non-trading financial liabilities are stated at amortised cost using the effective interest method.

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 fair value is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

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

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 group 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 concerned.

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 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 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 carrying value 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.

3 Significant accounting policies (continued)

Impairment of financial assets (continued)
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 reversal of impairment losses related to equity instruments classified as available for sale, all other impairment reversals 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. Impairment reversals in respect of equity instruments classified as available for sale are recognised in the cumulative changes in fair value reserve in equity.

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 cash-generating unit's fair value less costs to sell and its value in use and 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.

With the exception of impairment in respect of goodwill, 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 group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets 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.

Taxation
Deferred taxation is provided in respect of all temporary differences. Deferred tax assets are recognised in respect of unutilised tax losses when it is probable that the loss will be used against future profits.

Inventories
Inventories are valued at the lower of cost and net realisable value. In respect of finished goods and work-in-progress, cost includes all direct costs of production and an appropriate proportion of production overheads. Cost of raw materials, consumables and spare parts is calculated using the weighted average cost method and provision is taken for slow moving and obsolete items.

Murabaha and wakala investments
These investments are financial assets which are treated as loans and receivables and are stated at amortised cost.

3 Significant accounting policies (continued)

Treasury shares
Treasury shares are stated at cost as a deduction within equity and they are not entitled to cash dividends. The issue of bonus shares increase the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Gains or losses resulting from the sale of treasury shares are recognised directly to equity under "Gain on sale of treasury shares reserve". Should the reserve fall short of any losses from the sale of treasury shares, the difference is charged to retained earnings then reserves, subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves then retained earnings equal to the loss previously charged to these accounts.

Bonds issued and trust certificates
Bonds issued and trust certificates (Mudarabaha and Musharaka sukuk) are carried on the consolidated balance sheet at their principal amount, net of directly related costs of issuing the bonds/certificates to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of income over the life of the bonds/certificates using the effective interest rate method.

Finance cost is charged as an expense as it accrues, with unpaid amounts included in other liabilities.

Leasing and hire purchase
Assets acquired under finance leases and hire purchase arrangements are capitalised and the related liabilities, excluding finance charges, are included in liabilities. Finance charges in respect of such liabilities are charged to the consolidated statement of income. Operating lease rentals are written off on a straight-line basis over the lease period.

Wakala payables
Wakala payables represent Islamic financing arrangements, whereby the group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

Repurchase agreements
Investments sold with a simultaneous commitment to repurchase at a specified future date (repos) are retained in the consolidated financial statements under the relevant investment category. The counterparty liability for amounts received under these agreements is included in 'short term borrowings'. The difference between sale and repurchase price is treated as interest expense using the effective yield method.

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

Provision for end of service indemnity
For the parent company and the local subsidiaries, the provision for staff indemnity is computed based on employees' accumulated periods of service at the balance sheet date in accordance with the Kuwait labour law for the private sector.

Provision for land fill expenses
Provision for land fill expenses is calculated based on the expected cost which is required to restore the leased sites, used by the group for extracting raw materials for its operations, to its original condition.

Pensions (Related to the foreign subsidiaries)
Contributions are paid to both defined benefit and defined contribution pension schemes in accordance with the recommendations of independent actuaries and advisers.

3 Significant accounting policies (continued)

Defined contribution schemes
Contributions to defined contribution schemes are charged to the consolidated statement of income on an accrual basis.

Defined benefit schemes
In respect of defined benefit schemes a defined benefit liability (or asset) is recognised in the consolidated balance sheet and it is calculated as the present value of the defined benefit obligation using the projected unit credit method plus any unrecognised actuarial gains or losses less any past service cost not recognised less the market value of the plan assets.

Pension expense is charged to the consolidated statement of income and is calculated as the aggregate of current service cost (using the projected unit credit method), an interest cost on the discounted defined benefit obligation net of the expected return on plan assets, recognised actuarial gains and losses, recognised past service costs and the effect of curtailments or settlements.

Actuarial gains or losses are recognised as income or expense if the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceeded the greater of:

- 10% of the present value of the defined benefit obligations; and
- 10% of the fair value of plan assets.

The portion of actuarial gains and losses to be recognised is the excess determined above, divided by the expected average remaining service lives of participating employees.

Fiduciary assets
Assets held in a trust or fiduciary capacity are not treated as assets of the group and, accordingly, they are not included in these consolidated financial statements.

Foreign currencies
Functional and presentation currency
The consolidated financial statements are presented in Kuwaiti Dinars, which is the parent company's functional and presentational 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 "foreign exchange gain/loss" 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. Translation difference on non-monetary asset classified as, "fair value through statement of income" are reported as part of the fair value gain or loss in the consolidated statement of income and "available for sale" are reported as part of the cumulative change in fair value reserve within equity.

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)

Group companies
As at the reporting date, the assets and liabilities of foreign subsidiaries, and the carrying values of foreign associates, are translated into the parent company's presentation currency (the Kuwaiti Dinar) at the rate of exchange ruling at the balance sheet date, and their statements of income 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.

Derivative financial instruments
The group uses derivative financial instruments, such as interest rate swaps to mitigate its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at cost, being the fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using valuation quotes provided by financial institutions, based on prevailing market information. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The group does not adopt hedge accounting, and any realised and unrealised (from changes in fair value) gain or losses are recognised directly in the consolidated statement of income.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits, murabaha and wakala investments and short term highly liquid investments maturing within three months from the date of inception less due to banks.

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, the 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.

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

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

Classification of financial assets
Management decides on acquisition of a financial asset whether it should be classified as fair value through profit or loss, loans and receivables or available for sale. In making that judgement the group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and if the changes in fair value of instruments are reported in the statement of income or directly in equity.

Classification of real estate properties
Management decides on acquisition of a real estate 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.

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 judgement. In addition, the group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. During the year ended 31 December 2008 impairment loss of KD326,305 thousand was recognised for available for sale investments (2007: KD 2,000 thousand).

Impairment of loans and receivables
The group's management reviews periodically items classified as loans and receivables (including wakala investments) to assess whether a provision for impairment should be recorded in the statement of income. In particular, considerable judgement by management is required in the estimation of amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty. During the year ended 31 December 2008 impairment losses of KD2,485 thousand (2007: Nil) have been recognised against wakala investments.

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 instruments that is substantially the same; or
- an earnings multiple ;
- the expected cash flow discounted at current rates applicable for items with similar terms and risk characteristics;
- other valuation models.

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

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

Impairment of goodwill

The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of impairment of property, plant and equipment and their useful lives

The group's management tests annually whether property plant and equipment have suffered impairment in accordance with the accounting policies stated within note 3 above. The recoverable amounts of the assets are determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The group's management determines the useful lives of property plant and equipment and the related depreciation charge. The depreciation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Pension liabilities/ asset

Pension assumptions are detailed in Note 33 and the pension expense for the year is sensitive to such assumptions and to the basis and period of spreading the actuarial deficit.

5 Subsidiary companies

The significant consolidated subsidiaries as at 31 December 2008 and 2007 are as follows:

	Country of registration	Percentage ownership	
		2008 %	2007 %
NI Group (Bahrain) EC	Bahrain	100	100
NIC Holdings (Guernsey) Limited	Guernsey	100	100
NIG (Guernsey) Limited	Guernsey	100	100
NIC Holdings (UK) Plc	United Kingdom	100	100
BI Group Plc	United Kingdom	100	100
National Land Transport Company – SAK (Closed)	Kuwait	100	100
National Combined Health Services Co. – KSC (Closed)	Kuwait	100	100
National Industries Company for Combined Energy – KSC (Closed)	Kuwait	100	100
Al Durra National Real Estate – KSC (Closed)	Kuwait	100	100
Gas & Oil Field Services Co. – WLL	Kuwait	100	100
Eagle Proprietary Investments Limited	UAE	100	-
Denham Investment LTD	Cayman Islands	85	85
Ikarus Petroleum Industries Company – SAK (Closed)	Kuwait	72	72
National Industries Company KSC(Closed) (Formerly: National Industries Company for Building Materials - SAK (Closed))	Kuwait	51	51
Noor Financial Investment Company – KSC (Closed)	Kuwait	51	51

a. NIG (Guernsey) Limited is the ultimate European holding company of the UK trading group and owns 100% of NIC Holdings (UK) Plc which in turn owns 100% of BI Group Plc.

b. Certain minority shareholdings in the above subsidiary companies are held on behalf of the parent company by third party nominees.

c. During the year, the parent company incorporated Eagle Proprietary Investments Limited with a share capital of USD200,000 thousand . The primary objective of the company is investments activities.

6 Income from investments

	2008 KD '000	2007 KD '000
Dividend income:		
- From investments at fair value through statement of income	**18,146**	9,868
- From available for sale investments	**19,067**	9,151
Profit on sale of available for sale investments	**32,445**	30,372
Realised gain on investments at fair value through statement of income	**2,805**	99,815
Unrealised (loss)/gain on investments at fair value through statement of income	**(35,375)**	100,923
	37,088	250,129

7 Interest and other operating income

	2008 KD '000	2007 KD '000
Management and placement fees	**8,246**	2,671
Interest income on bank balances and short term deposits	**12,069**	10,753
Net (loss)/gain from dealing in interest rate swaps	**(2,713)**	1,128
Income from murabaha and wakala investments	**2,095**	3,311
Income from financing of future trade by customers	**8,210**	3,657
Other income	**3,602**	602
	31,509	22,122

Net (loss)/gain on interest rate swaps represents realised gain of KD2,547 thousand (2007: KD1,128 thousand) and unrealised loss of KD5,260 thousand (2007: Nil) (refer note 38).

8 Net loss or gain on financial assets

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

	2008 KD '000	2007 KD '000
Loans and receivables		
- bank balances and short term deposits	**12,069**	10,753
- murabaha and wakala investments (net of impairment losses of KD 2,485 thousand)	**(390)**	3,311
- account receivable and other assets (income from financing of future trades by customers)	**8,210**	3,657
Assets at fair value through statement of income		
- held for trading	**44,317**	150,529
- Net (loss)/gain from dealing in interest rate swaps	**(2,713)**	1,128
- designated as such on initial recognition	**(58,741)**	60,077
Available for sale investments		
- recognised directly in consolidated equity (including minority share)	**(162,882)**	59,681
- recycled from equity to consolidated statement of income		
• On impairment	**(326,305)**	(2,000)
• On disposal	**19,666**	31,553
- recognised directly in consolidated statement of income	**31,846**	7,970
	(434,923)	326,659

Net (loss)/gain recognised in the consolidated statement of income	**(272,041)**	266,978
Net (loss)/gain recognised in the consolidated statement of changes in equity	**(162,882)**	59,681
	(434,923)	326,659

9 Finance cost

Finance costs relates to due to banks, short and long term borrowings, bonds issued and trust certificates, due to related parties and lease creditors. All these financial liabilities are stated at amortised cost.

10 Taxation

	2008 KD '000	2007 KD '000
Current tax expense		
Current year charge	**(314)**	(602)
Deferred tax expense		
Current year charge	**-**	(14)
	(314)	(616)

11 (Loss)/profit for the year

(Loss)/profit for the year is stated after charging:

	2008 KD '000	2007 KD '000
Depreciation	**4,849**	5,023
Staff costs	**30,242**	32,037

12 Basic and diluted (loss)/earnings per share

(Loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to the shareholders of the parent by the weighted average number of shares outstanding during the year as follows:

	2008	2007
(Loss)/profit for the year attributable to the shareholders of the parent (KD '000)	**(281,963)**	209,364
Weighted average number of shares outstanding during the year (excluding treasury shares) – shares	**1,258,921,693**	1,250,705,014
Basic and diluted (loss)/earnings per share	**(224) Fils**	167 Fils

The weighted average number of ordinary shares outstanding during the year ended 31 December 2007 has been restated due to the issue of bonus shares during the year.

The staff bonus shares scheme has no effect on the diluted (loss)/earnings per share and accordingly such information has not been presented.

13 Goodwill

	2008 KD '000	2007 KD '000
Balance at 1 January	**10,697**	13,586
Additions	**-**	10
Disposals and other adjustments	**66**	66
Impairment in value	**-**	(2,608)
Foreign exchange adjustment	**(2,532)**	(357)
	8,231	10,697

The annual impairment review of goodwill relating to the foreign subsidiaries was based on value in use of the related business which was calculated using a discount rate of 5%.

14 Property, plant and equipment

Year ended 31 December 2008

	Freehold property KD '000	Leasehold property KD '000	Property on leasehold land KD '000	Plant and machinery KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery & vehicles KD '000	Property under construction KD '000	Total 2008 KD '000
Cost or valuation									
At 1 January 2008	5,135	1,013	32,455	60,138	8,415	6,841	1,509	6,014	**121,520**
Foreign exchange adjustments	(901)	(261)	-	(5,257)	(7)	-	(399)	-	**(6,825)**
Additions	59	-	1,033	5,516	769	866	495	5,090	**13,828**
Disposals	(56)	(126)	-	(1,662)	(79)	-	-	-	**(1,923)**
Reclassification	-	-		(406)	-	-	406	-	**-**
At 31 December 2008	**4,237**	**626**	**33,488**	**58,329**	**9,098**	**7,707**	**2,011**	**11,104**	**126,600**
Accumulated depreciation and impairment losses									
At 1 January 2008	1,213	773	27,215	44,524	6,660	5,637	1,194	-	**87,216**
Foreign exchange adjustments	(186)	(215)	-	(3,477)	(7)	-	(333)	-	**(4,218)**
Charge for the year	107	40	240	3,399	600	380	83	-	**4,849**
Reclassification	-	-	-	(175)	-	-	175	-	**-**
Relating to disposals	(36)	(36)	-	(1,625)	(56)	-	-	-	**(1,753)**
At 31 December 2008	**1,098**	**562**	**27,455**	**42,646**	**7,197**	**6,017**	**1,119**	**-**	**86,094**
Net book value									
At 31 December 2008	**3,139**	**64**	**6,033**	**15,683**	**1,901**	**1,690**	**892**	**11,104**	**40,506**

A full independent valuation of all freehold properties held by NIC Holding (Guernsey) and NIG (Guernsey) Limited was obtained as at 1 January 1999 and the valuation was incorporated into the consolidated financial statements. The directors of the group consider that there has been no significant change in the market value since the last valuation of these properties.

Property on leasehold land, plant and machinery with a net book value of KD1,164 thousand (2007: KD1,115 thousand) are secured against the trust certificates (Musharaka sukuk) (refer Note 26).

Properties on lease hold land, are on lands which have been leased from the government of Kuwait through renewable lease contracts.

Property under construction represents the cost incurred on the expansion of one of the subsidiaries existing factories and the construction of a new office building for the same subsidiary. These amounts will be transferred to the appropriate asset categories when the assets are ready for their intended use.

14 Property, plant and equipment (continued)

Year ended 31 December 2007

	Freehold property KD '000	Leasehold property KD '000	Property on leasehold land KD '000	Plant and machinery KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery & vehicles KD '000	Property under construction KD '000	Total 2007 KD '000
Cost or valuation									
At 1 January 2007	8,176	2,793	32,380	59,028	7,494	6,491	1,582	878	118,822
Foreign exchange adjustments	(44)	(95)	-	(253)	(5)	-	(71)	-	(468)
Additions/transfers	340	37	1,497	3,214	1,089	415	150	5,136	11,878
Write offs	-	-	(1,418)	-	-	-	-	-	(1,418)
Disposals	(3,337)	(1,722)	(4)	(2,003)	(163)	(65)	-	-	(7,294)
Reclassification	-	-	-	152	-	-	(152)	-	-
At 31 December 2007	5,135	1,013	32,455	60,138	8,415	6,841	1,509	6,014	121,520
Accumulated depreciation and impairment losses									
At 1 January 2007	1,920	776	28,360	43,238	6,290	5,367	1,406	-	87,357
Foreign exchange adjustments	6	(30)	-	(63)	(6)	-	(45)	-	(138)
Charge for the year	132	50	277	3,637	512	335	80	-	5,023
On write offs	-	-	(1,418)	-	-	-	-	-	(1,418)
Reversal of impairment in value	-	-	-	(655)	-	-	(247)	-	(902)
Relating to disposals	(845)	(23)	(4)	(1,633)	(136)	(65)	-	-	(2,706)
At 31 December 2007	1,213	773	27,215	44,524	6,660	5,637	1,194	-	87,216
Net book value									
At 31 December 2007	3,922	240	5,240	15,614	1,755	1,204	315	6,014	34,304

15 Investment in associates

The significant associates of the group as at 31 December 2008 and 2007 are as follows:

	Percentage ownership	
	2008	(Restated) 2007
Kuwait Rocks Company – SAK (Closed)	**38%**	38%
KES Power Ltd	**40%**	40%
Kuwait Privatization Project Holding Company – SAK (Closed)	**28%**	28%
Kuwait Cement Company – SAK (Closed)	**25%**	25%
Al Raya International Real Estate – KSC (Closed)	**23%**	23%
Marsa Alam Holding Company – KSC (Closed)	**20%**	20%
Eastern United Petroleum Services Company – KSC (Closed)	**20%**	20%
Mabanee Company SAK (Closed) - (refer note 15a)	**20%**	18%
Meezan Bank Ltd – (refer note 15b)	**45%**	35%
Noor Telecommunication Company KSC (refer note 15c)	**39%**	-

a) During the third quarter of 2008, the group acquired additional shares in Mabanee Company SAK (Closed), resulting in an increase in its stake from 17.8% at 31 December 2007 to 20% and hence providing significant influence in the investee. Accordingly during the third quarter of 2008, the group has reclassified its investment in Mabanee Company SAK (Closed), a Kuwaiti shareholding company listed in the Kuwait Stock Exchange, from "investments at fair value through statement of income" to "investment in associates".

In accordance with IAS 28 "Investment in Associates" and IFRS 3 "Business Combination" the interest in the investee has been accounted for under the equity method of accounting and accordingly the following are the adjustments made to the consolidated financial statements as a result of reclassification:

	2008 KD '000	2007 KD '000	2006 KD '000
Carrying value of investment reclassified from investments at fair value through consolidated statement of income to investments in associates (refer note 21b)	**143,093**	86,725	40,668
Reversal of change in fair values in equity			
– For the year	**(43,903)**	(35,547)	(30,209)
– For the previous years	**(65,756)**	(30,209)	-
	(109,659)	(65,756)	(30,209)
Share of profits recognised in equity			
– For the year	**2,145**	26,008	3,671
– For the previous years	**29,679**	3,671	-
	31,824	29,679	3,671
Net carrying value of investment transferred	**65,258**	50,648	14,130
Share of profits recognised in the consolidated statement of income	**6,367**	-	-
Carrying value of investment at 31 December	**71,625**	50,648	14,130

A total provisional goodwill amounting to KD 13,154 thousand has arisen as a result of the above acquisition in stages and is included in the carrying value of the investment.

b) During the third quarter of 2008, the group acquired additional shares in Meezan Bank Limited, Pakistan, increasing its equity holding from 34.7% as at 31 December 2007 to 45.5%. Goodwill of KD4,061 thousand arising from this transaction is included in the carrying value of the investment.

15 Investment in associates (continued)

c) The group incorporated Noor Telecommunication Company – KSCC during the previous year with a capital of KD1,000 thousand and it was wholly owned by the group. During the current year Noor Telecommunication Company – KSCC increased its capital and the group only invested an amount of KD36,952 thousand which resulted in the dilution of the group's ownership interest to 39.4%. Consequently, the total carrying value of the investment amounting to KD37,952 was transferred to investment in associates.

d) All of the above associates are registered in Kuwait with the exception of KES Power Ltd and Meezan Bank Ltd, which are registered in the Cayman Islands and Pakistan respectively.

Aggregate share of associates' assets and liabilities:

	2008 KD '000	(Restated) 2007 KD '000
Assets	**480,519**	411,805
Liabilities	**201,358**	150,388

Aggregated share of associates' revenue and profit:

	2008 KD '000	2007 KD '000
Revenue	**41,032**	26,908
Profit (recognised in the consolidated statement of income)	**2,451**	19,737

e) Investment in quoted associates with a carrying value of KD179,090 thousand (2007: KD212,893 thousand) have a market value of KD162,140 thousand (2007: KD321,201 thousand).

16 Investment properties

The movement in investment properties is as follows:

	2008 KD	2007 KD
Acquisition cost	**16,948**	-
Change in fair value	**5,697**	-
	22,645	-

Investment properties comprise of land and buildings as follows:

	2008 KD	2007 KD
Kuwait	**10,000**	-
Saudi Arabia	**12,645**	-
Total	**22,645**	-

At 31 December 2008, the group re-valued its properties based on valuation provided by independent valuers and recorded a valuation gain of KD5,697 thousand in the consolidated statement of income.

The property in Saudi Arabia is held through a special purpose entity (SPE) created specifically for this purpose and co-owned by the group with joint owners. The registered owner of the property has issued a letter confirming the co-ownership.

17 Available for sale investments

	2008 KD '000	2007 KD '000
Non Current		
Managed funds	**232,975**	207,711
Unquoted equity participations	**171,514**	181,170
Quoted shares	**230,411**	457,325
	634,900	846,206
Current		
Quoted shares (refer note 17a)	**178,114**	-
	813,014	846,206

a) The quoted shares classified as current at 31 December 2008 represents investments which were transferred from investments at fair value through statement of income as of 1 July 2008 (refer note 21).

b) Managed funds include investments in private equity funds with a carrying value of KD106,051 thousand (2007: KD121,191 thousand). Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

c) At the end of the year, the group recognised an impairment loss of KD290,623 thousand for certain local and foreign quoted shares, as the market value of these shares at 31 December 2008 declined significantly below their costs and further the group also recognised an impairment loss of KD35,682 against certain unquoted shares, local and foreign funds based on estimates, made by management as per information available to them and the net assets values reported by the investment managers at the balance sheet date. The carrying value of the investments after recognising the impairment losses at 31 December 2008 amounted to KD370,161 thousand.

d) Unquoted investments of KD93,318 thousand (2007: KD94,815 thousand) are carried at cost less impairment in value if any, since their fair value cannot be reliably determined. The group's management is not aware of any circumstance that would indicate impairment in value of these investments.

e) Quoted shares held by a local subsidiary, with a fair value of KD17,305 thousand (31 December 2007: Nil) are secured against a bank loan (refer note 30).

18 Inventories

	2008 KD '000	2007 KD '000
Finished goods and work-in-progress	**12,818**	13,988
Raw materials and consumables	**8,189**	7,770
Spare parts and others	**2,718**	2,748
Goods in transit	**1,089**	893
	24,814	25,399
Provision for obsolete and slow moving inventories	**(1,822)**	(2,076)
	22,992	23,323

19 Accounts receivable and other assets

	2008 KD '000	2007 KD '000
Financial assets		
Trade receivables – gross	**16,666**	22,395
Less: Provision for impairment of trade receivables	**(1,155)**	(1,419)
Net trade receivables	**15,511**	20,976
Amounts due on sale of investments	**4,238**	2,309
Due from associates	**27,484**	13,732
Due from other related parties	**2,765**	-
Due from key management personnel	**313**	313
Advance payments to acquire investments	**5,166**	9,832
Due from Kuwait Clearing Company	**3,244**	37,563
Due from investment brokerage companies	**1,528**	9,018
Interest and other accrued income	**8,065**	2,203
Other financial assets	**10,343**	8,584
	78,657	104,530
Non-financial assets		
Advance payments to acquire properties	**6,684**	23,778
Other assets	**4,294**	924
	10,978	24,702
	89,635	129,232

Trade receivables are non-interest bearing and generally on 30 to 90 days terms

As at 31 December the aging analysis of trade receivables is as follows:

	2008 KD '000	2007 KD '000
Neither past due nor impaired	**10,940**	17,813
Past due but not impaired		
- less than 3 months	**2,785**	2,374
- 3 – 6 months	**1,673**	1,028
Past due and partially impaired		
- 3 – 6 months	**-**	119
- over 6 months	**1,268**	1,061
Total trade receivables	**16,666**	22,395

Trade receivables that are less than six months past due, are not considered impaired since they relate customers for whom there is no recent history of default.

20 Murabaha and wakala investments

These investments carry effective return rates ranging from 8.25% to 8.5% (2007: 5% - 8.5%) per annum and mature within one year time.

Wakala investment also includes a placement of KD8,285 thousand made by a subsidiary company with a local Islamic investment company which was to mature on 17 October 2008. The investee company has defaulted on settlement of this balance on the maturity date. As at 31 December 2008, the group management recognised an impairment provision of KD 2,485 thousand against the investment balance based on the information available to the management as of that date.

21 Investments at fair value through statement of income

	2008 KD '000	(Restated) 2007 KD '000
Held for trading :		
Quoted shares	**70,184**	392,040
Designated on initial recognition :		
Local funds	**70,492**	157,298
International managed portfolios and funds	**18,140**	41,204
	88,632	198,502
	158,816	590,542

a). **Effect of reclassification due to adoption of amendment to IAS 39.**
As a result of significant developments in the global financial markets, the group decided to adopt amendments to IAS 39 and IFRS 7 with effect from 1 July 2008 and reclassified investments with a fair value of KD380,755 thousand as at 1 July 2008 from "fair value through statement of income" category to "available for sale" category. Subsequent to this date investment with a carrying value of KD3,229 thousand were disposed out of the reclassified investments.

The fair value of the remaining reclassified investments as of 31 December 2008 is KD178,114 thousand and the resultant unrealized loss of KD199,412 thousand was recognised to equity. However at 31 December 2008 out of the unrealised loss recognised in equity for the reclassified investments, an amount of KD196,781 thousand was transferred to the consolidated statement of income on impairment of certain reclassified investments. Had the investments not been reclassified, the unrealized loss relating to the un-impaired investments amounting to KD2,631 thousand would have been recorded in the consolidated statement of income. The group recorded an unrealized gain of KD41,337 thousand in the consolidated statement of income with respect to these reclassified investment during the six month period ended 30 June 2008.

b). The group reclassified an investment with a carrying value of KD143,093 thousand (31 December 2007: KD86,725 thousand) to investment in associates (refer note 15.a).

c). During the fourth quarter of 2008 two local money market funds in which, one of the subsidiary has investments totaling KD 3,555 thousand as at 31 December 2008, suspended declaration of weekly net asset values and redemption requests. Management has been informed by the managers of the funds that redemptions will be made depending on availability of liquid funds. Since suspension of redemptions, the subsidiary recovered amounts totalling KD1,152 thousand up to the balance sheet date. The group's management considers this to be a temporary situation arising from the current crisis in the global financial market and its impact on the local market. Therefore the group's management expects to realise these investments at not less than its carrying value. Subsequent to the balance sheet date the subsidiary has received additional amount of KD576 thousand out of its total investment value.

d). Quoted shares, held by local subsidiary, with a fair value of KD6,251 thousand (2007: KD32,491 thousand) are secured against short term borrowings (refer note 30).

22 Share capital

Following approval of the general assembly held on 5 May 2008, the parent company issued 117,736,196 bonus shares amounting to KD11,774 thousand.

As of 31 December 2008 the authorised, issued and fully paid share capital of the parent company comprised of 1,295,098,167 shares of 100 Fils each (2007: 1,177,361,971 shares).

At the extraordinary general assembly held on 5 May 2008, the shareholders of the parent company approved to increase the paid up share capital by 25% by way of an issue of shares during the year 2008, at par value of 100 Fils per share and premium of 800 Fils per share. However due to the decline in the major stocks indices throughout the world including Kuwait and the consequent decline in the parent company's share price, the parent company's board of directors in its meeting dated 21 October 2008, has proposed to cancel the increase in share capital at the next shareholders general assembly which is to be held in the near future.

23 Treasury shares

	2008	2007
Number of shares	**41,178,605**	32,523,555
Percentage of issued shares	**3.18%**	2.76%
Market value (KD '000)	**17,089**	53,989
Cost (KD'000)	**31,998**	27,156

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

As at 31 December 2008, one of the associate companies of the group held 112,702,839 shares of the parent company's shares equivalent to 8.7% (2007: 8.3%) of the parent company's shares issued.

24 Staff shares

During the year the parent company issued 1,543,002 (2007: 1,014,749) shares to its senior management as bonus shares by utilizing its treasury shares. The carrying amount and market value of these shares issued amounted to KD1,047 thousand and KD2,531 thousand (2007: KD757 thousand and KD1,319 thousand) respectively and the resultant gain of KD1,484 thousand (2007: gain of KD562 thousand) was credited to the gain on sale of treasury shares reserve. The market value of the shares has been charged to the consolidated statement of income as cost of share based payments.

25 Reserves

	Share premium KD '000	Statutory reserve KD '000	General reserve KD '000	Revaluation reserve KD '000	Gain on Sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances at 31 December 2006	152,691	85,334	25,621	350	800	(481)	264,315
Transfer of excess depreciation	-	-	-	(309)	-	-	(309)
Currency translation differences	-	-	-	(13)	-	(507)	(520)
Gain on issue of treasury shares to staff	-	-	-	-	562	-	562
Profit on disposal of treasury shares	-	-	-	-	11,463	-	11,463
Transfer to reserves	-	25,125	3,087	-	-	-	28,212
Balances at 31 December 2007	152,691	110,459	28,708	28	12,825	(988)	303,723
Transfer of excess depreciation	-	-	-	(28)	-	-	(28)
Currency translation differences	-	-	-	-		(1,037)	(1,037)
Gain on issue of treasury shares to staff	-	-	-	-	1,484	-	1,484
Balances at 31 December 2008	**152,691**	**110,459**	**28,708**	**-**	**14,309**	**(2,025)**	**304,142**

Share premium
Share premium is not available for distribution.

Statutory reserve
In accordance with the Commercial Companies Law and the parent company's articles of association, 10% of the profit for the year before KFAS, NLST, Zakat and directors remuneration but after minority interest is to be transferred to statutory reserve. The parent company may resolve to discontinue such annual transfer 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 distribution of a dividend of that amount. No transfer is required in a year in which the group has incurred a loss or where cumulative losses exist.

26 Bonds issued and trust certificates

	2008 KD '000	2007 KD '000
Trust certificates		
- Murdaraba sukuk	**131,314**	129,912
- Musharaka sukuk	**27,406**	27,038
Bonds issued	**14,431**	14,277
	173,151	171,227
Less : Due within one year	**(14,431)**	-
	158,720	171,227

Trust certificates – Mudaraba sukuk:
During August 2007 the parent company entered into an Islamic financing arrangement whereby the parent company issued through a special purpose vehicle Trust certificates (Mudaraba Sukuk) of US Dollars 475,000 thousand at an issue price of 100% of their principal amount which are due at the end of 5 years from the date of issue. The certificate holders are entitled to a quarterly profit distribution at the rate of 3 months LIBOR plus 1.05% per annum.

Trust certificates - Musharaka sukuk:
During October 2006 the subsidiary, National Industries Company (formerly: National Industries Company for Building Materials) entered into an Islamic financing arrangement whereby the subsidiary, through a special purpose vehicle, issued secured trust certificates (Musharaka sukuk) of US Dollars 100,000 thousand at an issue price of 100% of their principal amount which are due in 4 equal semi-annual instalments commencing from April 2010 and ending in October 2011. The certificate holders are entitled to a semi-annual profit distribution at the rate of 6 months LIBOR plus 1% per annum. The Islamic financing arrangement is secured by four of the subsidiary's factories (refer note 14).

Bonds issued
On 6 May 2004, the parent company issued unsecured floating rate bonds of U.S. Dollar 60,000 thousand at face value. After completion of three years, the bonds carried a one time call option for early redemption in the year 2007 and accordingly certain investors' holding bonds with a face value of US Dollars 7,800 thousand exercised their right in the year 2007. The remaining bonds as at 31 December 2008 with a face value of US Dollars 52,200 thousand mature in May 2009 and bear interest at 0.90% per annum above LIBOR for 6 months U.S. Dollar deposits and payable semi-annually in arrears.

27 Long-term borrowings

Currency	Effective Interest rate	Security	2008 KD '000	2007 KD '000
Kuwaiti Dinars	6%-6.5%	Unsecured	**171,000**	100,000
US Dollars	6.7%	Unsecured	**4,147**	58,802
Sterling	4%-7.5%	Unsecured	**-**	2,469
Long-term portion of loans in Sterling	4%-7.5%	Secured	**-**	861
Long-term portion of loans in Euro	3.6%-5.75%	Secured	**2,690**	3,058
			177,837	165,190

During the year, the group obtained a term loans of KD66,000 thousand and KD5,000 thousand from local banks which are maturing in 2010 and 2015 respectively and carry interest at 6% to 6.5% per annum. The term loan of KD100,000 thousand obtained from a local bank in the previous year is also maturing in 2010.

27 Long-term borrowings (continued)

The US Dollar denominated loans at 31 December 2007, included an unsecured syndicated loan of US Dollars 200,000 thousand obtained in December 2006 from foreign banks which was reclassified to short term borrowings during the year as the loan matures in December 2009. The loan carries interest at LIBOR plus 0.8% per annum, payable semi annually in arrears.

The Euro loans are secured against property, plant and equipment with a book value of KD378 thousand (2007: KD548 thousand).

28 Provisions

	2008 KD '000	2007 KD '000
Provision for staff indemnity	5,309	4,961
Provision for land-fill expenses	598	573
Provision for rental property	3,689	6,779
	9,596	12,313
Less: Provision for rental property – amount due in less than one year	(1,227)	(2,755)
	8,369	9,558

The provision for rental property relates to onerous property rental costs (net of estimated rent receivable) and dilapidations obligations which are payable over various periods upto 2017.

29 Accounts payable and other liabilities

	2008 KD '000	2007 KD '000
Financial liabilities		
Trade payables	12,676	17,377
Accrued interest	5,373	3,922
Dividend payable	3,863	2,205
Leasing creditors - amount due in less than one year	188	172
Provision for rental property – amount due in less than one year	1,227	2,755
National labour support tax	3,727	8,682
Kuwait Foundation for the Advancement of Sciences	3,045	4,447
Corporation tax of foreign subsidiaries	66	275
Other accruals	5,024	8,337
Donations payable	8,475	8,475
Due to associates (refer note 35)	24,897	6,843
Due to key management personnel	-	3,226
Unrealised loss on interest rate swaps (refer note 38)	5,260	-
Other liabilities	4,223	4,341
	78,044	71,057
Non-financial liabilities		
Other creditors	927	1,670
Accruals	1,574	1,842
	2,501	3,512
	80,545	74,569

30 Short-term borrowings

Currency	Effective Interest rate	Security	2008 KD '000	2007 KD '000
Conventional loans				
Kuwaiti Dinars (refer below)	3.5%-8.75%	Unsecured/ secured	**369,185**	307,620
US Dollars	3.5%-7.625%	Unsecured	**310,957**	240,309
Sterling	6.9%-7.42%	Unsecured	**13,544**	16,271
Euro	3.6%-4.7%	Unsecured	**-**	172
Sterling – current portion	4.00%-7.50%	Secured	**-**	656
Euro – current portion	3.6%-4.7%	Secured	**149**	183
			693,835	565,211
Islamic financing arrangements				
Wakala payables	7%-8.3%	Unsecured	**73,289**	6,000
			73,289	6,000
Total			**767,124**	571,211

a. A Kuwaiti Dinar loan amounting to KD20,000 thousand (2007: KD20,000 thousand) of a local subsidiary, is secured by certain investments at fair value through statement of income (refer note 21), and available for sale investments (refer note 17).

b. A Kuwaiti Dinar loan of KD45,500 thousand is obtained from a local bank where a term deposit in US Dollars equivalent to KD71,102 thousand is held (refer note 31).

31 Cash and cash equivalents

	2008 KD '000	2007 KD '000
Murabaha and wakala investments – maturing within three months	**12,000**	3,883
Short term deposits	**214,999**	187,079
Bank balance and cash	**29,325**	17,894
Due to banks	**(39,719)**	(37,046)
	216,605	171,810
Less: Short term deposits maturing after 3 months (refer note 30b)	**(71,102)**	-
: Blocked balances	**(500)**	-
Cash and cash equivalents for the purpose of cash flow statement	**145,003**	171,810

Short term deposits yield an average interest rate of 5% per annum (2007: 6% per annum) and short term deposits amounting to KD8,303 thousand (2007: Nil) are placed as margins for interest rate swaps contracts (refer note 38).

Bank balance and cash include call accounts which yield interest rates ranging from 1.5% to 2% per annum (2007: 2% to 2.5% per annum).

Due to banks are subject to interest rates ranging from 5% to 6% per annum (2007: 6% to 7% per annum).

32 Dividend distribution

Following approval of the annual general assembly of the shareholders on 5 May 2008 the parent company distributed a cash dividend of 75 Fils (2006: 70 Fils) per share amounting to KD85,949 thousand (2006: KD71,421 thousand) and issued 10% (2006: 10%) bonus shares amounting to KD11,774 thousand for the year ended 31 December 2007 (2006: KD10,703 thousand).

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

33 Defined benefit pensions schemes

The group has defined benefit pension schemes for the employees of certain subsidiaries in the United Kingdom. The following disclosures cover all the schemes on an aggregated basis. The schemes are closed to new members and are not accruing further benefits. Actuarial calculations have been made in order to determine pension liabilities and pension expenses in connection with the group's defined benefit pension schemes. The following assumptions have been used in calculating the liabilities and expenses incurred:

	2008	2007
Discount rate	**7.1%**	6.1%
Expected return on plan assets	**6.02%**	6.1%
Future salary increases	**N/A**	N/A
Future pension increases	**2.6%**	3.3%

Consolidated statement of income

	2008 KD '000	2007 KD '000
Interest cost	**1,593**	1,620
Expected return on assets	**(1,433)**	(1,649)
Actuarial loss	**191**	190
Net annual charge included in general and administrative expenses	**351**	161

The actuarial loss of the schemes in excess of 10% of the present value of the defined benefit obligations are being charged as an expense over periods up to 13 years.

A reconciliation of the movement in the liability for defined benefit pension scheme is as follows:

Consolidated balance sheet

	2008 KD '000	2007 KD '000
Brought forward liability	**-**	567
Consolidated statement of income (net)	**351**	161
Contributions	**(361)**	(748)
Increase in unrecognised asset	**10**	20
Carried forward liability	**-**	-

Reconciliation of consolidated balance sheet liability

	2008 KD '000	2007 KD '000
Present value of obligations	**17,894**	29,314
Fair value of plan assets	**(15,975)**	(26,405)
Net plan deficit	**1,919**	2,909
Unrecognised actuarial losses	**(2,182)**	(3,255)
Unrecognised asset	**263**	346
Net liability recognised in the consolidated balance sheet	**-**	-

Changes in the present value of the defined benefit obligation

	2008 KD '000	2007 KD '000
Opening defined benefit obligation	**29,314**	32,830
Interest cost	**1,593**	1,620
Actuarial losses	**(4,906)**	(2,858)
Benefits paid	**(1,180)**	(1,169)
Foreign exchange adjustment	**(6,927)**	(1,109)
Closing defined benefit obligation	**17,894**	29,314

33 Defined benefit pensions schemes (continued)

Changes in the fair value of the plan assets

	2008 KD '000	2007 KD '000
Opening fair value of plan assets	**26,405**	26,842
Expected return	**1,433**	1,649
Actuarial losses	**(4,841)**	(668)
Contributions by employer	**363**	748
Benefits paid	**(1,180)**	(1,169)
Foreign exchange adjustment	**(6,205)**	(997)
Closing fair value of plan assets	**15,975**	26,405

The groups expects to contribute KD292 thousand to its defined benefits plans during 2009.

The fair value of the plan assets, by category is as follows:

	2008 KD '000	2007 KD '000
Plan assets:		
Equities	**7,507**	12,032
Bonds	**8,187**	13,965
Other assets	**281**	408
	15,975	26,405

34 Segmental analysis

For management purposes the group's primary format for reporting segment information is business segments, with secondary information reported geographically.

Business segments

The parent company and local subsidiaries primarily operate in two business segments: investment and building materials. The investment activities are both in and outside Kuwait. The building materials activities of the group are conducted wholly within the State of Kuwait.

The major overseas subsidiary companies of the group principally operate in one business segment, the specialist engineering sector, the activities of which are conducted overseas, principally in Europe and the Americas.

34 Segmental analysis (Continued)

Revenue, (loss)/profit for the year, total assets, total liabilities and net assets of the group are analysed by business activity as follows:

	Investment		Building materials		Specialist engineering		Total	
	2008 KD '000	2007 KD '000	**2008 KD '000**	2007 KD '000	**2008 KD '000**	2007 KD '000	**2008 KD '000**	2007 KD '000
Segment revenue	**76,745**	291,988	**35,777**	33,346	**71,314**	81,124	**183,836**	406,458
Less:								
Income from investments							**(37,088)**	(250,129)
Share of profits of associates							**(2,451)**	(19,737)
Change in fair value of investment properties							**(5,697)**	-
Interest and other operating income							**(31,509)**	(22,122)
Unallocated sales							**5,730**	2,988
Sales, per consolidated statement of income							**112,821**	117,458
Segment (losses)/profit	**(266,922)**	264,698	**7,787**	10,034	**821**	4,051	**(258,314)**	278,783
Less:								
Finance costs							**(67,609)**	(52,220)
Unallocated (expenses)/income							**(11,633)**	19,768
(Loss)/profit before KFAS, NLST, Zakat and directors remuneration, per consolidated statement of income							**(337,556)**	246,331
Segment assets	**1,622,290**	2,039,720	**48,353**	34,750	**60,522**	83,776	**1,731,165**	2,158,246
Segment liabilities	**(63,263)**	(43,355)	**(11,337)**	(10,447)	**(14,391)**	(23,469)	**(88,991)**	(77,271)
Segment net assets	**1,559,027**	1,996,365	**37,016**	24,303	**46,131**	60,307	**1,642,174**	2,080,975
Unallocated assets							**1,985**	1,347
Bonds and trust certificates							**(173,151)**	(171,227)
Loans and other unallocated liabilities							**(985,211)**	(780,678)
Net assets, per consolidated balance sheet							**485,797**	1,130,417

34 Segmental analysis (Continued)

Property, plant and equipment of the group are primarily utilised by the building materials segment and the specialist engineering segment. The additions and depreciation relating to property, plant and equipment along with impairment in values by business segment, in which the assets are used, are as follows:

	Investment KD '000	Building materials KD '000	Specialist engineering KD '000	Unallocated KD '000	Total KD '000
At 31 December 2008					
Additions to property, plant and equipment	**1,361**	**7,205**	**5,222**	**40**	**13,828**
Depreciation	**220**	**1,989**	**2,475**	**165**	**4,849**
Impairment in value of available for sale investments and wakala investment	**328,790**	**-**	**-**	**-**	**328,790**
At 31 December 2007					
Additions to property, plant and equipment	331	6,973	4,566	8	11,878
Depreciation	122	1,903	2,815	183	5,023
Impairment in value of available for sale investments	2,000	-	-	-	2,000
Impairment in value of goodwill	-	-	2,608	-	2,608
Impairment in value of associates	6,084	-	-	-	6,084

Geographical segments

A segmental analysis of total assets employed and sales by geographical location, are as follows:

	Assets		Sales	
	2008 KD '000	(Restated) 2007 KD '000	**2008 KD '000**	2007 KD '000
Kuwait	**1,041,889**	1,313,745	**41,507**	36,334
Outside Kuwait	**691,261**	845,848	**71,314**	81,124
	1,733,150	2,159,593	**112,821**	117,458

Additions to property, plant and equipment by geographical area in which the assets are located, are as follows:

	2008 KD '000	2007 KD '000
Kuwait	**11,060**	7,302
Outside Kuwait	**2,768**	4,576
	13,828	11,878

35 Related party transactions

Related parties represent associates, directors and key management personnel of the group, and other related parties such as major shareholders and companies in which directors and key management personnel of the group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the group's management.

Details of significant related party transactions and balances are as follows:

	2008 KD '000	2007 KD '000
Consolidated balance sheet		
Due from related parties (refer note 19)	**30,562**	14,045
Due to related parties (refer note 29)	**24,897**	10,069

Due to related parties represents a short term loan of KD 24,897 (2007: Nil) thousand availed by the parent company from an associate with an effective interest rate of 6.5% per annum with no specific repayment terms.

35 Related party transactions (continued)

	Year ended 31 Dec. 2008 KD '000	Year ended 31 Dec. 2007 KD '000
Consolidated statement of income		
Profit on sale of available for sale investments	**12,657**	-
Purchase of raw materials – from associates	**8,279**	8,223
Finance costs – charged by associate company	**1,960**	-
Compensation of key management personnel of the group		
Short term employee benefits	**2,126**	6,798
End of service benefits	**604**	449
Cost of share based payments	**1,170**	46
	3,900	7,293

36 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
Loans and receivables:		
• Accounts receivable and other financial assets (refer note 19)	**78,657**	104,530
• Murabaha and wakala investments	**29,800**	33,883
• Short term deposits	**214,999**	187,079
• Bank balance and cash	**29,325**	17,894
Investment at fair value through statement of income:		
• Held for trading	**70,184**	392,040
• Designated on initial recognition	**88,632**	198,502
Available for sale investments	**813,014**	846,206
	1,324,611	1,780,134
Financial liabilities:		
• Bonds issued and trust certificates	**173,151**	171,227
• Long term borrowings	**177,837**	165,190
• Leasing creditors	**608**	375
• Accounts payable and other financial liabilities (refer note 29)	**78,044**	71,057
• Short term borrowings	**767,124**	571,211
• Due to banks	**39,719**	37,046
	1,236,483	1,016,106

Fair value represents amounts at which an asset could be exchanged or a liability settled on an arm's length basis. In the opinion of the group's management, except for certain available for sale investments which are carried at cost for reasons specified in Note 17 to the financial statements the carrying amounts of financial assets and liabilities as at 31 December 2008 and 2007 approximate their fair values.

37 Risk management objectives and policies

The group's financial liabilities comprise due to banks, short term and long term borrowings, bonds issued and trust certificates, leasing creditors and accounts payable and other liabilities. The main purpose of these financial liabilities is to raise finance for group operations. The group has various financial assets such as accounts receivable and other assets, bank balance and cash, murabaha and wakala investments, short term deposits and investment securities which arise directly from operations.

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

The board of directors sets out policies for reducing each of the risks discussed below.

The group also enters into derivative transactions, primarily interest rate swaps. The purpose is to manage the interest rate risks arising from the group's sources of finance. The group's policy is not to trade in derivative financial instruments.

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

37.1 Market risk

a) Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The group mainly operates in the Middle East, USA and United Kingdom and is exposed to foreign currency risk arising, primarily from US Dollar and GBP. The group's balance sheet can be significantly affected by the movement in these currencies. To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Foreign currency risk is managed on the basis of limits determined by the parent company's board of directors and a continuous assessment of the groups' open positions.

The group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the balance sheet date, translated into Kuwaiti Dinars at the closing rates are as follows:

	2008 *Equivalent* **KD '000**	2007 *Equivalent* KD '000
US Dollars	**(366,260)**	(381,128)
GBP	**(10,181)**	(11,329)

Based on the average market volatility in exchange rates in the previous twelve months, the parent company's management estimates that a reasonable possible changes in the above exchange rate would be 5%.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity (5%), then this would have the following impact on the (loss)/profit for the year. There is no impact on the group's equity.

	Decrease in loss/increase in profit	
	2008 **KD '000**	2007 KD '000
US Dollars	**18,313**	19,056
GBP	**509**	566
	18,822	19,622

37 Risk management objectives and policies (continued)

37.1 Market risk (continued)

a) Foreign currency risk (continued)

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity (5%), then there would be an equal and opposite impact on the (loss)/profit for the year, and the balances shown above would be negative.

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 on its short term deposits (refer note 31), bonds issued and trust certificates (refer note 26), short and long term borrowings (refer note 30 and 27) and due to banks which are both at fixed and floating interest rates. The risk is managed by the group by managing an appropriate mix between fixed and floating rate, short term deposits and borrowings.

Positions are monitored regular to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the (loss)/profit for the year to reasonable possible change of interest rate of +25 (0.25%) and -75 (0.75%) basis points with effect from the beginning of the year. The calculation is based on the group's financial instruments held at each balance sheet date. All other variables are held constant. There is no impact on group's equity.

	Increase in interest rates		Decrease in interest rates	
	2008	2007	**2008**	2007
	KD '000	KD '000	**KD '000**	KD '000
Negative/positive impact on (loss)/profit for the year	**(2,209)**	(1,765)	**6,627**	5,294

c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, Jordan, Bahrain, Abu Dhabi, Saudi Arabia and USA. Equity investments are classified either as "investments at fair value through statement of income" or "available for sale investments".

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 determined by the group.

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher/lower, the effect on the (loss)/profit for the year and equity for the year ended 31 December would have been as follows:
A positive number below indicates an (decrease)/increase in (loss)/profit and other equity where the equity prices increase by 10%. All other variables are held constant.

	(Loss)/profit for the year		Equity	
	2008	2007	**2008**	2007
	KD	KD	**KD**	KD
Investments at fair value through statement of income	**14,068**	63,606	**-**	-
Available for sale investments				
- Impaired investments (refer *)	**34,481**	-	**-**	-
- Not impaired investments	**-**	-	**6,371**	45,732
	48,549	63,606	**6,371**	45,732

37 Risk management objectives and policies (continued)

37.1 Market risk (continued)

c) Equity price risk (continued)

* Had equity prices been 10% higher, the impairment loss which was recognised in the statement of income would be reduced and consequently the loss for the year 2008 would be lower.

For a 10% decrease in the equity prices there would be an equal and opposite impact on the (loss)/profit for the year and equity and the amounts shown above would be negative.

37.2 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.

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
Available for sale investments	**813,014**	846,206
Accounts receivable and other assets (refer note 19)	**78,657**	104,530
Murabaha and wakala investments	**29,800**	33,883
Investments at fair value through statement of income	**158,816**	590,542
Short term deposits	**214,999**	187,079
Bank balances	**29,325**	17,894
	1,324,611	1,780,134

Except for the wakala investment referred to in note 20, available for sale investments and account receivable and other asset referred to in note 17 and 19 respectively, none of the above financial assets are past due nor impaired. The group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The group's policy is to deal only with creditworthy counterparties. The group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

None of the group's financial assets are secured by collateral or other credit enhancements.

In respect of receivables, the group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for bank balances and short term deposits is considered negligible, since the counterparties are reputable financial institution with high credit quality. Information on other significant concentrations of credit risk is set out in note 37.3

37 Risk management objectives and policies (continued)

37.3 Concentration of assets

The distribution of financial assets by geographic region was as follows:

	Kuwait KD '000	Other Middle Eastern Countries KD '000	Asia & Africa KD '000	UK & Europe KD '000	USA KD '000	Total KD '000
At 31 December 2008						
Geographic region:						
Available for sale investments	**353,299**	**248,823**	**23,943**	**35,521**	**151,428**	**813,014**
Accounts receivable and other assets	**51,905**	**15,198**	**1,266**	**9,429**	**859**	**78,657**
Murabaha and wakala investments	**29,800**	**-**	**-**	**-**	**-**	**29,800**
Investments at fair value through statement of income	**126,982**	**8,507**	**3,707**	**929**	**18,691**	**158,816**
Short-term deposits	**190,290**	**2,765**	**-**	**504**	**21,440**	**214,999**
Bank balances and cash	**23,455**	**6**	**162**	**5,446**	**256**	**29,325**
	775,731	**275,299**	**29,078**	**51,829**	**192,674**	**1,324,611**
At 31 December 2007						
Geographic region:						
Available for sale investments	314,168	332,797	28,186	46,060	124,995	846,206
Accounts receivable and other assets	61,497	22,433	1,044	18,436	1,120	104,530
Murabaha and wakala investments	33,883	-	-	-	-	33,883
Investments at fair value through statement of income	506,149	21,881	14,149	6,270	42,093	590,542
Short-term deposits	163,854	2,735	-	-	20,490	187,079
Bank balances and cash	9,285	-	731	7,261	617	17,894
	1,088,836	379,846	44,110	78,027	189,315	1,780,134

37.4 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, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The contractual maturity of financial liabilities based on undiscounted cash flows are as follows:

	Up to 1 month KD '000	1-3 months KD '000	3-12 months KD '000	1-5 Years KD '000	Total KD '000
31 December 2008					
Financial liabilities (undiscounted)					
Bonds issued and trust certificates	**-**	**1,185**	**19,303**	**173,030**	**193,518**
Long-term borrowings	**12**	**431**	**7,253**	**190,179**	**197,875**
Leasing creditors	**-**	**-**	**-**	**660**	**660**
Accounts payable and other liabilities	**28,854**	**7,791**	**41,399**	**-**	**78,044**
Short-term borrowings	**242,638**	**345,566**	**186,987**	**-**	**775,191**
Due to banks	**39,719**	**-**	**-**	**-**	**39,719**
	311,223	**354,973**	**254,942**	**363,869**	**1,285,007**

37 Risk management objectives and policies (continued)

37.4 Liquidity risk (continued)

	Up to 1 month KD '000	1-3 months KD '000	3-12 months KD '000	1-5 Years KD '000	Total KD '000
31 December 2007					
Financial liabilities (undiscounted)					
Bonds issued and trust certificates	-	2,036	8,387	206,507	216,930
Long-term borrowings	-	70	11,671	183,806	195,547
Leasing creditors	-	-	-	375	375
Accounts payable and other liabilities	12,347	19,335	42,887	-	74,569
Short-term borrowings	228,226	246,125	104,758	-	579,109
Due to banks	37,046	-	-	-	37,046
	277,619	267,566	167,703	390,688	1,103,576

The group's short term borrowings principally represent revolving facilities with local and foreign banks and financial institutions. The group's management has successfully renewed all short term facilities which were classified as falling due within one month and one to three months.

38 Derivative financial instruments

A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments of the group represent interest rate swaps.

The notional amounts and the fair value of the interest rates swaps at the balance sheet date based on the contractual maturity days are as follows:

	31 Dec. 2008 Notional amount KD '000	31 Dec. 2007 Notional amount KD '000	**31 Dec. 2008 Negative fair value** KD '000	31 Dec. 2007 Negative fair value KD '000
Interest rate swaps (denominated in US Dollars)	**497,340**	205,050	**(5,260)**	-

The above interest rate swaps represent range accrual interest rates swap contracts with local and foreign banks and are based on 3 months or 6 months LIBOR and mature in 2012 and 2013.

The negative fair value of the interest rate swaps as at 31 December 2008 amounted to KD5,260 and it is recognised in the consolidated statement of income and the corresponding liability under "other liabilities" (refer note 29).

The negative fair value of the derivative financial instrument is equivalent to the market value and the notional amount is the amount of a derivative's underlying asset, and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions and are not indicative of credit risk.

Credit risk with respect to derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of derivatives that are favourable to the group.

39 Capital risk management

The group's capital management objectives are to ensure that the group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

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, buy back shares, issue new shares or sell assets to reduce debt.

39 Capital risk management (continued)

The capital structure for the group consists of the following:

	2008 KD '000	2007 KD '000
Bonds issued and trust certificates (refer note 26)	**173,151**	171,227
Long term borrowings (refer note 27)	**177,837**	165,190
Short term borrowings (refer note 30)	**767,124**	571,211
Due to banks	**39,719**	37,046
	1,157,831	944,674
Less :		
Murabaha and wakala investments	**(29,800)**	(33,883)
Short - term deposits	**(214,999)**	(187,079)
Bank balances and cash	**(29,325)**	(17,894)
Net debt	**883,707**	705,818
Total equity	**485,797**	1,130,417

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 the total equity as follows:

	2008 %	2007 %
Net debt to equity ratio	**182**	62

40 Contingent liabilities

At 31 December 2008, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD7,051 thousand (2007: KD6,023 thousand).

41 Fiduciary assets

One of the subsidiaries of the group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the group's balance sheet. Assets under management at 31 December 2008 amounted to KD201,226 thousand (31 December 2007 : KD80,768 thousand) of which assets managed on behalf of related parties amounted to KD97,193 thousand (2007: KD18,599 thousand).

42 Capital commitments

At the balance sheet date the group had commitments for the purchase of investments and the acquisition of property, plant and equipment totalling KD55,033 thousand (2007: KD61,200 thousand).

In addition to the above amount, an investment agreement entered when acquiring certain foreign unquoted available for sale investments by one of the subsidiary, the group has agreed to advance an amount of USD43,757 thousand (equivalent to KD12,092 thousand as at 31 December 2008 and KD11,964 thousand at 31 December 2007) as shareholder advances to the investee companies to finance any variation in project costs undertaken by the investees.

43 Comparative information

Certain comparative information has been restated as explained in note 15 to the consolidated financial statement. In addition certain other comparative amounts have been reclassified to conform to the presentation in the current year. Such reclassification does not affect previously reported net assets, net equity and net results for the year or net increase in cash and cash equivalents.