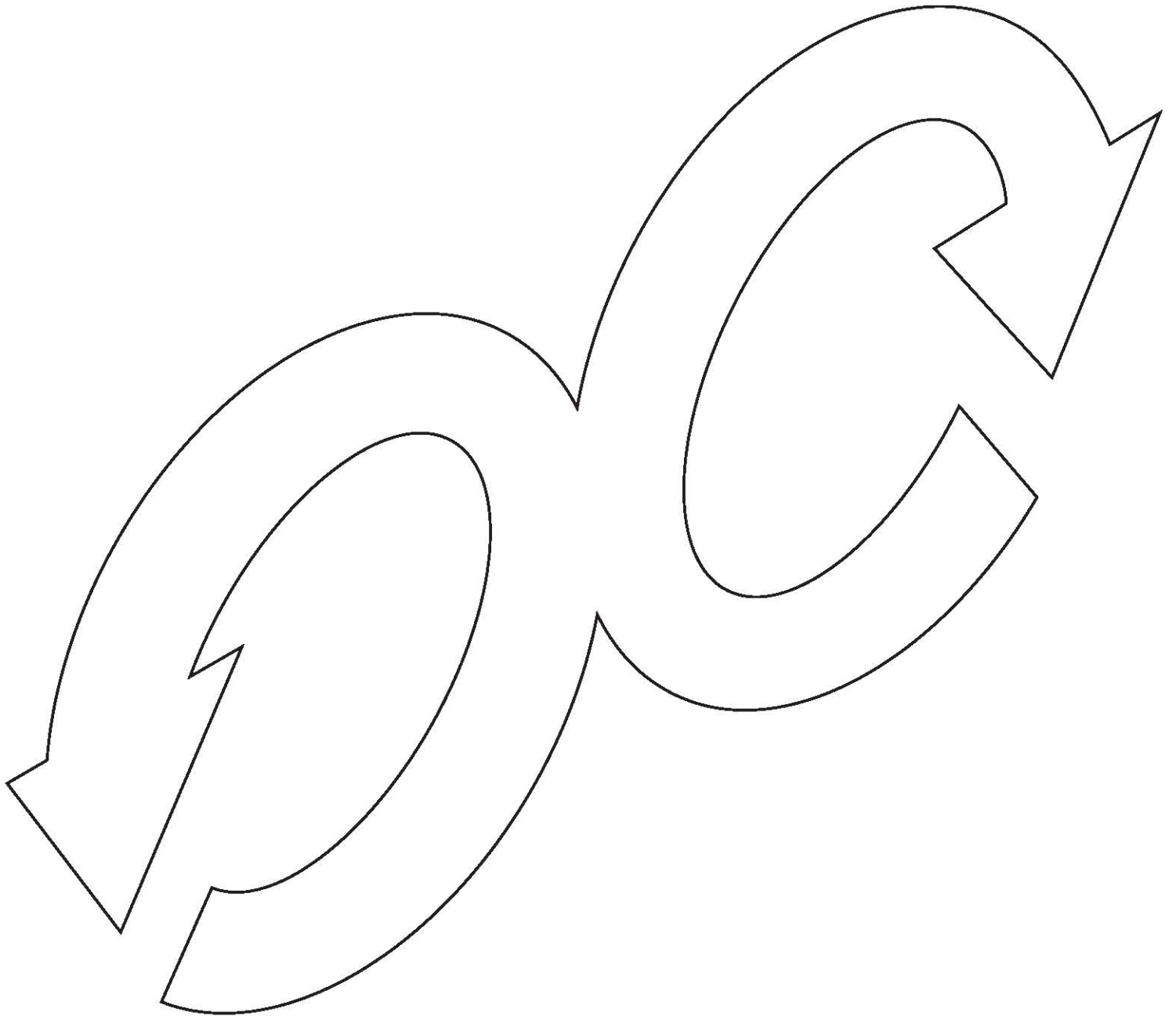




شركة الساحل للتنمية والاستثمار ش.م.ك (مغلقة)
COAST INVESTMENT & DEVELOPMENT CO K S C (CLOSED)



ANNUAL REPORT **2009**

Coast Investment & Developement Co.K.S.C (closed)
Al Sharq area, Shuhada street, Coast Building
P.O.Box 26755 , Safat 13128 Kuwait
Tel : (965) 222 30 555
fax : (965) 224 08 932 / 222 30 570
www.coast.com.kw



شركة الساحل للتبنة والاسثمارش.م.ك (مقفلنة)
COAST INVESTMENT & DEVELOPMENT CO K S C (CLOSED)

In the name of Allah,
the most gracious, the most merciful



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



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



His Highness
**Sheikh Naser Al-Mohammad
Al-Ahmad Al-Sabah**
Prime Minister



شركة الساحل للتنمية والاستثمار ش.م.ك (مغلقة)
COAST INVESTMENT & DEVELOPMENT CO K S C (CLOSED)

Board Of Directors

Sulaiman Khaled Al-Sahli

Chairman

Hamad Ahmad Al-Amiri

Vice Chairman

Khaled Abdulaziz Al-Usaimi

Board Member

Anwar Jassim Al-Kharafi

Board Member

Naji Abdullah Al-Abdul Hadi

Board Member

Abdulhadi Ahmad Al- Dousari

Board Member

Bader Mohammad Al-Qattan

Board Member

General management

Khaled Abdulaziz Al-Usaimi

Chief Executive officer

Mohammad Rashed Al-Qaoud

Senior Vice President- Support group

Muneer Abdulmuhsen Al-Sharhan

Senior Vice President- Investment group



Sulaiman Khaled Al-Sahli
Chairman

Chairman's Statement

Dear Shareholders,

Peace be upon you,

On behalf of the Board of Directors, I am pleased to welcome you to the Company's General Assembly Meeting, and present to you the Annual Report of your Company, Coast Investment & Development Company, for the financial year ended 31 December 2009.

As we forecasted earlier, the repercussions of the global financial crisis might take longer time than expected for the local and international economies to recover. The reform measures adopted by Governments of various countries, varied in terms of form and timing and led, despite some positive indicators, to market volatility and lack of clarity on the future outlook, due to different interpretations of the efficiency of such actions and their consistency from one country to another. Moreover, what augmented the market turbulence is the global market rise in oil prices doubling to an average of US\$ 62/- per barrel during the year 2009, compared to US\$ 34 earlier that year. Such hike in oil prices was not only due to the increasing demands of the emerging markets but also due to the weak dollar affected by the Global Crisis.

On the domestic level, the higher oil prices favorably affected the state budget with Kuwait oil price reaching US\$ 77/- per barrel at the year end. But although the expected surplus of 2009/2010 budget

shall stand around KD 6 billion, the year 2009 was a very tough year for all companies including banks and, in particular, investment companies.

Kuwait Stock Exchange "KSE" performance reflected the fluctuations and instability of the international markets, and in the absence of the government's readiness to take effective remedial actions, companies shall keep suffering in a bid to save what can be saved, depending on the ability of each individual company.

Despite the cut of the discount rate to 3% by Central Bank of Kuwait, and the issuance of the Financial Stability Law, the establishment of the Capital Market Authority, and the presentation of the KD37 Billion Five-year Development Plan, the government could not activate these legislations, and therefore did not make any real impact on the local economy nor the Kuwait Stock Exchange, which ended the year with a negative performance with a weighted index decreased by 5.7% compared to that at the beginning of the year.

2009 revealed the peak of the crisis between the government and the National Assembly and led to dissolution of the parliament and new elections in May 2009. However, the crisis returned with

the new parliament due to the four interpellations including that for the Prime Minister, which lead to continued paralysis in the wheel of development. We all hope for the return of cooperation between the parliament and the government to get out of this impasse.

The Global Financial Crisis affected all sectors and markets and the diversification policies were not sufficient enough to avoid the impact thereof.

The company's adopted policies and the decisions made contributed to protect the corporate structure and assets. With God's grace, the Board of Directors was able to realize the signs of the crisis in the early stages, allowing the opportunity to take certain measures that were, despite the severity thereof, necessary to safeguard the company against the shock of stormy market fluctuations.

Chief among the decisions taken was to increase liquidity in order to secure and meet contingent liabilities, particularly the company's obligations towards the credit banks. Our Company managed

to arrange with all credit banks to reschedule its debt on convenient terms. On the other hand, the Company developed a new investment policy reflecting the local and international economical changes to enable the Company to resume its activity and growth.

As for the financial results, the Company achieved KD 12 million in operating income, and due to impairment of the Company's investments in the local and international markets, the unrealized losses amounted to KD 18 million. Should we disregard that aforesaid unrealized loss, our Company would have recorded net profit instead of a net loss of KD 13.7 million, which led to a decline of assets and shareholders' equity by 21% and 23.3% respectively.

On this occasion, I would like to seize this opportunity to thank our shareholders for their continued support to the Board of Directors, and to our staff for their dedication in the current tough circumstances which we hope to surpass in the near future.

May Allah Preserve Kuwait and its People!



Sulaiman Khaled Al-Sahli
Chairman



شركة الساحل للتنمية والاستثمار ش.م.ك (مغلقة)
COAST INVESTMENT & DEVELOPMENT CO K S C (CLOSED)

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Independent auditors' report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Coast Investment & Development Co. – KSC (Closed) (the “parent company”) and Subsidiaries (collectively “the group”), which comprise the consolidated statement of financial position as at 31 December 2009, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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


Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the State of Kuwait.

Report on Other Legal and Regulatory Matters

In our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the parent company's articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law, as amended, nor of the parent company's articles of association, as amended, have occurred during the year ended 31 December 2009 that might have had a material effect on the business of the group or on its financial position.

We further report that, during the course of our audit we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations during the year ended 31 December 2009.



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



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

Kuwait
17 March 2010

Consolidated statement of income

	Notes	Year ended 31 Dec. 2009 KD '000	Year ended 31 Dec. 2008 KD '000
Income			
Realised gain on investments at fair value through statement of income	6	1,140	3,946
Unrealised loss on investments at fair value through statement of income	7	(5,518)	(15,912)
Gain on sale of available for sale investments		5,929	1,919
Dividend income	8	2,151	2,761
Management fees	9	1,175	2,038
Share of results of associates	19	(5,664)	(8,770)
Interest income	10	1,992	12,554
Other income	11	27	4,269
		1,232	2,805
Expenses			
Finance costs	13	(6,688)	(10,214)
General and administrative expenses	14	(1,645)	(2,601)
Release of impairment of receivables		111	460
Impairment loss on available for sale investments	18	(6,488)	(15,832)
Impairment in fair value of investment property	20	-	(193)
Foreign exchange (loss)/gain		(222)	574
Loss for the year		(13,700)	(25,001)
Attributable to:			
Shareholders of the parent company		(13,700)	(24,961)
Non-controlling interests		-	(40)
		(13,700)	(25,001)
Basic and diluted loss per share attributable to shareholders of the parent company	15	(24) Fils	(44) Fils

The notes set out on pages 20 to 55 form an integral part of these consolidated financial statements

Consolidated statement of comprehensive income

	Year ended 31 Dec. 2009 KD '000	Year ended 31 Dec. 2008 KD '000
Loss for the year	(13,700)	(25,001)
Other comprehensive income		
Available for sale investments:		
- Net change in fair value of investments available for sale	(3,317)	(14,019)
- Transferred to consolidated statement of income on impairment	6,488	15,832
- Net gain transferred to consolidated statement of income on sale	(4,876)	(1,051)
Share of other comprehensive income of associates	170	(246)
Exchange differences on translation of foreign operations	442	327
Total other comprehensive income for the year included in equity	(1,093)	843
Total comprehensive income for the year	(14,793)	(24,158)
Attributable to:		
Shareholders of the parent company	(14,795)	(24,118)
Non-controlling interests	2	(40)
	(14,793)	(24,158)

The notes set out on pages 20 to 55 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2009 KD '000	31 Dec. 2008 KD '000
Assets			
Cash and bank balances	27	344	792
Money at call and short notice	27	4,623	16,515
Investments at fair value through statement of income	17	24,854	29,736
Available for sale investments	18	32,572	34,134
Accounts receivable and other assets	16	20,809	34,876
Investment in associates	19	60,721	66,078
Investment properties	20	144	139
Property and equipment	21	1,163	1,202
Total assets		145,230	183,472
Liabilities and equity			
Liabilities			
Bank overdraft	27	14	2,030
Accounts payable and other liabilities	22	3,222	3,651
Borrowings	23	93,534	114,578
Total liabilities		96,770	120,259
Equity			
Share capital	24	62,529	62,529
Treasury shares	25	(7,340)	(7,377)
Treasury shares reserve		577	589
Statutory reserve	26	11,647	11,647
Voluntary reserve	26	1,991	1,991
Foreign currency translation reserve		4,984	4,542
Fair value reserve		(1,762)	(225)
Accumulated losses		(24,211)	(10,511)
Equity attributable to shareholders of the parent company		48,415	63,185
Non-controlling interests		45	28
Total equity		48,460	63,213
Total liabilities and equity		145,230	183,472



Sulaiman K. Al-Sahli
Chairman



Khaled A. Al-Usaimi
Chief Executive Officer

The notes set out on pages 20 to 55 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to shareholders of the parent company							Non-controlling interests	Total		
	Share capital	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Fair value reserve			Accumulated losses	Sub Total
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	
At 1 January 2009	62,529	(7,377)	589	11,647	1,991	4,542	(225)	(10,511)	63,185	28	63,213
Loss for the year	-	-	-	-	-	-	-	(13,700)	(13,700)	-	(13,700)
Other comprehensive income	-	-	-	-	-	442	(1,537)	-	(1,095)	2	(1,093)
Total comprehensive income for the year	-	-	-	-	-	442	(1,537)	(13,700)	(14,795)	2	(14,793)
Purchase of treasury shares (Note 25)	-	(10)	-	-	-	-	-	-	(10)	-	(10)
Sale of treasury shares (Note 25)	-	47	-	-	-	-	-	-	47	-	47
Loss on sale of treasury shares	-	-	(12)	-	-	-	-	-	(12)	-	(12)
Non-Controlling Interests	-	-	-	-	-	-	-	-	-	15	15
Transactions with shareholders	-	37	(12)	-	-	-	-	-	25	15	40
At 31 December 2009	62,529	(7,340)	577	11,647	1,991	4,984	(1,762)	(24,211)	48,415	45	48,460

The notes set out on pages 20 to 55 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Attributable to shareholders of the parent company							Non-controlling interests	Total		
	Share capital	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Fair value reserve			Retained earnings/ losses	Sub Total
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	
At 1 January 2008	52,108	(6,575)	111	11,647	1,991	4,215	(741)	31,952	94,708	68	94,776
Loss for the year	-	-	-	-	-	-	-	(24,961)	(24,961)	(40)	(25,001)
Other comprehensive income	-	-	-	-	-	327	516	-	843	-	843
Total comprehensive income for the year	-	-	-	-	-	327	516	(24,961)	(24,118)	(40)	(24,158)
Purchase of treasury shares (Note 25)	-	(1,181)	-	-	-	-	-	-	(1,181)	-	(1,181)
Sale of treasury shares (Note 25)	-	379	-	-	-	-	-	-	379	-	379
Gain on sale of treasury shares	-	-	478	-	-	-	-	-	478	-	478
Issue of bonus shares	10,421	-	-	-	-	-	-	(10,421)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(7,081)	(7,081)	-	(7,081)
Transactions with shareholders	10,421	(802)	478	-	-	-	-	(17,502)	(7,405)	-	(7,405)
At 31 December 2008	62,529	(7,377)	589	11,647	1,991	4,542	(225)	(10,511)	63,185	28	63,213

The notes set out on pages 9 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 Dec. 2009 KD '000	Year ended 31 Dec. 2008 KD '000
OPERATING ACTIVITIES			
Loss for the year		(13,700)	(25,001)
Adjustments for:			
Depreciation	21	48	48
Finance costs		6,688	10,214
Release of impairment of receivables		(111)	(460)
Interest income		(1,992)	(12,554)
Dividend income		(2,151)	(2,761)
Unrealised loss on investments at fair value through statement of income		5,518	15,912
Gain on sale of available for sale investments		(5,929)	(1,919)
Impairment loss on available for sale investments		6,488	15,832
Impairment in fair value of investment property		-	193
Share of results of associates		5,664	8,770
Foreign exchange loss/(gain) on non-operating assets and liabilities		253	(358)
		776	7,916
Changes in operating assets and liabilities:			
Investments at fair value through statement of income		(636)	(25,445)
Accounts receivable and other assets		14,220	45,954
Accounts payable and other liabilities		(218)	(1,690)
Cash from operations		14,142	26,735
KFAS paid		(241)	-
Net cash from operating activities		13,901	26,735
INVESTING ACTIVITIES			
Purchase of available for sale investments		(17,377)	(7,831)
Proceeds from sale and redemption of available for sale investments		10,899	868
Disposal/purchase of investment properties		1	(1)
Purchase of equipment		(9)	(130)
Proceeds from sale of available for sale investments		5,929	1,919
Acquisition of associates		(7)	(11,941)
Proceeds from disposal/redemption of investment in associates		250	2,355
Dividend income received		2,088	2,761
Dividend received from associates		63	50
Interest income received		1,839	11,132
Net cash from/(used in) investing activities		3,676	(818)
FINANCING ACTIVITIES			
Dividend paid		-	(6,762)
Purchase of treasury shares		(10)	(1,181)
Sale of treasury shares		35	857
Net (decrease)/increase in borrowings		(21,284)	6,263
Non-controlling interests		15	-
Finance costs paid		(6,657)	(10,560)
Net cash used in financing activities		(27,901)	(11,383)
Net (decrease)/increase in cash and cash equivalents		(10,324)	14,534
Cash and cash equivalents at the beginning of the year	27	15,277	743
Cash and cash equivalents at the end of the year	27	4,953	15,277

The notes set out on pages 20 to 55 form an integral part of these consolidated financial statements.

1 Incorporation and activities

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

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

The group is engaged in various types of investment activities.

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

The consolidated financial statements for the year ended 31 December 2009 were authorised for issue by the parent company’s board of directors on 17 March 2010 and are subject to the approval of the general assembly of the shareholders. The annual general assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

2 Adoption of new and revised International Financial Reporting Standards

2.1 The group has adopted the following new standards, interpretations, revisions and amendments to IFRS issued by International Accounting Standards Board, which are relevant to and effective for the group’s financial statements for the annual period beginning 1 January 2009. Certain other new standards and interpretations have been issued but are not relevant to the group’s operations and therefore not expected to have a material impact on the group’s financial statements.

- Amendments to IFRS 7 Financial instruments: Disclosures
- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements (Revised)
- IAS 23 Borrowing Costs (Revised)
- Amendments to IAS 40 Investment Property
- Annual Improvements 2008

Significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described below.

2.1.1 Amendment to IFRS 7: Financial Instruments: Disclosures

The amendments require additional disclosures for financial instruments that are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierarchy (see note 34), which reflects the extent to which they are based on observable market data. A separate quantitative maturity analysis (see note 33.4) must be presented for derivative financial liabilities that shows the remaining contractual maturities, where these are essential for an understanding of the timing of cash flows. The group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

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

2.1.2 IFRS 8 Operating Segments

The adoption of IFRS 8 has not resulted in a redesignation of the group's reportable segments (see note 30), but has had no impact on the reported results or financial position of the group. Reported segment results are now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual consolidated financial statements, segments were identified by reference to the dominant source and nature of the group's risks and returns.

2.1.3 IAS 1 Presentation of Financial Statements (Revised)

The adoption of IAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. IAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'.

The revised standard also requires presentation of a comparative statement of financial position as at the beginning of the first comparative period, in some circumstances. Management considers that this is not necessary this year because 31 December 2007 statement of financial position is the same as that previously reported.

2.1.4 IAS 23 Borrowing Costs (Revised)

IAS 23 Borrowing Costs (Revised 2007) requires the capitalisation of borrowing costs to the extent they are directly attributable to the acquisition, production or construction of qualifying assets that need a substantial period of time to get ready for their intended use or sale. The adoption of the revised standard did not have any effect on the measurement and recognition of the group's assets, liabilities, income and expenses.

2.1.5 IAS 40 Investment Property

As part of Improvements to IFRSs (2008), IAS 40 has been amended to include within its scope investment property in the course of construction. Therefore, following the adoption of the amendments and in line with the group's general accounting policy, investment property under construction is measured at fair value (where that fair value is reliably determinable), with changes in fair value recognised in profit or loss. The adoption of the amendment did not have any effect on the measurement and recognition of the group's assets, liabilities, income and expenses.

2.1.6 Annual Improvements 2008

In addition to the changes affecting amounts reported in the financial statements described above, the Improvements have led to a number of changes in the detail of the group's accounting policies some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. The majority of these amendments are effective from 1 January 2009.

2.2 At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted.

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

Management anticipates that all of the pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not relevant to the group's operations and therefore not expected to have a material impact on the group's financial statements.

- IFRS 3 Business Combinations (Revised)
- IFRS 9 Financial Instruments
- IAS 27 Consolidated and Separate Financial Statements (Revised)
- IAS 28 Investments in Associates (Revised)
- IFRIC 17 Distribution of Non Cash Assets to Owners
- Annual Improvements 2009

2.2.1 IFRS 3 Business Combinations (Revised) (effective from 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 the purchase method, and will have a significant effect on business combinations occurring in future reporting periods.

2.2.2 IFRS 9 Financial Instruments (effective from 1 January 2013 earlier application is permitted)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety by the end of 2010, with the replacement standard to be effective for annual periods beginning 1 January 2013. IFRS 9 is the first part of Phase 1 of this project. The main phases are:

- Phase 1: Classification and Measurement
- Phase 2: Impairment methodology
- Phase 3: Hedge accounting

In addition, a separate project is dealing with derecognition.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice, due to the non-completion of the remaining stages of the standard.

2.2.3 IAS 27 Consolidated and Separate Financial Statements (Revised) (effective from 1 July 2009)

The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the group's interest in subsidiaries. These changes will be applied prospectively in accordance with the transitional provisions and so do not have an immediate effect on the group's financial statements.

2.2.4 IAS 28 Investments in Associates (Revised) (effective from 1 July 2009)

The revised standard introduces changes to the accounting requirements for the loss of significant influence of an associate and for changes in the group's interest in associates. These changes will be applied prospectively in accordance with the transitional provisions and so do not have an immediate effect on the group's financial statements.

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

2.2.5 IFRIC 17 Distribution of Non-Cash Assets to Owners

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

2.2.6 Annual Improvements 2009

The IASB has issued Improvements for International Financial Reporting Standards 2009 which have led to a number of changes in the detail of the group's accounting policies some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. Most of these amendments become effective in annual periods beginning on or after 1 July 2009 or 1 January 2010.

3 Significant accounting policies

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

Basis of preparation

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

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

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2008 except for the adoption of the revised and new standards discussed in Note 2.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company for the year ended 31 December 2009, and the financial statements of its subsidiaries prepared to that date, or to a date not earlier than three months of the parent company's year end using consistent accounting policies.

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

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

3 Significant accounting policies (continued)

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

Goodwill

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

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

Revenue recognition

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

Interest income

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

Dividend income

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

Fee and commission income

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

Finance costs

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

3 Significant accounting policies (continued)

NLST, KFAS and Zakat

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

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

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

Investment securities

The group classifies its investment securities as follows:

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

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

Available for sale investments

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

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

Investments at fair value through statement of income

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

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

3 Significant accounting policies (continued)

Held for trading

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

Investments designated at fair value through statement of income

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

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

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

Trade and settlement date accounting

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

Recognition and de-recognition of financial assets

A financial asset 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.

Impairment and uncollectability of financial assets

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

3 Significant accounting policies (continued)

Impairment and uncollectability of financial assets (continued)

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

In 2008, CBK allowed the group to reverse the excess general provision of 1% for cash facilities and 0.5% for non-cash facilities to the consolidated statement of income provided that the amount is transferred to general reserve.

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

Recognition and de-recognition of financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through statement of income and loan and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, including directly attributable transaction costs.

The Group's financial liabilities include short term borrowings and accounts payable and accruals.

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 the consolidated statement of income.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

3 Significant accounting policies (continued)

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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 reporting date.

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

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

Investment in associates

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

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

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

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

3 Significant accounting policies (continued)

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

Investment properties

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

Property and equipment

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

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

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

Depreciation

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

Impairment of non-financial assets

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

3 Significant accounting policies (continued)

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

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

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

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

Provisions

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

Treasury shares

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

Cash and cash equivalents

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

End of service indemnity

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

3 Significant accounting policies (continued)

Foreign currencies

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

Transactions and balances

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

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

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

Group companies

As at the reporting date, the assets and liabilities of foreign subsidiaries, and the carrying value of foreign associates, are translated into the parent company's presentation currency (the Kuwaiti Dinars) at the rate of exchange ruling at the reporting 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.

Fiduciary assets

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

Accounts receivable

Account receivables are stated at face value less impairment losses or provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed in the notes to the consolidated financial statements 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 in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

4 Accounting judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- an earnings multiple or industry specific multiple;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

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

Significant judgements in applying accounting policies

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

Classification of real estate property

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

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

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

4 Accounting judgements and key sources of estimation uncertainty (continued)

Classification of investments

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

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

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

All other investments are classified as available for sale.

Impairment of available for sale investments

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

5 Subsidiary companies

Details of subsidiary companies are set out below:

	Country of incorporation	Percentage ownership %		Principal activity
		2009	2008	
Coast Investments Limited	British Virgin Islands	100	100	Investment services
Coast Holding Corporation	USA	100	100	Investment services
Winters Estate LLC	USA	80	80	Real estate investment
Lujain Group of Economic & Management Consultancy	Kuwait	51	-	Management consultancy

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

	2009 KD '000	2008 KD '000
Investments held for trading	1,107	(1,718)
Investments designated at fair value through statement of income	33	5,664
	1,140	3,946

7 Unrealised loss on investments at fair value through statement of income

	2009 KD '000	2008 KD '000
Investments held for trading	(5,120)	(13,618)
Investments designated at fair value through statement of income	(398)	(2,294)
	(5,518)	(15,912)

8 Dividend income

	2009 KD '000	2008 KD '000
Investments held for trading	823	565
Investments designated at fair value through statement of income	23	903
Available for sale investments	1,305	1,293
	2,151	2,761

9 Management fees

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

	2009 KD '000	2008 KD '000
Fees from portfolio management	419	503
Fees from fund management	575	979
Commission income and subscription fee	181	556
	1,175	2,038

10 Interest income

	2009 KD '000	2008 KD '000
Money at call and short notice	377	285
Financing of future trades by customers	839	10,692
Accounts receivable and other assets	776	1,577
	1,992	12,554

11 Other income

Other income includes incentive fees of KD Nil (2008: KD 4,045 thousand) from a fund managed by the parent company.

12 Net loss on financial assets

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

	2009 KD '000	2008 KD '000
Money at call and short notice	377	285
Investments held for trading	(3,190)	(14,771)
Investments designated at fair value through statement of income	(342)	4,273
Available for sale investments	746	(12,170)
Financing of future of trades by customers/Accounts receivable & other assets	1,727	12,729
Net realised and unrealised loss	(682)	(9,654)
Net unrealised (loss)/gain recognised in equity	(1,537)	516
	(2,219)	(9,138)

13 Finance costs

	2009 KD '000	2008 KD '000
Bank Interest	6,295	8,740
Bank charges	295	246
Commission and other related costs	98	1,228
	6,688	10,214

Finance costs relate to borrowings and bank overdraft (see notes 23 and 27). All these financial liabilities are stated at amortised cost.

14 General and administrative expenses

	2009 KD '000	2008 KD '000
Staff costs	1,201	1,503
Other expenses	396	1,050
Depreciation	48	48
	1,645	2,601

15 Basic and diluted loss per share

Basic and diluted loss per share is calculated by dividing the loss for the year attributable to the shareholders of the parent company by the weighted average number of shares excluding treasury shares (note 25).

	2009	2008
Loss for the year attributable to shareholders of the parent company (KD '000)	(13,700)	(24,961)
Weighted average number of shares (excluding treasury shares)	562,748,240	565,641,646
Basic and diluted loss per share	(24) Fils	(44) Fils

16 Accounts receivable and other assets

	2009 KD '000	2008 KD '000
Financing of future trades by customers	2,027	13,163
Due from Kuwait Clearing Company	82	1,275
Receivable from sale of an asset to an associate	15,078	15,129
Due from United Swift Trading Co.	1,012	1,146
Due from Moya Projects Management Co.	2,000	3,513
Accrued income	438	496
Other assets	172	154
	20,809	34,876

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

17 Investments at fair value through statement of income

	2009	2008
	KD '000	KD '000
Held for trading		
Local quoted securities	22,480	27,146
	22,480	27,146
Designated		
Local quoted securities	381	598
Local unquoted securities	2	2
Local unquoted mutual funds	1,218	1,448
Foreign unquoted mutual funds	659	443
Foreign quoted securities	114	99
	2,374	2,590
	24,854	29,736

The mutual fund investments are carried at net asset value provided by the fund manager. Due to the nature of these investments the net asset value provided by the fund manager represents the best estimate of fair value available for these investments.

18 Available for sale investments

	2009	2008
	KD '000	KD '000
Quoted Investments	15,316	16,064
Unquoted investments	17,256	18,070
	32,572	34,134

Unquoted investments include investments in private equity funds amounting to KD7,004 thousand (31 December 2008: KD7,443 thousand). These investments are carried at net asset values as 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.

Unquoted investments amounting to KD10,389 thousand (31 December 2008: KD11,334 thousand) are stated at cost due to the unpredictable nature of future cash flows and the unavailability of financial information to arrive at a reliable measure of fair value. Management has performed an analysis of the underlying investments which indicates that there is no impairment.

During the year, the group recognised an impairment loss of KD6,488 thousand (31 December 2008: KD15,832 thousand) in respect of quoted securities and unquoted funds.

19 Investment in associates

Details of associates are set out below:

Name	Country of incorporation	Voting capital held		Principal activity
		%		
		2009	2008	
Rico GmbH (unquoted)	Germany	23.73	23.73	Manufacturing
Weinig Int'l A.G. (unquoted)	Germany	14.37*	14.37*	Manufacturing
Coast Investment Fund (unquoted)	Kuwait	33.20	30.32	Investing activities
Coast Pearl Fund (unquoted)	Kuwait	54.17	51.25	Investing activities
Coast Mutajara Fund (unquoted)	Kuwait	-	50.00	Investing activities
Aqar Real Estate Investment Co. – KSC (Closed) (quoted)	Kuwait	19.94	19.90	Real estate activities
Kuwaiti German Holding Co. – KSC (Closed) (unquoted)	Kuwait	49.60	49.60	Investing activities
Union Securities Brokerage Co. – KSC (Closed) (unquoted)	Kuwait	20.00	20.00	Brokerage co.

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

	2009 KD '000	2008 KD '000
Carrying amount at 1 January	66,078	65,872
Additions	7	11,300
Change in associates equity	170	641
Redemptions during the year	(250)	(2,355)
Share of results	(5,664)	(8,770)
Dividend received	(64)	(50)
Foreign exchange translation adjustments	444	(560)
Carrying amount at 31 December	60,721	66,078

Aggregate share of associates' balance sheet:

	KD '000	KD '000
Total assets	78,324	86,350
Total liabilities	(25,257)	(27,906)
Net Assets	53,087	58,444

Aggregate share of associates' revenue and profit:

	2009	2008
Revenue	6,570	6,006
(Loss)/profit	(5,664)	(8,770)

The carrying amount of the investments in Aqar Real Estate Investment Company – KSC (Closed), Union Securities Brokerage and Kuwaiti German Holding Co. includes goodwill of KD7,634 thousand (2008: KD7,634 thousand).

Investments in associates with a carrying value of KD23,180 thousand (2008: KD25,376 thousand) have a fair value of KD21,860 thousand (2008: KD23,475 thousand) based on market bid prices. In accordance with IAS 36 requirement for impairment of assets, the group's carrying value of the associates did not exceed its recoverable amount (higher of fair value less cost to sell and value in use), accordingly no impairment was recognized.

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

20 Investment properties

	2009 KD '000	2008 KD '000
Carrying amount at 1 January	139	328
(Disposal)/additions	(1)	1
Impairment loss	-	(193)
Foreign exchange translation adjustments	6	3
Carrying amount at 31 December	144	139

Investment properties are located outside Kuwait.

21 Property and equipment

31 December 2009:

	Freehold land and building KD'000	Office furniture and equipment KD'000	Total KD'000
Cost:			
At 1 January	1,614	531	2,145
Additions	-	9	9
At 31 December	1,614	540	2,154
Accumulated depreciation:			
At 1 January	(561)	(382)	(943)
Charge for the year	-	(48)	(48)
At 31 December	(561)	(430)	(991)
Net book value:	1,053	110	1,163

31 December 2008:

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

Freehold land and building above include cost of acquiring freehold land at the cost of KD1,053 (2008: KD1,053)

22 Accounts payable and other liabilities

	2009 KD '000	2008 KD '000
Accrued expenses	1,344	1,224
Other liabilities	1,878	2,427
	3,222	3,651

23 Borrowings

	2009 KD '000	2008 KD '000
Bank loans due within one year	55,109	102,878
Bank loans due more than one year	38,425	11,700
	93,534	114,578

	Effective interest rate %	Security	2009 KD '000	2008 KD '000
Loans in KD	6.25	Secured	-	2,110
Loans in KD	6.75	Secured (letter of guarantee)	-	2,500
Loans in KD	5.25 – 6.75	Unsecured Secured	87,335	103,750
Loans in U.S. Dollars	5.25	(letter of guarantee)	2,537	-
Loans in U.S. Dollars	2.5 – 7.75	Unsecured	3,662	6,218
			93,534	114,578

A local bank has given a letter of guarantee against a loan payable to a foreign bank on behalf of the group against the total borrowing of KD2,537 thousand.

24 Share capital

	2009	2008
Shares of KD0.100 each	625,293,152	625,293,152

25 Treasury shares

	2009	2008
Number of shares	62,463,268	62,743,268
Percentage of holding	9.99%	10.03%
Cost	7,340	7,377
Market value (KD '000)	7,121	5,898

Movement in treasury shares was as follows:

	Number of shares 2009	Number of shares 2008
Balance as at 1 January	62,743,268	50,041,301
Purchases	120,000	6,028,000
Sales	(400,000)	(3,132,293)
Bonus shares	-	9,806,260
Balance as at 31 December	62,463,268	62,743,268

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

26 Statutory and voluntary reserves

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

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

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

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

27 Cash and cash equivalents

	2009	2008
	KD '000	KD '000
Cash and bank balances	344	792
Money at call and short notice	4,623	16,515
Bank overdraft	(14)	(2,030)
	4,953	15,277

The effective interest rate on money at call and short notice was 0.125 % to 1 % (2008: 0.25% to 1.5% per annum), with an average maturity of 30 days. All deposits are placed with reputable international and local banks and are capable of being realised as cash within 90 days.

The effective interest rate on bank overdraft was 5.5% - 6.25 % (2008: 8% - 9% per annum).

28 General assembly of shareholders

The directors do not propose any dividend for the year ended 31 December 2009.

The annual general assembly of the shareholders held on 8 June 2009 approved the consolidated financial statements for the year ended 31 December 2008.

29 Related party transactions

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

	2009	2008
	KD '000	KD '000
Transactions included in the consolidated statement of income:		
Management fees (associate)	679	1,364
Interest income (associate)	621	1,575
Incentive fees (associate)	-	4,045
Included in the consolidated statement of financial position:		
Receivable from sale of an asset to an associate (note 16)	15,078	15,129
Key management compensation:		
Salaries and other short term benefits	303	290
Terminal benefits	31	28
	334	318

30 Segmental analysis

The group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. Under IFRS 8, reported segment profits are based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to group profit or loss. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical). Following the adoption of IFRS 8, the identification of the group's reportable segments has not changed. The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

	Kuwait and the Middle East	United States of America	Europe	Total
	KD '000	KD '000	KD '000	KD '000
Year ended 31 December 2009				
Segment income/(loss)	1,861	181	(810)	1,232
Segment results	(11,846)	(106)	(1,526)	(13,478)
Foreign exchange loss				(222)
Loss for the year				(13,700)
As at 31 December 2009				
Segment assets	124,894	3,280	17,056	145,230
Segment liabilities	(95,425)	-	-	(95,425)
Unallocated liabilities				(1,345)
Total liabilities				(96,770)
Net assets				48,460
Other segment information				
Interest income	1,992	-	-	1,992
Finance cost	(6,688)	-	-	(6,688)
Release of impairment on receivable	111	-	-	111
Depreciation	(48)	-	-	(48)
Impairment loss on available for sale investments	(5,527)	(282)	(679)	(6,488)
Share of results of associates	(4,707)	-	(957)	(5,664)
Provision for staff indemnity	(100)	-	-	(100)
Other disclosures				
Investment in associates	47,686	-	13,035	60,721
Purchase of property, plant and equipment	(9)	-	-	(9)

30 Segmental analysis (continued)

	Kuwait and the Middle East	United States of America	Europe	Total
	KD '000	KD '000	KD '000	KD '000
Year ended 31 December 2008				
Segment (loss)/income	(1,326)	316	3,815	2,805
Segment results	(28,531)	(411)	3,367	(25,575)
Foreign exchange gain				574
Loss for the year				(25,001)
As at 31 December 2008				
Segment assets	162,277	3,439	17,756	183,472
Segment liabilities	(118,663)	(10)	-	(118,673)
Unallocated liabilities				(1,586)
Total liabilities				(120,259)
Net assets				63,213
Other segment information				
Interest income	12,554	-	-	12,554
Finance cost	(10,214)	-	-	(10,214)
Release of impairment on receivable	460	-	-	460
Depreciation	(48)	-	-	(48)
Impairment loss on available for sale investments	(14,862)	(522)	(448)	(15,832)
Impairment in fair value of investment property	-	(193)	-	(193)
Share of results of associates	(11,468)	-	2,698	(8,770)
Provision for staff indemnity	(201)	-	-	(201)
Other disclosures				
Investment in associates	52,691	-	13,387	66,078
Purchase of property, plant and equipment	(130)	-	-	(130)

Segment income above represents income generated from external customers. There was no inter-segment income in the year (2008: Nil).

31 Fiduciary accounts

The group manages portfolios on behalf of others and maintains cash balances and securities in fiduciary accounts without risk of recourse to the group, which are not reflected in the consolidated statement of financial position. Assets under management at 31 December 2009 amounted to KD256,606 thousand (2008: KD298,965 thousand).

The total income earned from trust and other fiduciary activities amounted to KD1,068 thousand (2008: KD1,554 thousand).

32 Capital commitments

At the reporting date the group had capital commitments of KD19,374 thousand (2008: KD22,895 thousand) towards purchase of investments.

33 Risk management objectives and policies

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

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

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

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

33.1 Market risk

a) Foreign currency risk

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

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

Risk management objectives and policies (continued)

33.1 Market risk (continued)

a) Foreign currency risk (continued)

The group had the following significant net long/(short) term exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	2009	2008
	KD '000	KD '000
US Dollar	(2,267)	(1,627)
Euro	16,792	17,425

The foreign currency sensitivity is determined on the following assumptions:

	Exchange rate sensitivity	%
	2009	2008
US Dollar	(0.43)	2.61
Euro	(2.38)	2.23

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

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity with all other variables being constant then this would have the following impact on the loss for the year and equity:

	Loss for the year		Equity	
	2009	2008	2009	2008
	KD'000	KD'000	KD'000	KD'000
US Dollar	25	134	(15)	(92)
Euro	(4)	(2)	(396)	(386)
	21	132	(411)	(478)

If the Kuwaiti Dinar weakens against the foreign currencies assuming the above sensitivity with all other variables being constant then this would have the opposite impact on the loss for the year and equity.

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.

33 Risk management objectives and policies (continued)

33.1 Market risk (continued)

b) Interest rate risk

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

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

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

The group's interest rate exposure based on earlier of contractual repricing arrangements and maturity at 31 December 2009 and 2008 was as follows:

33 Risk management objectives and policies (continued)

33.1 Market risk (continued)

b) Interest rate risk (continued)

	Up to 1 month	1-3 months	3-12 months	Over 1 year	Not exposed to interest rate risk	Total	Effective interest rate
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	%
At 31 December 2009							
ASSETS							
Cash and bank balances	-	-	-	-	344	344	-
Money at call and short notice	4,612	-	11	-	-	4,623	0.125 - 1
Accounts receivable and other assets	482	1,472	17,134	-	1,721	20,809	4 - 9
Investments at fair value through statement of income	-	-	-	-	24,854	24,854	-
Available for sale investments	-	-	-	-	32,572	32,572	-
Investment in associates	-	-	-	-	60,721	60,721	-
Investment properties	-	-	-	-	144	144	-
Property and equipment	-	-	-	-	1,163	1,163	-
Total assets	5,094	1,472	17,145	-	121,519	145,230	
LIABILITIES							
Bank overdraft	14	-	-	-	-	14	5.5-6.25
Accounts payable and other liabilities	225	56	60	-	2,881	3,222	5.5 - 9
Borrowings	40,772	10,000	4,337	38,425	-	93,534	5.25-6.75
Total liabilities	41,011	10,056	4,397	38,425	2,881	96,770	

At 31 December 2008

ASSETS							
Cash and bank balances	-	-	-	-	792	792	-
Money at call and short notice	16,508	7	-	-	-	16,515	0.25-1.5
Accounts receivable and other assets	-	10,010	18,282	-	6,584	34,876	4.75-12
Investments at fair value through statement of income	-	-	-	-	29,736	29,736	-
Available for sale investments	-	-	-	-	34,134	34,134	-
Investment in associates	-	-	-	-	66,078	66,078	-
Investment properties	-	-	-	-	139	139	-
Property and equipment	-	-	-	-	1,202	1,202	-
Total assets	16,508	10,017	18,282	-	138,665	183,472	
LIABILITIES							
Bank overdraft	2,030	-	-	-	-	2,030	6.5-8.5
Accounts payable and other liabilities	-	531	-	-	3,120	3,651	6.5-12
Borrowings	20,072	51,336	31,470	11,700	-	114,578	5.68-8.25
Total liabilities	22,102	51,867	31,470	11,700	3,120	120,259	

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

33 Risk management objectives and policies (continued)

33.1 Market risk (continued)

b) Interest rate risk (continued)

The following table illustrates the sensitivity of the loss for the year and equity to a reasonably possible change in interest rates of +0.25% and -0.25% (2008: +0.25% and -0.25%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the group's financial instruments exposed to interest rate risk held at each reporting date. All other variables are held constant. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	2009		2008	
	+ 0.25 % KD'000	- 0.25 % KD'000	+ 0.25 % KD'000	- 0.25 % KD'000
Loss for the year	(175)	175	(180)	180
Equity	-	-	-	-

c) Price risk

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

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

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

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

	Loss for the year		Equity	
	2009 KD'000	2008 KD'000	2009 KD'000	2008 KD'000
Kuwait Stock Exchange index + 5%	1,832	1,833	1,139	913
Kuwait Stock Exchange index – 5%	(1,832)	(1,833)	(1,139)	(913)

33 Risk management objectives and policies (continued)

33.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains collateral security when appropriate.

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

	2009	2008
	KD '000	KD '000
Bank balances	344	792
Money at call and short notice	4,623	16,515
Accounts receivables and other assets	20,809	34,876
	25,776	52,183

The maximum credit exposure to a single counter party is KD15,078 thousand (2008: KD15,129 thousand).

Information on other significant concentrations of credit risk is set out in note 33.3.

33 Risk management objectives and policies (continued)

33.3 Concentration of assets

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

	Kuwait & Middle East	Europe	USA	Total
	KD '000	KD '000	KD '000	KD '000
At 31 December 2009				
Geographic region:				
Cash and bank balances	344	-	-	344
Money at call and short notice	4,612	-	11	4,623
Accounts receivable and other assets	20,742	50	17	20,809
Investments at fair value through statement of income	24,480	374	-	24,854
Available for sale investments	25,867	3,597	3,108	32,572
Investment in associates	47,686	13,035	-	60,721
Investment properties	-	-	144	144
Property and equipment	1,163	-	-	1,163
	124,894	17,056	3,280	145,230

Industry sector				
Trading and manufacturing	3,890	13,035	-	16,925
Banks and financial institutions	84,170	414	103	84,687
Real estate	16,102	-	887	16,989
Others	20,732	3,607	2,290	26,629
	124,894	17,056	3,280	145,230

At 31 December 2008

Geographic region:				
Cash and bank balances	791	-	1	792
Money at call and short notice	16,507	-	8	16,515
Accounts receivable and other assets	34,770	95	11	34,876
Investments at fair value through statement of income	29,293	320	123	29,736
Available for sale investments	27,023	3,954	3,157	34,134
Investment in associates	52,691	13,387	-	66,078
Investment properties	-	-	139	139
Property and equipment	1,202	-	-	1,202
	162,277	17,756	3,439	183,472

Industry sector				
Trading and manufacturing	3,764	13,431	-	17,195
Banks and financial institutions	129,086	365	132	129,583
Real estate	14,670	-	477	15,147
Others	14,757	3,960	2,830	21,547
	162,277	17,756	3,439	183,472

33 Risk management objectives and policies (continued)

33.4 Liquidity risk

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

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

The maturity profile of the assets and liabilities at 31 December 2009 and 2008 are as follows:

	Up to 1 month KD'000	1-3 months KD'000	3-12 months KD'000	Total Less than 1 year KD'000	More than 1 year KD'000	Total KD'000
At 31 December 2009						
ASSETS						
Cash and bank balances	344	-	-	344	-	344
Money at call and short notice	4,612	-	11	4,623	-	4,623
Accounts receivable and other assets	593	1,633	18,583	20,809	-	20,809
Investments at fair value through statement of income	-	-	23,636	23,636	1,218	24,854
Available for sale investments	-	-	32,572	32,572	-	32,572
Investments in associates	-	-	-	-	60,721	60,721
Investment properties	-	-	-	-	144	144
Property and equipment	-	-	-	-	1,163	1,163
	5,549	1,633	74,802	81,984	63,246	145,230
LIABILITIES						
Bank overdrafts	14	-	-	14	-	14
Accounts payable and other liabilities	228	99	2,895	3,222	-	3,222
Borrowings	40,772	10,000	4,337	55,109	38,425	93,534
	41,014	10,099	7,232	58,345	38,425	96,770
Net gap	(35,465)	(8,466)	67,570	23,639	24,821	48,460

33 Risk management objectives and policies (continued)

33.4 Liquidity risk (continued)

The group's short term borrowings represent revolving facilities with the local banks. The management has renewed KD50,772 thousand of their short term facilities falling due up to 1 month and one to three months from the reporting date.

	Up to 1 month	1-3 months	3-12 months	Total Less than 1 year	More than 1 year	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
At 31 December 2008						
ASSETS						
Cash and bank balances	792	-	-	792	-	792
Money at call and short notice	16,508	7	-	16,515	-	16,515
Accounts receivable and other assets	1,241	14,129	19,506	34,876	-	34,876
Investments at fair value through statement of income	-	-	28,477	28,477	1,259	29,736
Available for sale investments	-	-	34,134	34,134	-	34,134
Investments in associates	-	-	-	-	66,078	66,078
Investment properties	-	-	-	-	139	139
Property and equipment	-	-	-	-	1,202	1,202
	<u>18,541</u>	<u>14,136</u>	<u>82,117</u>	<u>114,794</u>	<u>68,678</u>	<u>183,472</u>
LIABILITIES						
Bank overdrafts	2,030	-	-	2,030	-	2,030
Accounts payable and other liabilities	53	667	2,931	3,651	-	3,651
Borrowings	20,072	51,336	31,470	102,878	11,700	114,578
	<u>22,155</u>	<u>52,003</u>	<u>34,401</u>	<u>108,559</u>	<u>11,700</u>	<u>120,259</u>
Net gap	(3,614)	(37,867)	47,716	6,235	56,978	63,213

The maturity profile of financial liabilities at 31 December 2009 and 2008 based on undiscounted contractual arrangements is as follows:

	Up to 1 month	1-3 months	3-12 months	1-3 years	Over 3 years	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
At 31 December 2009						
Bank overdraft	14	-	-	-	-	14
Accounts payable and other liabilities	70	97	2,836	88	131	3,222
Borrowings	41,019	10,166	4,576	3,429	48,481	107,671
Capital commitments	-	-	144	17,827	1,403	19,374
	<u>41,103</u>	<u>10,263</u>	<u>7,556</u>	<u>21,344</u>	<u>50,015</u>	<u>130,281</u>
At 31 December 2008						
Bank overdraft	2,030	-	-	-	-	2,030
Accounts payable and other liabilities	53	667	2,931	-	-	3,651
Borrowings	20,168	52,134	32,900	4,888	9,183	119,273
Capital commitments	-	-	-	22,117	778	22,895
	<u>22,251</u>	<u>52,801</u>	<u>35,831</u>	<u>27,005</u>	<u>9,961</u>	<u>147,849</u>

34 Summary of financial assets and liabilities by category

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

	Carrying amount 2009 KD'000	Fair value 2009 KD'000	Carrying amount 2008 KD'000	Fair value 2008 KD'000
Cash and bank balances	344	-	792	-
Money at call and short notice	4,623	-	16,515	-
Accounts receivable and other assets	20,809	-	34,876	-
Investments at fair value through statement of income	2	24,852	2	29,734
Available for sale investments	10,389	22,183	11,334	22,800
	36,167	47,035	63,519	52,534
Bank overdraft	14	-	2,030	-
Accounts payable and other liabilities	3,222	-	3,651	-
Borrowings	93,534	-	114,578	-
	96,770	-	120,259	-

Financial instruments measured at fair value

The group adopted the amendments to IFRS 7 Improving Disclosures about Financial Instruments effective from 1 January 2009. These amendments require the group to present certain information about financial instruments measured at fair value in the statement of financial position. In the first year of application comparative information need not be presented for the disclosures required by the amendment. Accordingly, the disclosure for the fair value hierarchy is only presented for the 31 December 2009 year end.

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows

34 Summary of financial assets and liabilities by category (continued)

31 December 2009

	Note	Level 1 KD'000	Level 2 KD'000	Total KD'000
Assets				
Financial assets held for trading:				
Local quoted securities	a	22,480	-	22,480
Financial assets designated at fair value through statement of income:				
Local unquoted mutual fund	b	-	1,218	1,218
Foreign unquoted mutual funds	b	-	659	659
Foreign quoted securities	a	114	-	114
Local quoted securities	a	381	-	381
Financial assets available for sale:				
Unquoted investments	c	-	6,867	6,867
Quoted investments	a	15,316	-	15,316

There have been no significant transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Quoted securities

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Unquoted mutual funds

The underlying investments of unquoted mutual funds primarily comprise quoted securities whose fair values has been determined based on the Net Asset Values (NAV's) reported by the fund managers to all the unit holders.

c) Unquoted investments

The financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates or Net Asset Values (NAV's) as reported by the fund managers to all unit holders.

35 Capital management objectives

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

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

The capital structure of the group consists of the following:

	2009 KD '000	2008 KD '000
Borrowings (note 23)	93,534	114,578
Less: Cash and cash equivalents (note 27)	(4,953)	(15,277)
Net debt	88,581	99,301
Equity attributable to the shareholders of the parent company	48,415	63,185
Add: Fair value reserve	1,762	225
Total capital	50,177	63,410

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

	2009 KD '000	2008 KD '000
Net debt	88,581	99,301
Total capital	50,177	63,410
Gearing ratio	1.77	1.57



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