

**UNITED PROJECTS COMPANY FOR
AVIATION SERVICES K.S.C. (CLOSED)
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED PROJECTS COMPANY FOR AVIATION SERVICES K.S.C. (CLOSED)

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of United Projects Company For Aviation Services K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2010 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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' judgement, 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 auditor considers 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.


**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
UNITED PROJECTS COMPANY FOR AVIATION SERVICES K.S.C. (CLOSED)
(continued)**

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements


Furthermore, in our opinion proper books of account have been kept by the Group and the consolidated financial statements, together with the contents of the report of the 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, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association have occurred during the year ended 31 December 2010 that might have had a material effect on the business of the Parent Company or on its financial position.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG

15 February 2011

Kuwait



DR. SAUD AL-HUMAIIDI
LICENCE NO. 51 A
DR. SAUD AL-HUMAIIDI & PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

United Projects Company For Aviation Services K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2010

	<i>Notes</i>	2010 KD	2009 KD
Revenues		11,355,436	11,217,667
Operating costs		<u>(6,142,868)</u>	<u>(6,035,934)</u>
GROSS PROFIT		5,212,568	5,181,733
Realised loss on sale financial assets available-for-sale		(10,709)	(6,467)
Impairment loss on projects under construction	6	(325,178)	-
Impairment loss on financial assets available-for-sale	10	(65,916)	(45,513)
Impairment loss on receivables and other debit balances		(219,210)	-
Interest income		178,155	180,160
Share of results of associates	9	(107,790)	65,580
Dividend income		7,620	8,990
Other income	4	553,547	441,089
General and administrative expenses		(1,532,505)	(1,337,890)
Depreciation		(205,509)	(170,748)
Finance costs		<u>(176,175)</u>	<u>(309,191)</u>
PROFIT FOR THE YEAR BEFORE BOARD OF DIRECTORS' REMUNERATION, CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		3,308,898	4,007,743
Board of directors' remuneration		(50,000)	(50,000)
Contribution to KFAS		(31,816)	(38,137)
NLST		(103,228)	(106,241)
Zakat		(41,292)	(43,018)
PROFIT FOR THE YEAR		<u>3,082,562</u>	<u>3,770,347</u>
Attributable to:			
Equity holders of the parent company		3,276,961	4,021,335
Non-controlling interests		<u>(194,399)</u>	<u>(250,988)</u>
		<u>3,082,562</u>	<u>3,770,347</u>
BASIC AND DILUTED EARNINGS PER SHARE	5	<u>42 Fils</u>	<u>50 Fils</u>

The attached notes 1 to 26 form part of these consolidated financial statements.

United Projects Company For Aviation Services K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

At 31 December 2010

	<i>Notes</i>	2010 KD	2009 KD
Profit for the year		3,082,562	3,770,347
Other comprehensive income			
Net change in fair value of financial assets available-for-sale	10	(57,826)	103,681
Net transferred to consolidated income statement on sale of financial assets available-for-sale	10	10,709	6,467
Transferred to consolidated income statement on impairment of financial assets available-for-sale	10	65,916	45,513
Other comprehensive income for the year		18,799	155,661
Total comprehensive income for the year		3,101,361	3,926,008
Attributable to:			
Shareholders of the parent company		3,295,760	4,176,996
Non-controlling interests		(194,399)	(250,988)
		3,101,361	3,926,008

The attached notes 1 to 26 form part of these consolidated financial statements.

United Projects Company For Aviation Services K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	<i>Notes</i>	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
ASSETS			
Non-current assets			
Projects under construction	6	79,979	405,157
Property and equipment	7	704,739	860,756
Intangible assets	8	27,830,943	31,470,714
Investment in associates	9	794,616	902,406
Financial assets available-for-sale	10	1,420,308	423,868
		<u>30,830,585</u>	<u>34,062,901</u>
Current assets			
Inventories		137,937	116,058
Receivables and other debit balances	11	1,172,056	1,063,187
Due from related parties	19	3,736,205	861,685
Cash and bank balances	12	6,986,615	9,564,149
		<u>12,032,813</u>	<u>11,605,079</u>
TOTAL ASSETS		<u><u>42,863,398</u></u>	<u><u>45,667,980</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	8,250,000	8,250,000
Share premium		10,500,000	10,500,000
Statutory reserve	14	2,424,057	2,070,546
Voluntary reserve	15	2,424,057	2,070,546
Other reserve		(260,978)	-
Treasury shares	16	(1,402,436)	(1,044,986)
Treasury shares reserve		3,156	3,156
Cumulative changes in fair values		173,878	155,079
Retained earnings		9,217,420	9,414,231
		<u>31,329,154</u>	<u>31,418,572</u>
Equity attributable to equity holders of the parent company		<u>31,329,154</u>	<u>31,418,572</u>
Non-controlling interests		3,029,411	2,862,832
Total equity		<u>34,358,565</u>	<u>34,281,404</u>
Non-current liabilities			
Term loans	17	1,500,000	2,100,000
Employees' end of service benefits		275,438	193,968
		<u>1,775,438</u>	<u>2,293,968</u>
Current liabilities			
Bank overdraft	12	182,012	461,487
Term loans	17	1,050,000	2,600,000
Due to related parties	19	541,843	315,515
Accounts payable and other credit balances	18	4,955,540	5,715,606
		<u>6,729,395</u>	<u>9,092,608</u>
Total liabilities		<u>8,504,833</u>	<u>11,386,576</u>
TOTAL EQUITY AND LIABILITIES		<u><u>42,863,398</u></u>	<u><u>45,667,980</u></u>

Faisal Mansour Ibrahim Sarkhou
Chairman

Majed Essa Al Ajeel
Vice Chairman

The attached notes 1 to 26 form part of these consolidated financial statements.

United Projects Company For Aviation Services K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

OPERATING ACTIVITIES	Notes	2010 KD	2009 KD
Profit for the year		3,082,562	3,770,347
Adjustments for:			
Depreciation and amortisation		4,105,820	3,358,868
Realised loss on sale of financial assets available-for-sale		10,709	6,467
Impairment loss on projects under construction		325,178	-
Impairment loss on financial assets available-for-sale	10	65,916	45,513
Impairment loss on receivables and other debit balances		219,210	-
Interest income		(178,155)	(180,160)
Share of results of associates	9	107,790	(65,580)
Dividend income		(7,620)	(8,990)
Provision for employees' end of service benefits		82,869	50,966
Finance costs		176,175	309,191
		<u>7,990,454</u>	<u>7,286,622</u>
Changes in operating assets and liabilities:			
Inventories		(21,879)	(33,746)
Receivables and other debit balances		(321,810)	(578,361)
Due from related parties		(2,874,520)	(346,197)
Due to related parties		226,328	75,804
Accounts payable and other credit balances		(760,066)	1,118,442
Cash from operations		<u>4,238,507</u>	<u>7,522,564</u>
Employees' end of service benefits paid		(1,399)	(1,881)
Net cash from operating activities		<u>4,237,108</u>	<u>7,520,683</u>
INVESTING ACTIVITIES			
Purchase of financial assets available-for-sale		(1,419,338)	(91,478)
Proceeds from sale of financial assets available-for-sale		365,072	2,052,528
Project under construction		-	(3,070,749)
Purchase of property and equipment	7	(49,492)	(348,401)
Proceeds on sale of property and equipment		-	41,749
Interest income received		171,886	158,781
Dividend income received		7,620	8,990
Additions to intangible assets	8	(260,540)	(217,844)
Net cash used in investing activities		<u>(1,184,792)</u>	<u>(1,466,424)</u>
FINANCING ACTIVITIES			
Purchase of treasury shares		(357,450)	(81,580)
Repayment of term loans		(2,150,000)	(400,000)
Term loans obtained		-	520,000
Dividend paid		(2,766,750)	(1,221,895)
Finance costs paid		(176,175)	(284,697)
Increase in share capital of a subsidiary company		100,000	-
Net cash used in financing activities		<u>(5,350,375)</u>	<u>(1,468,172)</u>
DECREASE (INCREASE) IN CASH AND CASH EQUIVALENTS		<u>(2,298,059)</u>	<u>4,586,087</u>
Cash and cash equivalents at the beginning of the year		9,102,662	4,516,575
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	<u>6,804,603</u>	<u>9,102,662</u>

The attached notes 1 to 26 form part of these consolidated financial statements.

United Projects Company For Aviation Services K.S.C. (Closed) and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

Attributable to equity holders of the parent company

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Other reserve KD	Treasury shares KD	Treasury shares reserve KD	Cumulative changes in fair values KD	Retained earnings KD	Sub total KD	Non-controlling interests KD	Total KD
As at 1 January 2010	8,250,000	10,500,000	2,070,546	2,070,546	-	(1,044,986)	3,156	155,079	9,414,231	31,418,572	2,862,832	34,281,404
Profit (loss) for the year	-	-	-	-	-	-	-	-	3,276,961	3,276,961	(194,399)	3,082,562
Other comprehensive income	-	-	-	-	-	-	-	18,799	-	18,799	-	18,799
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	18,799	3,276,961	3,295,760	(194,399)	3,101,361
Purchase of treasury shares	-	-	-	-	-	(357,450)	-	-	-	(357,450)	-	(357,450)
Dividends paid (Note 13)	-	-	-	-	-	-	-	-	(2,887,500)	(2,887,500)	-	(2,887,500)
Dividends adjustment on treasury shares (Note 13)	-	-	-	-	-	-	-	-	120,750	120,750	-	120,750
Transfer to reserves	-	-	353,511	353,511	-	-	-	-	(707,022)	-	-	-
Change in ownership of a subsidiary	-	-	-	-	(260,978)	-	-	-	-	(260,978)	360,978	100,000
At 31 December 2010	8,250,000	10,500,000	2,424,057	2,424,057	(260,978)	(1,402,436)	3,156	173,878	9,217,420	31,329,154	3,029,411	34,358,565
As at 1 January 2009	8,250,000	10,500,000	1,644,673	1,644,673	-	(963,406)	3,156	(582)	7,444,192	28,522,706	3,113,820	31,636,526
Profit (loss) for the year	-	-	-	-	-	-	-	-	4,021,335	4,021,335	(250,988)	3,770,347
Other comprehensive income	-	-	-	-	-	-	-	155,661	-	155,661	-	155,661
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	155,661	4,021,335	4,176,996	(250,988)	3,926,008
Purchase of treasury shares	-	-	-	-	-	(81,580)	-	-	-	(81,580)	-	(81,580)
Dividends paid (Note 13)	-	-	-	-	-	-	-	-	(1,237,500)	(1,237,500)	-	(1,237,500)
Dividends adjustment on treasury shares (Note 13)	-	-	-	-	-	-	-	-	37,950	37,950	-	37,950
Transfer to reserves	-	-	425,873	425,873	-	-	-	-	(851,746)	-	-	-
At 31 December 2009	8,250,000	10,500,000	2,070,546	2,070,546	-	(1,044,986)	3,156	155,079	9,414,231	31,418,572	2,862,832	34,281,404

The attached notes 1 to 26 form part of these consolidated financial statements.

United Projects Company For Aviation Services K.S.C. (Closed) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

1 CORPORATE INFORMATION

The consolidated financial statements of United Projects Company for Aviation Services K.S.C. (Closed) (the "parent company") and its subsidiaries (the "group") for the year ended 31 December 2010 were authorised for issue by the board of directors on 15 February 2011.

The parent company was established as a closed Kuwaiti Shareholding Company on 4 December 2000 and its registered address is Fahed Al Salem Street, Al Abrar Tower, P.O. Box 27068 Safat 13131, State of Kuwait. The main objectives of the parent company are:

- Providing airplane ground and cleaning services and supply of water and other airplane supplies
- Leasing out airplanes
- Tourism, travel and cargo shipment services
- Managing projects
- Investing surplus funds in investment portfolios managed by specialised institutions.

The parent company invests to control other entities or takes non-controlling interest in other entities, directly or jointly with other entities.

The group comprises the parent company as described above and its subsidiary companies - Royal Aviation K.S.C. (Closed) [formerly Jet Aviation Company K.S.C. (Closed)] and United National For Aviation Services Company W.L.L.

The parent company's shares were listed on the Kuwait stock exchange on 5 June 2006.

The parent company is a subsidiary of Kuwait National Airways K.S.C. (ultimate parent company).

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost basis, except for financial assets available-for-sale that have been measured at fair value. The consolidated financial statements are presented in Kuwaiti Dinars being the functional currency of the parent company.

Statement of compliance

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No. 18 of 1990.

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the parent company and the following subsidiaries:

<i>Name of the company</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Ownership %</i>	
			<i>2010</i>	<i>2009</i>
Royal Aviation Company K.S.C. (Closed) [formerly Jet Aviation Company K.S.C. (Closed)]	Kuwait	Management and services	66.57	55.75
United National For Aviation Services Company W.L.L.	Kuwait	Management and services	51	5 1

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. The financial statements of subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in other comprehensive income
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 January 2010, were 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 were recognised in goodwill.
- Losses incurred by the group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between NCI and the parent shareholders.
- Upon loss of control, the group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the adoption of the following new and amended IASB Standards during the year:

IFRS 3: *Business Combinations* (Revised) and IAS 27 *Consolidated and Separate Financial Statements* (Amended) effective 1 January 2010.

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

The change in accounting policy was applied prospectively. Accordingly, other reserve has been created to record the effect of changes in ownership interest in subsidiaries.

United Projects Company For Aviation Services K.S.C. (Closed) and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

2.3 SIGNIFICANT ACCOUNTING POLICIES

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 valued at the fair value of the consideration received. The following recognition criteria must also be met before revenue is recognised:

Rental income

Rental income is recognised, when earned, on a time apportionment basis.

Car park fees

Car park fees are recognised when cash is received.

Interest income

Interest income is recorded using the effective interest rate method.

Dividend income

Dividend income is recognised when the right to receive the dividend is established.

Finance costs

Finance costs that are directly attributable to a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Capitalisation of finance costs ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. Other finance costs are calculated and recognised on a time proportionate basis taking into account the outstanding balance payable and applicable interest rate.

Taxation

National Labour Support Tax (NLST)

The Parent Company calculates the 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.

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the 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.

Zakat

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.

Projects under construction

Projects under construction are carried at cost, which includes construction cost, assets, other direct expenses and capitalised finance costs directly related to the project.

The carrying value of these projects is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and financing costs for long term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced in intervals, the group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Office building	10 years
Furniture and fixtures	3 to 5 years
Computers	3 to 5 years
Vehicles	3 to 5 years
Tools and equipment	3 to 5 years

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement income when the asset is derecognised.

Investment in associates

The group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the group has significant influence.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of associates is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the Parent Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the group.

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss on the group's investment in its associates. The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Upon loss of significant influence over the associate, the group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal are recognised in the consolidated statement of income.

Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

Financial assets within scope of IAS 39 are classified as financial assets at fair value through income statement, loans and receivables, held-to-maturity investments or financial assets available-for-sale, as appropriate. The group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through statement of income, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the group commits to purchase or sell the asset.

The group's financial assets include cash and cash equivalents, accounts receivables, and financial assets available-for-sale. At 31 December 2010, the group has neither held-to-maturity investments nor financial assets at fair value through statement of income.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The group does not have any loans. Receivables include trade accounts receivable which are stated at original invoice amount less impairment due to uncollectible amount. An estimate for impairment is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Financial assets available-for-sale

Available-for-sale financial investments comprise equity securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through statement of income.

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At 31 December 2010

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(i) *Financial assets (continued)*

Subsequent measurement (continued)

After initial recognition, financial assets available-for-sale are subsequently measured at fair value with unrealised gains or losses recognised as cumulative changes in fair values in other comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss is removed from the cumulative changes in fair values and recognised in the consolidated statement of income. Financial assets whose fair value cannot be reliably measured are stated as cost less impairment losses, if any.

Derecognition

A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive the cash flows from the asset have expired
- the group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset or has entered into pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

(ii) *Impairment of financial assets*

The group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Financial assets available-for-sale

For financial asset available-for-sale, the group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Impairment of financial assets (continued)

Financial assets available-for-sale (continued)

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income – is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income.

(iii) 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 estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group estimates the assets or cash generating units recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the assets does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

(iv) Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and in case of loans and borrowings, plus directly attributable transactions costs.

The group's financial liabilities include term loans, accounts payable and bank overdrafts. At 31 December 2010, the group did not have any financial liabilities at fair value through statement of income.

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2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(iv) Financial liabilities (continued)

Subsequent measurement

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

Accounts payable

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

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR) method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through 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. The EIR amortisation is included in finance cost in the consolidated income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When 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 income statement.

(v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(vi) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices (bid price), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 26.

Inventories

Inventories are stated at cost less any impairment in value.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, cash held by portfolio manager and time deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdraft.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated statement of income on the purchase, sale, issue or cancellation of the group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in treasury share reserve to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the reserves. No cash dividends are paid 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.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of income.

Term loans

Term loans are carried on the consolidated statement of financial position at their principal amounts. Instalments due within one year are shown as current liabilities. Interest is charged as an expense as it accrues, with unpaid amounts included in 'accounts payable and other credit balances'.

Employees' end of service benefits

The group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the group makes contributions to social security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

Accounts payable and other credit balances

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to 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 group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgments

The preparation of the group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

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:

Impairment of non financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Fair value of financial instruments

Where the fair value of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment of inventories

Inventories are valued at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence.

Impairment of trade accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

Useful lives of property and equipment

The group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

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4 OTHER INCOME

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Miscellaneous income	209,032	166,565
Other service income	344,515	274,524
	<u>553,547</u>	<u>441,089</u>

Miscellaneous income mainly comprises income earned from cancellation of rental contracts by tenants within the period of rental agreement.

Other service income mainly contains income earned from advertisement space rented and services rendered to tenants.

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the year attributable to equity holders of the parent company by the weighted average number of ordinary shares, less treasury shares, outstanding during the year, as follows:

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Profit for the year attributable to equity holders of the parent company	3,276,961	4,021,335
	<u>Shares</u>	<u>Shares</u>
Weighted average number of ordinary shares, less treasury shares, outstanding during the year	78,909,808	79,902,685
Basic and diluted earnings per share	<u>42 fils</u>	<u>50 fils</u>

The parent company had no dilutive potential shares.

6 PROJECTS UNDER CONSTRUCTION

Projects under construction represent cost of work in respect of various projects undertaken by the group during the year.

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Balance at 1 January	405,157	7,889,084
Additions	-	1,208,984
Transfer to intangible assets (Note 8)	-	(8,692,911)
Impairment loss on projects under construction	(325,178)	-
Balance at 31 December	<u>79,979</u>	<u>405,157</u>

During the year ended 31 December 2010, amounts of KD nil (2009: KD 8,692,911) were transferred to intangible assets, as a result of the completion of construction on such projects.

During the year ended 31 December 2010, an amount of KD 325,178 (2009: KD nil) were considered as an impairment loss on projects under construction related to capitalised amount in prior years which will not be recovered.

United Projects Company For Aviation Services K.S.C. (Closed) and Subsidiaries

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At 31 December 2010

7 PROPERTY AND EQUIPMENT

	<i>Office building KD</i>	<i>Furniture and fixtures KD</i>	<i>Computers KD</i>	<i>Vehicles KD</i>	<i>Tools and equipment KD</i>	<i>Total KD</i>
Cost:						
At 1 January 2010	314,759	394,656	83,749	37,296	466,646	1,297,106
Additions	4,900	12,244	2,348	30,000	-	49,492
At 31 December 2010	319,659	406,900	86,097	67,296	466,646	1,346,598
Depreciation:						
At 1 January 2010	25,754	226,975	34,594	31,172	117,855	436,350
Depreciation charge for the year	26,546	66,827	20,615	10,242	81,279	205,509
At 31 December 2010	52,300	293,802	55,209	41,414	199,134	641,859
Net carrying amount: At 31 December 2010	267,359	113,098	30,888	25,882	267,512	704,739
Cost:						
At 1 January 2009	226,710	381,544	77,229	33,996	326,198	1,045,677
Additions	185,021	13,112	6,520	3,300	140,448	348,401
Disposals	(96,972)	-	-	-	-	(96,972)
At 31 December 2009	314,759	394,656	83,749	37,296	466,646	1,297,106
Depreciation:						
At 1 January 2009	52,657	171,013	17,113	24,489	47,941	313,213
Depreciation charge for the year	20,709	55,962	17,481	6,683	69,914	170,749
Relating to disposals	(47,612)	-	-	-	-	(47,612)
At 31 December 2009	25,754	226,975	34,594	31,172	117,855	436,350
Net carrying amount: At 31 December 2009	289,005	167,681	49,155	6,124	348,791	860,756

8 INTANGIBLE ASSETS

Intangible assets represent cost incurred on the construction of the Discovery Mall, car park and commercial complex of Kuwait International airport, on built own and transfer (BOT) basis.

	<i>2010 KD</i>	<i>2009 KD</i>
Cost:		
At 1 January	40,927,325	32,016,570
Additions	260,540	217,844
Transfer from projects under construction (Note 6)	-	8,692,911
At 31 December	41,187,865	40,927,325
Amortisation:		
At 1 January	9,456,611	6,276,103
Amortisation charge for the year	3,900,311	3,180,508
At 31 December	13,356,922	9,456,611
Net carrying amount: At 31 December	27,830,943	31,470,714

The amortisation charge for the year is included in operating costs.

United Projects Company For Aviation Services K.S.C. (Closed) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8 INTANGIBLE ASSETS (continued)

Cost incurred on the construction of discovery mall of KD 8,804,604 is amortised over 4 years period. Management has performed an impairment test which indicated that the recoverable amount of the intangible exceeded the carrying amount based on the assumption that the right to use the project is for 7 years. Management believes that the agreement will be extended for additional 3 years.

9 INVESTMENT IN ASSOCIATES

The group has the following investment in associates:

<i>Name of the company</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Ownership %</i>	
			<i>2010</i>	<i>2009</i>
Kuwait United Facilities Management Company W.L.L.	Kuwait	Real estate and project management	20	20
Spirit Real Estate Company K.S.C (Closed)	Kuwait	Real estate	25	25
Kuwait United Construction Management Company W.L.L. ("KUCM")	Kuwait	Construction	50	50

The following table illustrates summarised information of the group's investments in associates:

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Share of associates' balance sheets:		
Total assets	1,766,215	2,649,098
Total liabilities	(971,599)	(1,034,743)
Net assets	794,616	1,614,355
Less: Impairment loss on investment in associates	-	(711,949)
	<u>794,616</u>	<u>902,406</u>
Share of associates' revenues and results:		
Revenues	(419,516)	542,663
Results	(107,790)	65,580

10 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Managed portfolios of unquoted equity and debt securities	1,217,031	238,880
Managed portfolios of quoted equity securities	203,277	184,988
	<u>1,420,308</u>	<u>423,868</u>

Unquoted equity and debt securities in the managed portfolio amounting to KD 1,217,031 (2009: KD 238,880) are fair valued by the portfolio manager.

Based on the significant decline in the fair value of certain quoted equity securities and in light of the global financial crisis, management has taken an impairment loss of KD 65,916 (2009: KD 45,513) on these investments.

Financial assets available-for-sale amounting to KD 1,420,308 have been pledged as security against term loans (Note 17).

United Projects Company For Aviation Services K.S.C. (Closed) and Subsidiaries
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 At 31 December 2010

10 FINANCIAL ASSETS AVAILABLE-FOR-SALE (continued)

Movement in cumulative changes in fair values arising from financial assets available for sale are as follows:

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Net unrealised (loss) gain	(57,826)	103,681
Net realised gain reclassified to the consolidated statement of income on disposal	10,709	6,467
Impairment loss on financial assets available-for-sale transferred to consolidated statement of income during the year	65,916	45,513
	<u>18,799</u>	<u>155,661</u>

11 RECEIVABLES AND OTHER DEBIT BALANCES

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Gross receivables and other debit balances:		
Trade receivables	1,415,918	1,070,428
Prepayments	74,586	129,140
Other debit balances	52,144	15,001
Less:		
Impairment loss	(370,592)	(151,382)
	<u>1,172,056</u>	<u>1,063,187</u>

As at 31 December 2010, trade receivables at nominal value of KD 219,210 (2009: KD nil) were impaired.

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of cash flows consist of the following consolidated balance sheet amounts:

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Cash and bank balances	6,986,615	9,564,149
Bank overdraft	(182,012)	(461,487)
	<u>6,804,603</u>	<u>9,102,662</u>

Included in bank balances and cash are bank deposits of KD 6,650,000 (2009: KD 9,300,000) with a commercial bank in Kuwait. These are denominated in Kuwaiti Dinars, are short term in nature and carry an effective interest rate which ranges between 1.25 % to 2.65 % (2009: 4% to 4.25%) per annum.

Bank overdraft carries an interest rate of 1.7% to 2.3% (2009: 1.75% to 2.5%) per annum over the Central Bank of Kuwait discount rate.

13 SHARE CAPITAL AND DIVIDEND

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Authorised, issued and fully paid in cash (82,500,000 shares of 100 fils each)	<u>8,250,000</u>	<u>8,250,000</u>

On 10 March 2010, the Annual General Meeting of the parent company's shareholders approved cash dividend of KD 0.035 per share (excluding treasury shares) totaling KD 2,766,750 (2009: cash dividend of KD 0.015 per share totaling to KD 1,199,550) for the year ended 31 December 2009.

United Projects Company For Aviation Services K.S.C. (Closed) and Subsidiaries

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14 STATUTORY RESERVE

As required by the Law of Commercial Companies and the Articles of Association of the parent company, 10% of the profit for the year before Board of Directors' remuneration, zakat, contribution to Kuwait Foundation for the Advancement of Sciences and National Labour Support Tax has been transferred to statutory reserve. The parent company may resolve to discontinue such annual transfer when the total reserve equals 50% of paid up share capital.

Distribution of the 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 periods when accumulated profits are not sufficient for the payment of a dividend of that amount.

15 VOLUNTARY RESERVE

According to the parent company's Articles of Association, 10% of the profit for the year before Board of Directors' remuneration, zakat, contribution to Kuwait Foundation for the Advancement of Sciences and National Labour Support Tax has been transferred to the voluntary reserve. The voluntary reserve can only be distributed when approved by the shareholders' general assembly.

16 TREASURY SHARES

	<i>2010</i>	<i>2009</i>
Number of treasury shares (share)	<u>3,820,000</u>	<u>2,810,000</u>
Percentage of issued shares (%)	<u>5%</u>	<u>3%</u>
Market value (KD)	<u>1,470,700</u>	<u>696,880</u>

17 TERM LOANS

31 December 2010:

<i>Currency</i>	<i>KD</i>	<i>Effective interest rate</i>	<i>Maturity</i>
<i>Non-current liabilities</i>			
Term loan	<u>1,500,000</u>	Central Bank of Kuwait discount rate plus 3% per annum, quarterly payments	September 2013
<i>Current liabilities</i>			
Term loan	<u>1,050,000</u>	Central Bank of Kuwait discount rate plus 2.5% per annum	February 2011

31 December 2009:

<i>Currency</i>	<i>KD</i>	<i>Effective interest rate</i>	<i>Maturity</i>
<i>Non-current liabilities</i>			
Term loan	<u>2,100,000</u>	Central Bank of Kuwait discount rate plus 3% per annum, quarterly payments	September 2013
<i>Current liabilities</i>			
Term loan	1,800,000	Central Bank of Kuwait discount rate plus 2.5% per annum	February 2010
Current portion of term loan	<u>800,000</u>	Central Bank of Kuwait discount rate plus 3% per annum, quarterly payments	December 2010

Term loans balance of KD 2,550,000 are secured by the parent company's shares in the subsidiary, Royal Aviation K.S.C. (Closed), and financial assets available-for-sale amounting to KD 1,420,308 (Note 10).

United Projects Company For Aviation Services K.S.C. (Closed) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

18 ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	<i>2010</i>	<i>2009</i>
	<i>KD</i>	<i>KD</i>
Due to contractors and suppliers	995,890	790,271
Retentions	795,934	912,632
Accrued expenses	214,421	668,667
Tenant deposits	2,244,728	2,530,902
Provision for staff leave	86,200	67,086
Other credit balances	618,367	746,048
	<u>4,955,540</u>	<u>5,715,606</u>

19 RELATED PARTY TRANSACTIONS

Related parties represent associates, major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management.

Transactions with related parties included in the consolidated income statement are as follows:

	<i>Associates</i>	<i>Major</i>	<i>Other</i>	<i>2010</i>	<i>2009</i>
	<i>KD</i>	<i>shareholders</i>	<i>related parties</i>	<i>KD</i>	<i>KD</i>
		<i>KD</i>	<i>KD</i>		
Revenues	-	324,748	42,940	367,688	245,091
Interest income	-	38,823	139,332	178,155	180,160
Share of results of associates	(107,790)	-	-	(107,790)	65,580
General and administrative expenses	-	-	(28,687)	(28,687)	(31,587)
Finance costs	-	-	(176,175)	(176,175)	(309,191)

Balances with related parties included in the consolidated balance sheet are as follows:

	<i>Associates</i>	<i>Major</i>	<i>Other</i>	<i>31 December</i>	<i>31 December</i>
	<i>KD</i>	<i>shareholders</i>	<i>related parties</i>	<i>2010</i>	<i>2009</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Investment in associates	794,616	-	-	794,616	902,406
Due from related parties	-	2,987,232	748,973	3,736,205	861,685
Cash and cash equivalents	-	-	6,804,603	6,804,603	9,102,662
Term loans	-	-	2,550,000	2,550,000	4,700,000
Due to related parties	-	440,578	101,265	541,843	315,515

Financial assets available-for-sale (Note 10) amounting to KD 1,420,308 (2009: KD 423,868) are managed by a related party.

Due from related party are receivable on demand and carry an interest rate of 5.5%.

United Projects Company For Aviation Services K.S.C. (Closed) and Subsidiaries

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At 31 December 2010

19 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Short-term benefits	317,873	250,697
Employees' end of service benefits	25,158	13,846
	<u>343,031</u>	<u>264,543</u>

20 COMMITMENTS

The Discovery Mall, car park and commercial complex of Kuwait International Airport (Note 8) are constructed on a leased land for which an annual lease payment of KD 690,888 (2009: KD 690,888) has been made. The lease payments for the future periods are as follows:

	<i>2010</i> <i>KD</i>	<i>2009</i> <i>KD</i>
Not later than 5 years	3,084,552	3,310,440
Later than 5 years	3,720,000	4,185,000
	<u>6,804,552</u>	<u>7,495,440</u>

21 CONTINGENCIES

At 31 December 2010 the group had contingent liabilities in respect of bank guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to KD 356,550 (2009: KD 434,235).

22 PROPOSED DIVIDEND AND BONUS SHARES

The board of directors of the parent company proposed a cash dividend of KD 0.030 (2009: cash dividend of KD 0.035) per share. This proposal is subject to the approval of the shareholders of the parent company in the Annual General Meeting. These dividends have not been accounted for in these consolidated financial statements.

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At 31 December 2010

23 SEGMENTAL INFORMATION

For management purposes, the group is organised in two operating segments "investments" and "Rental and other services operations" as follows:

	Investments		Rental and other services operations		Total	
	2010 KD	2009 KD	2010 KD	2009 KD	2010 KD	2009 KD
Segment revenues	77,985	254,730	11,908,983	11,658,756	11,986,968	11,913,486
Segment profit (loss)	1,360	202,750	3,307,538	3,804,993	3,308,898	4,007,743
Unallocated expenses					(226,336)	(237,396)
Profit for the year					3,082,562	3,770,347
Depreciation and amortisation	-	-	(4,105,820)	(3,358,868)	(4,105,820)	(3,358,868)
Assets	9,201,539	10,890,423	33,661,859	34,777,557	42,863,398	45,667,980
Liabilities	-	-	8,504,833	11,386,576	8,504,833	11,386,576
Commitments	-	-	6,804,552	7,495,440	6,804,552	7,495,440

All segments operations are in Kuwait.

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At 31 December 2010

24 RISK MANAGEMENT

Risk is inherent in the group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the group's continuing profitability and each individual within the group is accountable for the risk exposures relating to his or her responsibilities. The group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into interest rate risk, currency risk and equity price risk. It is also subject to operating risks.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The group is exposed to credit risk on its bank balances and receivables.

The maximum credit exposure is equal to the carrying amount of outstanding receivables and cash and cash equivalents.

Receivables and other debit balances

The group limits its credit risk with respect to customers/tenants by setting credit limits for individual customers/tenants, monitoring outstanding receivables, holding rent deposits and limiting transactions with specific counterparties.

Other than amount due from tenants which was substantially received subsequent to the year end, there is no significant concentration of credit risk within the group.

Cash and cash equivalents

The group limits its credit risk with regard to bank deposits by only dealing with reputable banks.

Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities. The group limits its liquidity risk by ensuring facilities from banks and related parties are available.

The table below summarises the maturity profile of the group's financial liabilities at 31 December based on contractual undiscounted payment obligations:

31 December 2010	<i>Within 3 months KD</i>	<i>3 – 12 months KD</i>	<i>1 to 5 years KD</i>	<i>Total KD</i>
LIABILITIES				
Bank overdraft	182,315	2,730	-	185,045
Term loans	1,065,625	33,750	1,578,750	2,678,125
Due to related parties	47,434	494,409	-	541,843
Accounts payable and other credit balances	210,967	1,791,824	2,952,749	4,955,540
	<u>1,506,341</u>	<u>2,322,713</u>	<u>4,531,499</u>	<u>8,360,553</u>
Commitments	<u>172,722</u>	<u>518,166</u>	<u>2,619,552</u>	<u>3,310,440</u>

United Projects Company For Aviation Services K.S.C.(Closed) and Subsidiaries
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

24 RISK MANAGEMENT (continued)

Liquidity risk (continued)

31 December 2009	Within 3 months KD	3 – 12 months KD	y to 5 Years KD	Total KD
LIABILITIES				
Bank overdraft	462,256	6,922	-	469,178
Term loans	2,626,583	47,250	2,210,250	4,884,083
Due to related parties	27,621	287,894	-	315,515
Accounts payable and other credit balances	668,667	1,603,405	3,443,534	5,715,606
	<u>3,785,127</u>	<u>1,945,471</u>	<u>5,653,784</u>	<u>11,384,382</u>
Commitments	<u>116,250</u>	<u>348,750</u>	<u>11,009,983</u>	<u>11,474,983</u>

Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The group is exposed to interest rate risk on its interest bearing assets and liabilities mainly bank deposits, bank overdraft and term loans. The effective interest rates are disclosed in Notes 12 and 17.

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the group's profit before board of directors' remuneration, Zakat, KFAS and NLST for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2010.

	Increase (decrease) in basis points	Effect on profit before board of directors' remuneration, zakat, KFAS & NLST KD
2010 KD	+25	50,136
2009 KD	+25	129,037

A decrease in interest rate would have the opposite effect on the profit for the year.

Currency risk

The group is not exposed to significant currency risk as the significant portion of the group's assets and liabilities are denominated in Kuwaiti Dinars.

United Projects Company For Aviation Services K.S.C.(Closed) and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010

24 RISK MANAGEMENT (continued)

Market risk (continued)

Equity price risk

Equity price risk arises from changes in the fair values of equity investments. The group manages this through diversification of investments in terms of industry concentration. All of the group's quoted investments are listed on the Kuwait Stock Exchange.

The effect on equity (as a result of a change in the fair value of financial assets available-for-sale at 31 December 2010) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	<i>Change in equity price %</i>	<i>2010 Effect on equity KD</i>	<i>2009 Effect on equity KD</i>
Kuwait market	+ 5%	73,311	21,193

The decrease in equity price percentage will have the opposite effect on equity.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

Prepayment risk

Prepayment risk is the risk that the group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The group is not significantly exposed to prepayment risk.

25 CAPITAL MANAGEMENT

The primary objective of the group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value. The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009.

The group monitors capital using a leverage ratio, which is net debt divided by equity attributable to equity holders of the parent company. The group's policy is to keep the gearing ratio less than 30%. The group includes within net debt, term loans, due to related parties and accounts payable and other credit balances, less cash and cash equivalents.

	<i>2010 KD</i>	<i>2009 KD</i>
Term loans	2,550,000	4,700,000
Due to related parties	541,843	315,515
Accounts payables and other credit balances	4,955,540	5,715,606
Less: cash and cash equivalents	(6,804,603)	(9,102,662)
Net debt	1,242,780	1,628,459
Equity attributable to equity holders of the parent company	31,329,154	31,418,572
Gearing ratio (%)	3.97 %	5.18%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances and cash, receivables, due from related parties and financial assets available-for-sale. Financial liabilities consist of term loans, due to related parties and payables.

The fair values of financial instruments, with the exception of certain financial assets available-for-sale carried at cost (see Note 10), are not materially different from their carrying values.

Fair value hierarchy

The group uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value

31 December 2010	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
Financial assets available-for-sale (Note 10)	203,277	-	-	203,277

During the reporting period ending 31 December 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.