



A member of the KIPCO Group





H.H. Sheikh Sabah  
Al-Ahmad Al-Jaber Al-Sabah  
Amir of the State of Kuwait

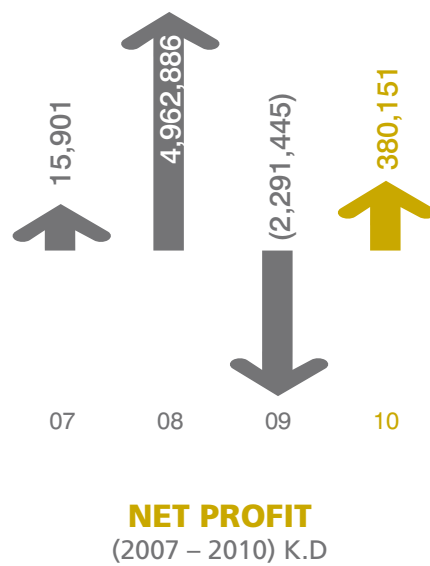
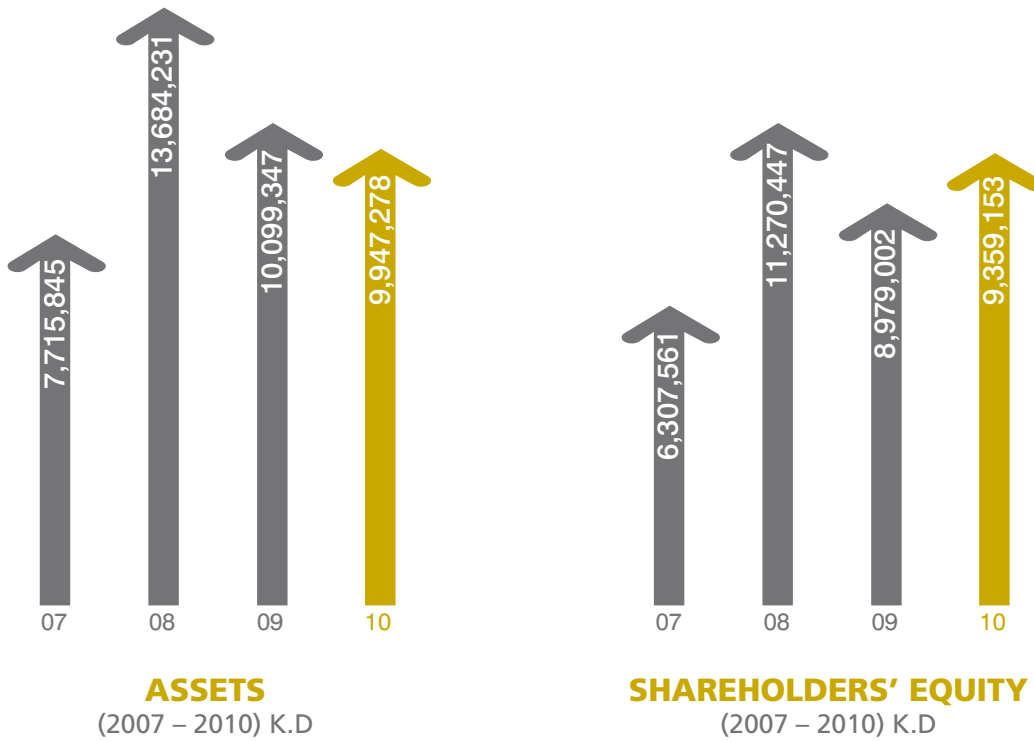


H.H. Sheikh Nawaf  
Al-Ahmad Al-Jaber Al-Sabah  
Crown Prince of the State of Kuwait



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## Financial Highlights 2010





A member of the KIPCO Group

### **How to get a copy of our 2010 Financial Statements:**

- A hard copy of the financial statements will be handed over to the shareholders who attend the General Assembly for their approval.
- Shareholders who wish to have a hard copy of the financial statements through private courier seven days before the announcement of the General Assembly meeting.
- Kindly call: 22418863 for such arrangements.
- Shareholders may request a soft copy to be sent to them by e-mail. To have this arranged, please request the same by e-mail addressing to [info@amakenkw.com](mailto:info@amakenkw.com)
- Shareholders who wish to download a PDF copy of the financial statements seven days before the announcement of the General Assembly meeting may do so from the company website: [www.amakenkw.com](http://www.amakenkw.com)
- For more information please call: 22418863

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## INTRODUCTION →

Amaken United Real Estate Company "AMAKEN" was established in 2005 as a closed shareholding company with a fully paid-up capital of KD 3.5 million. Amaken is a subsidiary of United Industries Company "UIC", which preliminarily invests in companies with high growth potentials in industrial and productive sectors. UIC holds an equity share of 81% in Amaken United Real Estate.

Amaken activities concentrate

on development of the real estate projects to cater the related needs of industrial and production sectors.

The Company's business also includes the construction of infrastructure projects for services centers including:

- Industrial Offices
- Commercial Offices
- Depots
- Warehouses



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## COMPANY OVERVIEW →

The Company has adopted a unique concept for its real estate project development, which includes:

- Acquisition and sale of lands and properties.
- Freehold property development and management.
- Acquisition, purchase and sale of stocks and bonds from real estate companies for the company's interest.
- Development of studies and providing consultancy services for property development.
- In-house and third party property maintenance.
- Organization of real estate projects exhibitions and participation in local and international real estate markets.
- Direct contribution in the development of industrial areas, infrastructure, commercial projects and management of real estate B.O.T projects.

- The company conducts thorough feasibility studies, and provide project management services to support real estate and industrial developments opportunities in Kuwait in total compliance with industry's highest standards.

We are committed to set up and develop a strategic long term partnership with our existing and prospective investors through our set principles, which are based on:

- Assurance of Quality of Service
- Commitment in execution and to deliver
- Precision in operational execution
- Deliver the highest standards in Customer Care.



## **BOARD OF DIRECTORS →**

**Mrs. Samira Ali Behbehani**  
Chairperson

**Mr. Ammar Ghassan Omeiri**  
Vice Chairman & Acting General Manager

**Mr. Walid Saadoun Alawaish**  
Board Member





## CHAIRPERSON'S MESSAGE →

Dear Shareholders,

On behalf of my colleagues; the board of directors and my co-workers in the company and myself, I am pleased to present to you our annual report for 2010 highlighting the year achievement and the financial report.

As a result of the implications of the economy slowdown, real estate market in Kuwait have witnessed unprecedented pressures resulting from the problems of legislative laws which organize the sector on one hand, and not having a clear vision of the future outcome of the sector on the other hand. Moreover, the continuous decline in real estate prices, insufficient sources of financing, demand uncertainties coupled with weak indications of Kuwait economic recovery and the delay in executing the government development plan.

During the year we have also witnessed some positive economic indications; such as the increase of government revenues generated by the continuous rise in oil prices, and allocating a large share of private financial surpluses to the real estate sector seeking investment opportunities in the local market.

In the light of unstable economic scene in Kuwait, Amaken Company took meaningful steps to protect the company investments and its real estate activities and to position the company for the future. During 2010 the company executed its balanced strategy adopted in 2009 to adapt to the prevailing situation and cushion the negative implications of the current crisis. The adopted strategy focused mainly on; sustaining the market value

for all our real estate projects, reduce expenses, settle our financial obligations and taking all necessary steps to enhance the company's financial position to gear up the company for the long anticipated recovery in the near future.

In line with this strategic direction, the company met the prevailing challenges head on and continued to perform well amid mounting pressures.

### **2010 Management Achievements**

#### **Company Profits**

The company realized net profits of KD 380,151. Profits achieved are attributed to rental income and the increase of the value of a number of properties in addition to exiting Shuwaikh plot 14.

Comparing the results of 2010 to 2009, profits percentage increased from 2009 losses of KD (2,291,445) were attributed to the plunge of property value. This by no doubt confirms the slow recovery of the real estate sector, and not fulfilling its full potential locally or internationally as a leading sector in Kuwait's economy.

#### **Reducing the Company's Financial Liabilities and Enhancing Capital**

In line with the company strategy to enhance capital and ease the burden of debts, the company took meaningful

steps in compliance with international accounting standards which included settling most of the financial liabilities on the company. Total liabilities decreased by 47.50% from KD 1,120,345 to KD 588,125 as of 31 December 2010.

There is no doubt that the challenges remain. However we look to the future with optimism. In 2011 we will continue to drive growth and we hope that the real estate activity will improve to leverage our properties marketing for sale, rent or for exit.

Finally, I would like to express my sincere gratitude and appreciation to my brothers; members of the board, our shareholders, our clients and our colleagues in the company for their support, professionalism and confidence in our abilities.

We ask GOD for conciliation and guidance in serving our shareholders and our country in the light of the wise leadership of His Highness The Amir of Kuwait and The Crown Prince.

**Samira Ali Behbehani**

Chairperson





## MANAGEMENT REPORT →

The main objective of establishing the Company; is to create an inimitable concept in the real estate and service industry in Kuwait by rendering first-class services through strategic investments and real estate development projects.

The Company has a crystal clear vision and pursues its principal objectives to pioneer the real estate investment industry. Moreover, the corporate investment strategy adapted by the company aims to maximize returns to the shareholders. Through development of sale, acquisition and renting properties and lands, led by a team of professionals with distinguished qualifications and expertise in the real estate investments and developments, the company aims to further strengthen its position in the market and continue to drive growth.



## MANAGEMENT REPORT - (continued) →

### Company Projects

The Company owns 4 different projects in strategic industrial locations in Kuwait (Shuwaikh Industrial Area and Sabhan Industrial Area) characterized by its distinctive marketing nature which offer a multitude of activities for service, industrial and commercial.



These projects extend valuable and promising investment opportunities for our shareholders. But in the light of hindering market conditions, we continue our progress with caution to mitigate the impact of the stagnant economy, which have affected different real estate sectors and hindered improvement of the results we were hoping for.

Committed to drive growth even under challenging economic pressures, the management is confident that the strategic decision to delay certain project developments to a later phase, is in the best interest of our shareholders and the ambitious plan to market the plots will contribute to the Company's performance and improve its financial resources.

#### Amaken Center Project

Located in Shuwaikh industrial adjacent to fourth ring road, opposite Safat Al Ghanim; Amaken Center project represents a distinctive and unique architectural design. Spread over 2000 meter square, the project is a prominent landmark and a turning point in design and construction.

The magnificent interior and spacious facades and entrances reveal the state-of-the-art architectural design and encompass various lease spaces, which make it more desirable to tenants. Top notch interiors material and exterior cladding were selected to add to the contemporary feel of the center. This is complemented by a host of services and infrastructure and other safety features and specifications which are applied to the entire center facilities, such as; fire

alarms, built in fire fighting systems in total compliance with standard specifications, a panoramic elevator in the central lobby and car parking for the visitors. Amaken Center is currently marketed to a selected list of retail investors.

#### Shuwaikh Project (Plots 34, 36 and 38)

This property has a strategic location overlooking a side road of Canada Dry Street stretching on 2,827.5 square meters. The project is presently under development, having acquired the requisite regulatory approvals and permissions to build an integrated contemporary multi use project.

#### Sabhan Project (Plot 118)

This property is located in the Sabhan Industrial area (plot 118) across 5,500 square meters and overlooks three streets. It comprises offices and a manufacturing liscenced to be operated by a chemical products manufacturer. Development of the invested buildings and construction of car parking and sunshades have been completed. Moreover, the project marketing is ongoing for sale and leasing to selected companies.

#### Hempel Paints Project

This property is located in Shuwaikh Industrial area (plots 160 - 169) and stretches across 10,612 square meters. The location is licensed for commercial purposes. Development plans have been postponed till the recovery in the performance of the real estate market and the improvement of the market in general.



## MANAGEMENT REPORT - (continued) →

### 2011 Optimistic Outlook

In facing the current prevailing challenges, the company has demonstrated exceptional capabilities. The efforts exerted by the Company's management throughout 2010 have significantly dropped liabilities by 47.50% compared to 2009 following the settlement of its obligations.

Despite the relieve of the restrains inflicted by the ramifications of Global Financial Crisis which impacted local regional and other surrounding international markets, there is still hope that the government shall put into action several initiatives and investment projects, which would yield returns to the

Kuwaiti real estate market to regain its activity and appeal. We hope the real estate sector in Kuwait will recover during 2011 backed by economic growth and lending increase.

### Company Assets

Total assets at the end of 2010 are 9,947,278 compared to KD 10,099,347 for 2009 reflecting a decrease by 1.5%. Shuwaikh plot No. 14 which was sold and yielded KD 31,736 profits represented 3.2% from total assets under investment properties.

Investment on properties for the year 2010 KD 6,560,000 which represents 65.95% of total assets compared to KD 6,350,000 for 2009.

Total debtors KD 16,667 which represent 0.17% of total assets.

Cash and Cash Equivalent KD 337,030 which represent 3.39%

### Shareholders' equity

Shareholders' equity increased by 4.23% which amount to KD 380,151 growth to KD 9,359,153 compared to KD 8,979,002 in 2009.

### Net Profits

Net profits for the year increased by KD 380,151 a growth of 116.6%, compared to losses of KD (2,291,445) last year.

### Profits from Plots Sale

The company achieved KD 31,736 profits from selling Shuwaikh plot No. 14.



## EXECUTIVE SUMMARY →

### Statement of Income

Amaken net profit for the period ended in 31 December 2010 KD 380,151 compared to KD (2,291,445) net losses for the same period last year- an increase of 116.60% in net profits from the previous year- the increase is attributable to the variance of investment value on real estate and the rent revenues and the divestment from plot No 14 in Shuwaikh plus the interest income from deposits.

### Major Trends in Current Period

Compared to 2009, property evaluation is moving upwards which we have witnessed in 2010; as property evaluation has indicated an increase of KD 210,000.

Total liabilities recorded a decrease of 47.50% as in 31 December 2010 compared to last year, as it was KD 1,120,345 of 10.9% to record KD 588,155 which represent 5.91% from total liabilities and equity assets.

Given below is a comparative table showing results of 4th quarter for the year under review compared to a statement of the same period of previous year with variance percentage, in addition to highlights of current year statement with previous year statement compared to the estimated budget and the variance percentage. The comparison is based on the statement of operating profits and net profits.

### Comparative Table:

Particular	4 <sup>th</sup> quarter, 2010 (KD)	4 <sup>th</sup> quarter, 2009 (KD)	Change (%) Actual	2010 Results (KD) Actual	2009 Results (KD) Actual	2010 Budget (KD) Estimated	Change (%) 2009/2010
Profit (loss) from operations	263,699	(2,267,797)	111.56%	380,151	(2,291,445)	233,108	116.60%
Net Profit (loss)	203,265	(2,267,797)	108.96%	380,151	(2,291,445)	233,108	116.60%



## EXECUTIVE SUMMARY - (continued) →

### Statement of income highlights:

1. Realized profits from selling the property in Shuwaikh industrial area is KD 31,736 thousand.
2. Revenues from rent increased to KD 280,450 from KD 3,300 of the previous year.
3. Investment in property have increased by KD 210,000 to KD 6,560,000 increasing by 3.30%.

### Balance Sheet as at 31 December 2010

The total assets of the company stood at KD 9,947,278 compared to KD 10,099,347 at 31 December 2010 a decrease of 1.5% from 2009. This decrease is attributable to divesting Shuwaikh Plot 14 and the increase in property value.

### As per the following details:

1. Bank balances, cash and deposits have decreased by KD 29,613 to KD 337,030 compared to KD 366,644 as in 31 December 2009, a decrease of 8.1% a result of paying some company liabilities/commitments.

2. Projects for investment increased by 3.20% to KD 6,650,000 from 2009 where it was KD 6,350,000 representing 65.95% of the total assets because of the increase in property values.
3. Projects under development decreased to KD 3,033,27 million compared to KD 3,333,932 million as in 31 December 2009, recording a decrease by 9.10% because of adding some expenses on the projects and for selling Shuwaikh project 14.
4. Liabilities to associate companies reduced by 72.93% to KD 191,508 compared to KD 707,647 as in 31 December 2009 attributable to paying most of liabilities for associate companies.
5. Net profits for the year increased by 116.60% from 2009 where incurred losses were KD (2,291,445).

AMAKEN UNITED REAL ESTATE COMPANY K.S.C. (CLOSED)  
STATE OF KUWAIT

**FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2010  
WITH  
**INDEPENDENT AUDITOR'S REPORT**



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## INDEPENDENT AUDITORS' REPORT →

To the Shareholders of Amaken United Real Estate Company K.S.C. (Closed)  
State of Kuwait

### Report on the financial statements

I have audited the accompanying financial statements of Amaken United Real Estate Company K.S.C. (Closed) (the Company) which comprise the statement of financial position as at December 31, 2010, and the statements of 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 financial statements

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

### Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in 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 management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Amaken United Real Estate Company K.S.C. (Closed) as of December 31, 2010, and of 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

Also in my opinion, the financial statements include the disclosures required by the Commercial Companies Law and the Company's Articles of Association, and I obtained the information I required to perform my audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Company's books. According to the information available to me there were no contraventions during the year ended December 31, 2010 of either the Commercial Companies Law or of the Company's Articles of Association which might have materially affected the Company's financial position or results of its operations.

Dr. Shuaib A. Shuaib

License No. 33-A

Albazie & Co.

Member of RSM International

State of Kuwait  
March 2, 2010

**STATEMENT OF FINANCIAL POSITION →**

As of December 31, 2010

	Note	2010 KD	2009 KD
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	3	337,030	366,644
Receivables and other debit balances	4	16,776	16,992
Due from related party		-	30,008
<b>Total current assets</b>		<b>353,806</b>	<b>413,644</b>
Fixed assets			
Investment Properties	7	9,593,027	9,683,932
<b>Total assets</b>		<b>9,947,278</b>	<b>10,099,347</b>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities:			
Accounts payable and other credit balances	8	392,173	378,413
Due to related parties	5	191,508	707,647
<b>Total current liabilities</b>		<b>583,681</b>	<b>1,086,060</b>
Long term lease obligations		-	29,376
Provision for end of service indemnity	10	4,444	4,909
Equity:			
Share capital	11	3,500,000	3,500,000
Share premium	12	2,778,750	2,778,750
Statutory reserve	13	548,198	509,419
Voluntary reserve	14	548,198	509,419
Retained earnings		1,984,007	1,681,414
<b>Total equity</b>		<b>9,359,153</b>	<b>8,979,002</b>
<b>Total liabilities and equity</b>		<b>9,947,278</b>	<b>10,099,347</b>

**Samira Ali Behbehani**  
Chairperson

The accompanying notes (1) to (20) form an integral part of the financial statements.

## STATEMENT OF COMPREHENSIVE INCOME →

For the year ended December 31, 2010

	Note	2010 KD	2009 KD
<b>Revenue:</b>			
Rental income		280,450	3,300
		280,450	3,300
<b>Expenses:</b>			
General and administration expenses	15	(140,119)	(212,304)
Gain (loss) from operations		140,331	(209,004)
Changes in fair value of investment properties	7	210,000	(2,004,793)
Gain (loss) on sale of investment property	7	31,737	(72,500)
Interest income		5,378	2,590
Interest expense		-	(15,626)
Other income		348	7,888
Profit / (loss) for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat		387,794	(2,291,445)
Contribution to KFAS	16	(3,490)	-
Zakat	17	(4,153)	-
Net profit / (loss) for the year		380,151	(2,291,445)
Other comprehensive income for the year		-	-
Total comprehensive income / (loss) for the year		380,151	(2,291,445)

The accompanying notes (1) to (20) form an integral part of the financial statements.

## STATEMENT OF CHANGES IN EQUITY →

For the year ended December 31, 2010

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Retained earnings	Total
Balance at December 31, 2008	3,500,000	2,778,750	509,419	509,419	3,972,859	11,270,447
Total comprehensive loss for the year	-	-	-	-	(2,291,445)	(2,291,445)
Balance at December 31, 2009	3,500,000	2,778,750	509,419	509,419	1,681,414	8,979,002
Total comprehensive income for the year	-	-	-	-	380,151	380,151
Transferred to reserves	-	-	38,779	38,779	(77,558)	-
Balance at December 31, 2010	<b>3,500,000</b>	<b>2,778,750</b>	<b>548,198</b>	<b>548,198</b>	<b>1,984,007</b>	<b>9,359,153</b>

The accompanying notes (1) to (20) form an integral part of the financial statements.

## STATEMENT OF CASH FLOWS →

For the year ended December 31, 2010

	Note	2010 KD	2009 KD
<b>Cash flows from operating activities:</b>			
Profit (loss) for the year before contribution to Kuwait Foundation for the Advancement of Sciences(KFAS) and Zakat		380,151	(2,291,445)
Adjustments for:			
Depreciation		1,740	2,014
Provision of end of service indemnity		2,501	8,954
Changes in fair value of investment properties		(210,000)	2,004,793
(Gain) loss on sale of investment property		(31,737)	72,500
Interest income		(5,378)	(2,590)
Interest expense		-	15,626
		137,277	(190,148)
<b>Changes in operating assets and liabilities:</b>			
Receivables and other debit balances		216	24,679
Due from related party		30,008	250
Accounts payable and other credit balances		(15,616)	37,920
Cash generated from (used in) operations		151,885	(127,299)
Payment for end of service indemnity		(2,966)	(13,972)
Paid to Kuwait Foundation for the Advancement of Sciences		-	(45,559)
Zakat Paid		-	(50,615)
Net cash generated from (used in) operating activities		148,919	(237,445)
<b>Cash flows from investing activities:</b>			
Purchase of fixed assets		(414)	-
Interest received		5,378	2,590
Amount paid for investment property		(17,358)	(373,895)
Proceed from sale of investment property		350,000	1,727,500
Net cash generated from investing activities		337,606	1,356,195
<b>Cash flows from financing activities:</b>			
Due to related parties		(516,139)	(723,379)
Repayment of short term loan		-	(500,000)
Interest paid		-	(22,414)
Net cash used in financing activities		(516,139)	(1,245,793)
Net decrease in cash and cash equivalents		(29,614)	(127,043)
Cash and cash equivalents at beginning of the year		366,644	493,687
Cash and cash equivalents at end of the year	3	337,030	366,644

The accompanying notes (1) to (20) form an integral part of the financial statements.

## NOTES TO FINANCIAL STATEMENTS →

December 31, 2010

### 1. INCORPORATION AND ACTIVITIES

Amaken United Real Estate Co. K.S.C. (Closed) (the Company), incorporated in the State of Kuwait based on article of association No 5373 fol. 1 dated on 7 August 2005. The ordinary general meeting of the shareholders approved on announcing establishment of the Company in 31/8/2005 and the extraordinary general meeting of the shareholders which held in 17/3/2007 approved modifying second item in the article of association and also the first item in the basic system by which the name of the Company changed to be Amaken United Real Estate Co. K.S.C. (Closed) instead of United Real Estate Development Co. K.S.C. (Closed).

#### The objectives of the Company include:

1. Owning, selling, purchasing and developing real estates and land inside Kuwait and abroad, also managing the other's properties without breaking laws which forbid trading in private houses land.
2. Owning, selling, and purchasing shares and bonds of the real estate companies for the Company account only, inside Kuwait and abroad.
3. Preparing studies and providing technical consultancy in all real estate fields through qualified people whom providing these services.
4. Executing maintenance works related to the buildings and real estates owned to the Company or the others including civil, mechanical, and electrical and elevator's works.
5. Organizing the real estate show rooms related to the Company's real estate projects according to the ministry's rules.
6. Investing surplus funds in portfolios managed by specialised firms.
7. Sharing in executing the infrastructure for the housing, trading and industrial projects under BOT regulations.

The Company is a 75.62% owned by United Industries Company K.S.C. (Closed), which is listed in the Kuwait Stock Exchange.

The address of the Company's registered office is Industrial Ardiya, Block 2 Plot 240, First Floor.

As of December 31, 2010, the Company had 10 employees (2009: 13 employees).

The financial statements were authorized for issue by Board of Directors on March 6, 2011. The Shareholders General Assembly has the power to amend these financial statements after issuance.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). Significant accounting policies are summarized as follows:

#### a) Basis of preparation

The financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention, except for the investment properties that are stated at their fair value.



## NOTES TO FINANCIAL STATEMENTS →

December 31, 2010

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### a) Basis of preparation (Continued)

The accounting policies applied by the Company are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2010:.

##### IAS 1 (amendment), 'Presentation of financial statements'

The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Company will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the company's financial statements.

##### IAS 7 Statement of Cash Flows

The amendment is part of the IASB's annual improvements project published in April 2009. The amendment explicitly states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Company's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(l).

#### b) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### c) Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

## NOTES TO FINANCIAL STATEMENTS →

December 31, 2010

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### d) Fixed assets

The initial cost of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the statement of comprehensive income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of fixed assets.

Fixed assets are stated 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 included in the statement of comprehensive income for the period.

Depreciation is computed on a straight-line basis over the estimated useful lives of items of fixed assets as follows:

	Years
Office furniture and fixtures	3 – 5
Staff furniture	3 – 5
Office equipments	3 – 5
Computers and software	3 – 5

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 from items of fixed assets.

#### e) Investment properties

Investment properties, which are properties, held to earn rentals and/or for capital appreciation, are stated at their fair value at the end of reporting period. As from January 1, 2009, investment property also includes property that is being constructed or developed for future use as investment property. Gains or losses arising from changes in the fair value of investment properties are included in the statement of comprehensive income for the period in which they arise.

Following the adoption of IAS 40 (revised), investment properties under construction have been transferred from land under development to investment properties at January 1, 2009 at their carrying amount. Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

Property interest that is held under an operating lease is classified and accounted for as investment property when the property would otherwise meet the definition of an investment property and the lessee uses the fair value model.



## NOTES TO FINANCIAL STATEMENTS →

December 31, 2010

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### e) Investment properties (Continued)

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the statement of comprehensive income.

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

#### f) Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### g) Accounts payable

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

## NOTES TO FINANCIAL STATEMENTS →

December 31, 2010

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### h) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event and 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. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

#### i) Provision for end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

#### j) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for rendering services in the ordinary course of the Company's activities.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the rendering service have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### Rendering of services:

Fees from consultation and management are recognized when the service is rendered.

##### Rent:

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

#### k) Financial Instruments

Financial assets and financial liabilities carried on the statement of financial position include cash and cash equivalents, receivables and other debit balances, due from / to related parties, accounts payable and other credit balances, short term loan and long term lease obligations. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.



## NOTES TO FINANCIAL STATEMENTS →

December 31, 2010

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### k) Financial Instruments (Continued)

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

### l) Critical accounting estimates and judgments

The Company makes judgments, estimates and assumptions concerning the future. The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

#### Judgments

In the process of applying the Company's accounting policies which are described in Note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements.

(i) Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

(ii) Provision for doubtful debts

The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment.

#### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period 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.

(i) Provision for doubtful debts

The extent of provision for doubtful debts involves estimation process. Provision for doubtful debts is made when there is an objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified. The benchmarks for determining the amount of provision or write-down include ageing analysis and subsequent events. The provisions and write-down of accounts receivable are subject to management approval.

**NOTES TO FINANCIAL STATEMENTS →**

December 31, 2010

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Estimates and assumptions (Continued)**

## (ii) Revaluation of investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognized in the statement of comprehensive income. The Company engages independent valuation specialists to determine fair value as at end of the reporting period.

**3. CASH AND CASH EQUIVALENTS**

	2010	2009
	KD	KD
Cash on hand and at banks	7,030	15,377
Short term bank deposit	330,000	351,267
	<u>337,030</u>	<u>366,644</u>

The effective interest rate on short term bank deposit is 1% per annum (2009: 2% per annum) and these deposits mature on January 20, 2011 (2009: February 3, 2010).

**4. RECEIVABLES AND OTHER DEBIT BALANCES**

	2010	2009
	KD	KD
Advance payments	15,644	15,644
Staff receivables	995	1,020
Others	137	328
	<u>16,776</u>	<u>16,992</u>



## NOTES TO FINANCIAL STATEMENTS →

December 31, 2010

### 5. RELATED PARTY TRANSACTIONS

The Company has entered into various transactions with related parties in the normal course of its business concerning financing and other related services. Related parties consist of shareholders and parties directly related to them. Prices and terms of payment are approved by the management. Significant related party transactions and balances are as follows:

	2010 KD	2009 KD
<b>Balances included in the statement of financial position:</b>		
Due to related parties		
Danah Al Safat Foodstuff Company K.S.C.	6,718	6,718
United Industries Co. K.S.C. (Closed)	184,790	700,929
	<u>191,508</u>	<u>707,647</u>
	2010 KD	2009 KD
<b>Balances included in the statement of income:</b>		
Management fees (Note 15)	36,000	36,000

### 6. LAND UNDER DEVELOPMENT

	2010 KD	2009 KD
Balance at the beginning of the year	-	3,014,830
Transfer to investment properties upon adoption of IAS 40 (revised 2008) at carrying amount	-	(3,014,830)
Balance at the end of the year	<u>-</u>	<u>-</u>

## 7. INVESTMENT PROPERTIES

	Lease hold	Land under development	Total 2010	Total 2009
Balance at the beginning of the year	6,350,000	3,333,932	9,683,932	10,100,000
Transfer from land under development upon adoption of IAS 40 (revised 2008 ) at carrying amount	-	-	-	3,014,830
Additions during the year	-	17,358	17,358	373,895
Disposal during the year	-	(318,263)	(318,263)	(1,800,000)
Changes in fair value of investment properties during the year	210,000	-	210,000	(2,004,793)
Balance at the end of the year	6,560,000	3,033,027	9,593,027	9,683,932

Included in the lease hold investment properties is a property amounting to KD 4,250,000, which is held by the Parent Company and assigned in favor of the Company.

During the year, the Company sold certain investment properties amounting to KD 318,263 resulting in a gain of KD 31,737.

The fair value for the Company's investment properties except for the land under development has been arrived at on the basis of a valuation carried out at that date by independent valuer. Since the fair value of land under development is not reliably determinable, it is measured at cost.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010



## NOTES TO FINANCIAL STATEMENTS →

December 31, 2010

### 8. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	2010	2009
	KD	KD
Zakat payable	4,653	-
KFAS payable	3,490	-
Accrued staff leave	13,221	15,097
Accrued expenses	52,457	41,290
Advance from customers	200,000	200,000
Retention to contractors	85,856	85,856
Short term lease obligations	28,341	27,647
Others	4,155	8,523
	<u>392,173</u>	<u>378,413</u>

Advance from customer represents advance received towards disposal of an investment property in earlier years. There is a legal dispute regarding the repayment of the advance.

### 9. SHORT TERM LOAN

As at December 31, 2010, the Company had available KD Nil (2009: KD 500,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

**NOTES TO FINANCIAL STATEMENTS →**

December 31, 2010

**10. PROVISION FOR END OF SERVICE INDEMNITY**

	2010	2009
	KD	KD
Balance at beginning of the year	4,909	12,870
Charge for the year	2,501	8,954
Paid during the year	(2,966)	(13,972)
Transfer to other credit balances	-	(2,943)
Balance at end of the year	<u>4,444</u>	<u>4,909</u>

**11. SHARE CAPITAL**

Authorized, issued and fully paid-up capital consists of 35,000,000 shares (2009 – 35,000,000 shares) of 100 fils each.

**12. SHARE PREMIUM**

This represents cash received in excess of the par value of the shares issued.

**13. STATUTORY RESERVE**

As required by the Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Company's Articles of Association.

**14. VOLUNTARY RESERVE**

As required by the Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors.



## NOTES TO FINANCIAL STATEMENTS →

December 31, 2010

### 15. GENERAL AND ADMINISTRATION EXPENSES

	2010	2009
	KD	KD
Salaries and staff cost	36,784	119,207
Rental expenses	3,190	3,480
Management Fees (Note 5)	36,000	36,000
Others	64,145	53,617
	<u>140,119</u>	<u>212,304</u>

### 16. CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS)

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Company after deducting its transfer to statutory reserve.

### 17. ZAKAT

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

### 18. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Company uses primary financial instruments such as cash and cash equivalents, receivables and other debit balances, due from / to related parties, accounts payable and other credit balances, short term loan and long term lease obligations and as a result is exposed to the risks indicated below. The Company currently does not use derivative financial instruments to manage its exposure to these risks.

#### a) Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are reprised or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's comprehensive income (through the impact on floating rate borrowings). There is no impact on the Company's equity.

**NOTES TO FINANCIAL STATEMENTS →**

December 31, 2010

**18. FINANCIAL RISK MANAGEMENT (CONTINUED)**

Particulars	Increase / (Decrease) in interest rate	Facility Balance on December 31	Effect on statement of comprehensive income
<b>2010</b>			
Short term deposit	± 50 basis points	330,000	± 1,650
2009			
Short term deposit	± 50 basis points	351,267	± 1,756

**b) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Company to credit risk consist principally of fixed and short notice bank deposit and receivables. The Company's fixed and short notice bank deposit is placed with high credit rating financial institution. Receivables are presented net of allowance for doubtful debts.

The Company's maximum exposure arising from default of the counter-party is limited to the carrying amount of short term deposit, receivable and due from related parties.

**c) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Company periodically assesses the financial viability of customers and invests in bank deposits to meet its obligations.

**Maturity Table for financial liabilities**

Financial liabilities	1-3 months	3-12 months	More than 12 months	Total
<b>2010</b>				
Accounts payable and other credit balances	-	392,173	-	392,173
Due to related parties	-	191,508	-	191,508
<b>Total</b>	-	<b>583,681</b>	-	<b>583,681</b>
Financial liabilities	1-3 months	3-12 months	More than 12 months	Total
2009				
Accounts payable and other credit balances	-	378,413	-	378,413
Due to related parties	-	707,647	-	707,647
Long term lease obligation	-	-	29,376	29,376
<b>Total</b>	-	<b>1,086,060</b>	<b>29,376</b>	<b>1,115,436</b>



## NOTES TO FINANCIAL STATEMENTS →

December 31, 2010

### 18. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### d) Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from current bid prices, discounted cash flow models and other models as appropriate. At December 31, the fair values of financial instruments approximate their carrying amounts.

### 19. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital resources are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital resource structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Company may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

### 20. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the current year presentation.