

**Lothan Youth Achievements Centre – a Division of Bayt Lothan  
Establishment for Art and Culture  
State of Kuwait  
Financial statements and independent auditor's report  
for the period from 1 December 2002 to 30 June 2004**

**Lothan Youth Achievements Centre – a Division of Bayt Lothan Establishment for Art and Culture  
State of Kuwait**

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Lothan Youth Achievements Centre  
State of Kuwait

### **Independent auditor's report**

We have audited the accompanying balance sheet of Lothan Youth Achievements Centre ("LOYAC") – a Division of Bayt Lothan Establishment for Art and Culture as at 30 June 2004, and the related statements of income, changes in equity and cash flows for the period from commencement of operations on 1 December 2002 to 30 June 2004.

### **Respective responsibilities of management and auditors**

These financial statements are the responsibility of LOYAC's management. Our responsibility is to express an opinion on these financial statements based on our audit.


### **Basis of opinion**

Except as discussed, we conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

During its initial stages of operation, LOYAC did not maintain records for the collection of cash from participants of various programmes conducted by LOYAC. We were unable to confirm or verify by alternative means the completeness of other income included in the financial statements stated at KD 14,482.

### **Opinion**

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves with respect to the records for collection of cash described in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of LOYAC as at 30 June 2004, and of the results of its operations and its cash flows for the period from commencement of operation on 1 December 2002 to 30 June 2004, in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

  
**Qais M. Al Nisf**  
**Licence No. 38 "A"**  
**of KPMG Al Nisf & Partners**  
**Member firm of KPMG International**

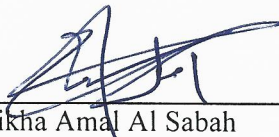
**Kuwait: 1 May 2005**

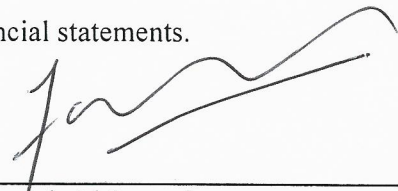
**Lothan Youth Achievements Centre**  
**A Division of Bayt Lothan Establishment for Art and Culture**  
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**Balance sheet**  
*as at 30 June 2004*

	Note	KD
<b>ASSET</b>		
<b>Non current asset</b>		
Property, plant and equipment	3	<u>3,060</u>
<b>Current assets</b>		
Cash and bank balances	4	84,375
Deposits		1,191
Receivables from staff		1,117
Receivable from partners	5	<u>10,000</u>
		<u>96,683</u>
<b>Total assets</b>		<u><u>99,743</u></u>
<b>FUND AND LIABILITIES</b>		
<b>Funds</b>		
Retained earnings		3,900
		<u>87,370</u>
		<u>91,270</u>
<b>Non current liabilities</b>		
Provision for employees' end of service indemnity		287
<b>Current liabilities</b>		
Accounts payable and accrued expenses	6	8,186
<b>Total equity and liabilities</b>		<u><u>99,743</u></u>

The accompanying notes form an integral part of these financial statements.

  
\_\_\_\_\_  
Shaikha Amal Al Sabah  
Chairman

  
\_\_\_\_\_  
Fareah Al Saqqaf  
Vice Chairman and Managing Director

**Lothan Youth Achievements Centre**  
**A Division of Bayt Lothan Establishment for Art and Culture**  
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**Statement of income**  
*for the period from 1 December 2002 to 30 June 2004*

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	Note	KD
<b>Income</b>		
Donations		153,500
Other income		14,482
		<u>167,982</u>
<b>Expenses</b>		
Expenses relating to students' training programs	7	47,373
Depreciation	3	932
General and administrative expenses	8	32,307
		<u>80,612</u>
<b>Surplus of income over expenditure</b>		<u>87,370</u>

The accompanying notes form an integral part of these financial statements.

**Lothan Youth Achievements Centre**  
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**Statement of changes in equity**  
*for the period from 1 December 2002 to 30 June 2004*

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	<b>Funds</b>	<b>Retained</b>	<b>Total</b>
	<b>KD</b>	<b>earnings</b>	<b>KD</b>
		<b>KD</b>	<b>KD</b>
Capital introduced	3,900	-	3,900
Surplus of income over expenditure	-	87,370	87,370
Balance at 30 June 2004	<u>3,900</u>	<u>87,370</u>	<u>91,270</u>

The accompanying notes form an integral part of these financial statements.



**Lothan Youth Achievements Centre**  
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**Statement of cash flows**

*for the period from 1 December 2002 to 30 June 2004*

	KD
<b>Cash flows from operating activities</b>	
Surplus of income over expenditure	87,370
<i>Adjustments for:</i>	
Depreciation	932
Provision for employees' end of service indemnity	287
<i>Operating surplus before working capital changes</i>	<u>88,589</u>
Deposits	(1,191)
Receivable from staff	(1,117)
Payables and accrued expense	8,186
<i>Net cash flow from operating activities</i>	<u>94,467</u>
 <b>Cash flows from investing activities</b>	
Purchase of property, plant and equipment	(3,992)
<i>Net cash used in investing activities</i>	<u>(3,992)</u>
 <b>Cash flows from financing activities</b>	
Capital	3,900
Receivable from partners	(10,000)
<i>Net cash used in financing activities</i>	<u>(6,100)</u>
 Cash and bank balance at end of the period	<u>84,375</u>

The accompanying notes form an integral part of these financial statements.

**Lothan Youth Achievements Centre**  
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**Notes to the financial statements**  
*for the period from 1 December 2002 to 30 June 2004*

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**1. Status and activities**

Lothan Youth Achievements Centre ("LOYAC") a division of Bayt Lothan Establishment for Art and Culture is a non-profit organisation. LOYAC is engaged in conducting various training programmes for Kuwaiti youth.

These financial statements cover the period from commencement of operations on 1 December 2002 to 30 June 2004. There are no prior year comparatives as LOYAC commenced operations in 2002.

LOYAC is domiciled in Kuwait and its office is at P.O.Box 386 Salmiya 22004 State of Kuwait. The number of staff employed by LOYAC as at 30 June 2004 was 2.

The financial statements were authorised for issue by the management of LOYAC on 1 May 2005.

**2. Significant accounting policies**

a) Statement of compliance

The financial statements have been prepared, in accordance with the International Financial Reporting Standards promulgated by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB.

b) Basis of preparation

The financial statements are presented in Kuwaiti Dinars.

The financial statements are prepared on amortised or historical cost basis. The accounting policies have been consistently applied by LOYAC.

c) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. Depreciation is calculated to write off the cost of property, plant and equipment by equal installments over their estimated life of 3 to 5 years.

Property, Plant and Equipment is reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income.



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The recoverable amount of assets is the greater of their net selling price 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 assessment of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is only reversed to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

d) Provision for employees' end of service indemnity

Provision is made for employees' end of service indemnity payable under the State of Kuwait Labour Law based on the employees' accumulated periods of service and the latest emoluments. The provision, which is unfunded, is determined as the amount payable to employees as a result of involuntary termination of employment as of the balance sheet date.

e) Other provisions

A provision is recognized in the balance sheet when LOYAC has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

f) Revenue recognition

Donations are recognized in the period in which they are received.

Interest income is recognized as it accrues, taking into account the effective yield of the asset.

g) Expenses

Expenses relating to training programs are recognized when incurred.

h) Foreign currencies

Foreign currency transactions are recorded in Kuwaiti Dinars at the rates of exchange ruling at the date of transaction. All monetary assets and liabilities denominated in foreign currencies are translated into Kuwaiti Dinars at the rates of exchange ruling at the balance sheet date. Resulting gains or losses on exchange are taken to the income statement.

Non-monetary assets and liabilities denominated in foreign currencies are recorded at the exchange rates ruling at the date of the transaction.

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**Notes to the financial statements**  
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**3. Property, Plant and Equipment**

	<b>Furniture and Fixtures KD</b>	<b>Office equipment KD</b>	<b>Computer and accessories KD</b>	<b>Total KD</b>
<u>Cost</u>				
Additions during the period and at 30 June 2004	1,768	1,253	971	3,992
<u>Accrued depreciation &amp; impairment losses</u>				
Charge for the period and at 30 June 2004	337	271	324	932
<u>Carrying amount</u>				
30 June 2004	1,431	982	647	3,060

**4. Cash and bank balances**

Bank accounts of LOYAC are in the name of Bayt Lothan Establishment for Art and Culture who hold these accounts for and on behalf of LOYAC.

**5. Receivable from partners**

This represents capital contributed on behalf of the stakeholders towards the capital of LOYAC Private Training and Consulting Company W.L.L. (the "Company").

**6. Accounts payable and accrued expenses**

	<b>KD</b>
Payable to staff and students	6,990
Provision for social security	230
Other	966
	<u>8,186</u>

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*for the period from 1 December 2002 to 30 June 2004*

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**7. Expenses relating to students' training programs**

	<b>KD</b>
February Programme	1,294
SMS and Q8 Programme	347
Lebanon training course	7,366
Workshop in Bayt Lothan	480
Berlitz English Language Training Course	675
Travel and Tourism Programme	1,648
WYSE Training Course	6,140
Work Shadowing Programme	2,106
Summer Programme	3,778
English Language and Computer Training course	5,281
7 Habits Course	12,956
LOYAC Cultural Committee	1,876
LOYAC media Committee	260
Part Time Programme	90
K.T.Beach Committee	480
Environmental Committee	258
Uniform expenses	1,829
Toast master	509
	<u>47,373</u>

**8. General and administrative expense**

	<b>KD</b>
Staff cost	11,890
Telephone	3,061
Food and entertainment	2,012
Compliments and prizes	1,259
Advertisement expenses	5,754
Photography	1,488
Rent	570
Social Security	230
Others	6,043
	<u>32,307</u>

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*for the period from 1 December 2002 to 30 June 2004*

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**9. Related party transactions**

Related parties comprise of stakeholders and companies in which the stakeholders have direct or indirect shareholding and over which they are able to exercise significant influence. LOYAC had no dealings with related parties during the period.

**10. Financial instruments**

LOYAC in the normal course of business uses various types of financial instruments. Information on the financial risks and fair value of these financial instruments is set out below.

a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. LOYAC is exposed to interest rate risk on bank balances.

b) Credit risk

LOYAC is exposed to credit risk in respect of losses that would have to be recognized if counter parties fail to perform as contracted.

LOYAC's exposure to credit risk is primarily in respect of bank balance and receivables. As at the balance sheet date, LOYAC's maximum exposure to credit risk is equal to the carrying amount of the above assets disclosed in the balance sheet.

c) Fair value of financial assets and liabilities

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that LOYAC is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

In the opinion of the management, the estimated fair values of financial assets and financial liabilities at the balance sheet date were not materially different from their carrying values.

**11. Post balance sheet event**

On 1 July 2004 the stakeholders contributed the net assets of LOYAC to the Company. The Company was formed with the objective of conducting various training programs for the Kuwaiti youth.