

**LoYAC Private Training and Consulting Company W.L.L.
State of Kuwait**

**Financial statements and independent auditors' report
for the year ended 31 December 2005.**

**LoYAC Private Training and Consulting Company W.L.L.
State of Kuwait**

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**LoYAC Private Training and Consulting Company W.L.L.
State of Kuwait****Independent auditors' report**

We have audited the accompanying balance sheet of LoYAC Private Training and Consulting Company W.L.L. ("the Company") as at 31 December 2005, and the related statements of income and expenditure, changes in equity and cash flows for the year then ended.

Respective responsibilities of management and auditors

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

Basis of opinion

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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2005, and of the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Other regulatory matters

We further report that we have obtained all the information and explanations that we required for the purpose of our audit and the financial statements include the information required by the Kuwait Commercial Companies Law of 1960, as amended, and the Company's articles of association. In our opinion, proper books of account have been kept by the company. We have not become aware of any contravention, during the year ended 31 December 2005 of the Kuwait Commercial Companies Law of 1960, as amended, or of the company's articles of association, that would materially affect the activities of the Company or its financial position.



Qais M. Al Nisf
Licence No. 38 "A"
of Moore Stephens Al Nisf & Partners
Member firm of Moore Stephens International Limited


Kuwait: 31 January 2006

LoYAC Private Training and Consulting Company W.L.L.
State of Kuwait


Balance sheet
as at 31 December 2005

	Note	2005 KD	2004 KD
ASSET			
Non current assets			
Equipment	3	<u>6,224</u>	<u>4,065</u>
Cash and bank balances	4	122,744	37,476
Deposits		345	100
Receivables		1,253	1,626
Prepaid expenses		2,059	-
Total current assets		<u>126,401</u>	<u>39,202</u>
Total assets		<u>132,625</u>	<u>43,267</u>
Non current liabilities			
Provision for employees' end of service indemnity		<u>531</u>	<u>444</u>
Current liabilities			
Accounts payable and accrued expenses	5	<u>6,302</u>	<u>3,262</u>
Total liabilities		<u>6,833</u>	<u>3,706</u>
Net assets		<u>125,792</u>	<u>39,561</u>
Represented by:			
Capital		10,000	3,900
Accumulated surplus		<u>115,792</u>	<u>35,661</u>

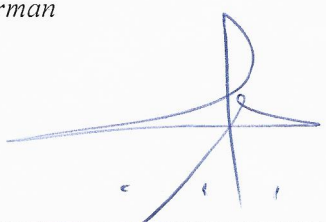
The accompanying notes form an integral part of these financial statements.



Shaikha Amal Al Sabah
Chairman



Fareah Al Saqqaf
Vice Chairman and Managing Director



Abeer Al-Essa
Treasurer

LoYAC Private Training and Consulting Company W.L.L.
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Income and Expenditure Account
for the year ended 31 December 2005.

	Note	2005 KD	2004 KD
Income			
Donations		170,500	97,000
Other income		<u>11,645</u>	<u>10,440</u>
		<u>182,145</u>	<u>107,440</u>
Expenses			
Expenses for conducting students' training programs	6	50,222	61,995
General and administrative expenses	7	50,738	44,342
Depreciation	3	<u>1,054</u>	<u>814</u>
		<u>102,014</u>	<u>107,151</u>
Surplus of income over expenditure		<u>80,131</u>	<u>289</u>

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

LoYAC Private Training and Consulting Company W.L.L.
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Statement of changes in equity
for the year ended 31 December 2005

	Share capital KD	Accumulated Surplus KD	Total KD
Balance as at 31 December 2003	3,900	35,372	39,272
Surplus of income over expenditure	<u>-</u>	<u>289</u>	<u>289</u>
Balance at 31 December 2004	3,900	35,661	39,561
Capital introduced	6,100	-	6,100
Surplus of income over expenditure	-	80,131	80,131
Balance at 31 December 2005	<u>10,000</u>	<u>115,792</u>	<u>125,792</u>

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

**LoYAC Private Training and Consulting Company W.L.L.
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Statement of cash flows
for the year ended 31 December 2005

	2005	2004
	KD	KD
Cash flows from operating activities		
Surplus of income over expenditure	80,131	289
<i>Adjustments for:</i>		
Depreciation	1,054	814
Provision for employees' end of service indemnity	87	444
<i>Operating surplus before working capital changes</i>	<u>81,272</u>	<u>1,547</u>
Increase in deposits	(245)	(100)
Decrease/(Increase) in receivables	373	(966)
Increase in prepaid expenses	(2,059)	(660)
Increase in payables and accrued expenses	3,040	3,080
<i>Net cash flow from operating activities</i>	<u>82,381</u>	<u>2,901</u>
Cash flows from investing activities		
Purchase of equipment	(3,213)	(4,374)
<i>Net cash used in investing activities</i>	<u>(3,213)</u>	<u>(4,374)</u>
Cash flows from financing activities		
Increase in capital	6,100	-
<i>Net cash from financing activities</i>	<u>6,100</u>	<u>-</u>
Increase in cash and bank balance	<u>85,268</u>	<u>(1,473)</u>
Cash at the beginning of the year	<u>37,476</u>	<u>38,949</u>
Cash and bank balance at end of the year (Refer Note 4)	<u>122,744</u>	<u>37,476</u>

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

LoYAC Private Training and Consulting Company W.L.L.
State of Kuwait

Notes to the financial statements
for the year ended 31 December 2005

1. Status and activities

LoYAC Private Training and Consulting Company W.L.L. ("the Company") is a limited liability company registered in the State of Kuwait on 25 May 2004. The Company is a non-profit organization engaged in conducting various training programmes for Kuwaiti youth.

On 1 July 2004, the Company took over the activities of Lothan Youth Achievements Centre ("LoYAC") a Division of Bayt Lothan Establishment for Art and Culture engaged in similar activities as that of the Company. On 1 July 2004 the stakeholders of LOYAC contributed the net assets of LoYAC to the Company.

The Company is domiciled in Kuwait and its office is at Salmiya P.O.Box 22004 State of Kuwait.

The financial statements were authorized for issue by the management of the Company on 31 January 2006.

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 and the Company's memorandum and articles of association.

b) Basis of preparation

The financial statements are presented in Kuwaiti Dinars.

The financial statements are prepared on amortized or historical cost basis. The accounting policies have been consistently applied by the Company.

The accounting policies set out below have been applied consistently, except that with effect from 1 January 2005, the Company adopted all the revised International Accounting Standards ("IAS"), which were revised as part of the improvements project of the International Accounting Standards Board and the newly introduced IFRS's applicable for the annual periods beginning on or after 1 January 2005.

There was no financial effect on the statement of income or opening retained earnings from the adoption of above standards.

The preparation of these financial statements is in conformity with IFRS and requires management to make estimates and assumptions that may effect the amounts reported in these financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

LoYAC Private Training and Consulting Company W.L.L.
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Notes to the financial statements
for the year ended 31 December 2005

c) Equipment

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

d) Impairment

All assets are 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.

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.

e) Cash and cash equivalents

Cash and cash equivalent comprises of cash and bank balances only.

f) 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.

g) Other provisions

A provision is recognized in the balance sheet when the Company 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.

LoYAC Private Training and Consulting Company W.L.L.
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Notes to the financial statements
for the year ended 31 December 2005

h) 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.

i) Expenses

Expenses are recognized on accrual basis. Expenses for conducting key programs comprise of fees paid to the programs and other related expenses incurred, accounted for program-wise.

3. Equipment

	Furniture and Fixtures KD	Office equipment KD	Computer and accessories KD	Total KD
<u>Cost</u>				
As at 1 January 2005	1,789	2,512	1,005	5,306
Additions	1,090	1,175	948	3,213
At 31 December 2005	<u>2,879</u>	<u>3,687</u>	<u>1,953</u>	<u>8,519</u>
<u>Depreciation</u>				
At 1 January 2005	393	417	431	1,241
Charge for the year	359	489	206	1,054
At 31 December 2005	<u>752</u>	<u>906</u>	<u>637</u>	<u>2,295</u>
<u>Net Book Value</u>				
31 December 2005	<u>2,127</u>	<u>2,781</u>	<u>1,316</u>	<u>6,224</u>
31 December 2004	<u>1,396</u>	<u>2,095</u>	<u>574</u>	<u>4,065</u>

4. Cash and bank balances

	2005 KD	2004 KD
Cash in hand	940	405
Bank balances	121,804	37,071
	<u>122,744</u>	<u>37,476</u>

LoYAC Private Training and Consulting Company W.L.L.
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Notes to the financial statements
for the year ended 31 December 2005

5. Accounts payable and accrued expenses

	2005 KD	2004 KD
Payable to staff and students	5,802	2,262
Accruals	500	1,000
	<u>6,302</u>	<u>3,262</u>

6. Expenses for conducting students' training programs

	2005 KD	2004 KD
February Program	7,098	1,294
WYSE Training Course	3,336	8,195
Work shadowing program	3,403	2,106
Summer Program and related committees	15,538	12,749
Travel & Tourism	-	1,648
Drama Course	1,557	-
Athlete Sponsorship	537	-
Service Is My Duty	1,166	-
Sports Activities	655	-
International Volunteer	595	-
English Language and Computer Training course	2,388	6,094
7 Habits Course	7,873	27,268
Part Time Program	572	394
Hotel and Management studies	5,504	2,247
	<u>50,222</u>	<u>61,995</u>

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Notes to the financial statements
for the year ended 31 December 2005

7. General and administrative expenses

	2005	2004
	KD	KD
Rent	2,670	2,940
Registration fee for LoYAC	-	150
DSL Line Subscription	205	205
Office Stationery	578	527
Bank Charges	58	87
Salaries and Wages	21,972	14,883
Telephone Bills	1,297	1,756
Office & Administrative Expenses	1,563	1,554
LoYAC Annual Meetings	942	1,815
Computer Maintenance and networking	681	1,623
Photography & Video Shooting	-	1,405
Website Maintenance Contract	490	-
Computerization of Accounts	350	-
Cost of Air Ticket	-	324
Cost for Year Book	1,722	225
Members Compensation	10,500	9,750
Lawyer's Fee	1,250	1,250
Social Security Charges	1,978	460
Compliments & Prizes	975	1,258
Staff Bonus	600	-
Audit Fee	500	1,000
Staff Service Benefit	387	-
LoYAC Program (Cost of Adv in newspaper)	2,020	3,130
	<u>50,738</u>	<u>44,342</u>

Members' compensation represents amount equally paid to all the board members of LoYAC for the day to day expense incurred by them during the year 2005.

LoYAC Private Training and Consulting Company W.L.L.
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Notes to the financial statements
for the year ended 31 December 2005

8. Financial instruments

The Company 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. The Company is exposed to interest rate risk on bank balances. The Company manages this risk by ensuring that cash is deposited with reputed commercial banks.

b) Credit risk

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

The Company's exposure to credit risk is primarily in respect of bank balance and receivables. As at the balance sheet date, the Company'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 the Company 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.