Loyac Private Training and Consulting Company W.L.L.
State of Kuwait
Financial statements and independent auditor's report
for the year ended 31 December 2006

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

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The Partners
Loyac Private Training and Consulting Company W.L.L.
Kuwait

Independent auditor's report

Report on the financial statements

We have audited the accompanying financial statements of Loyac Private Training and Consulting Company W.L.L. ("the Company"), which comprise the balance sheet as at 31 December 2006, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements of the Company as at and for the year ended 31 December 2005 were audited by another auditor whose report dated 31 January 2006 expressed an unqualified opinion on those financial statements.

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 from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our 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, we consider 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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 2006, 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

We further report that we have obtained 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 and an inventory count was carried out in accordance with recognized procedures. We have not become aware of any contravention, during the year ended 31 December 2006, of the Kuwait Commercial Companies Law of 1960, as amended, or the Company's articles of association, that would materially affect the Company's activities or its financial position except as described in the statement of changes in equity.

Safi A. Al-Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Kuwait: 7 April 2007

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

Balance sheet
as at 31 December 2006

	Note	2006 KD	2005 KD
Assets			
Equipment	3	10,156	6,224
Total non-current assets		10,156	6,224
Cash and bank balances	4	95,794	122,744
Investment carried at fair value through profit or loss	5	73,918	-
Refundable deposits		258	345
Receivables		3,349	1,253
Prepaid expenses and other receivables	6	27,418	2,059
Inventories		760	-
Total current assets		201,497	126,401
Total assets		211,653	132,625
Liabilities			
Provision for employees' end of service indemnity		2,782	531
Total non-current liabilities		2,782	531
Accounts payable and accrued expenses	7	27,661	6,302
Total current liabilities		27,661	6,302
Total liabilities		30,443	6,833
Equity	8		
Share capital		10,000	10,000
Collected for capital increase		10,000	-
Statutory reserve		16,121	-
Voluntary reserve		16,121	-
Accumulated surplus		128,968	115,792
Total equity		181,210	125,792
Total liabilities and equity		211,653	132,625

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

FOR.

Shaikha Amal Al Sabah
Chairperson

Fareah Al Saqqaf
Vice Chairperson and Managing Director

Abeer Al-Essa
Treasurer

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

Statement of income
For the period from 1 January 2006 to 31 December 2006

	Note	2006 KD	2005 KD
Income			
Sponsorship fees from companies		206,202	170,500
Donation from individuals		5,000	-
Other income		17,538	11,645
Unrealised gain on investment carried at fair value through profit or loss		3,976	-
		232,716	182,145
Expenses			
Expenses for conducting students' training programs	9	62,903	50,222
General and administrative expenses	10	121,267	50,738
Depreciation	3	3,128	1,054
		187,298	102,014
Surplus of income over expenditure		45,418	80,131

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 period from 1 January 2006 to 31 December 2006

	Share capital KD	Collected for capital increase KD	Statutory reserve KD	Voluntary reserve KD	Accumulated Surplus KD	Total KD
Balance as 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
Transfer to reserve	-	-	-	-	-	-
Balance at 31 December 2005	10,000	-	-	-	115,792	125,792
Capital introduced (see note 8)	-	10,000	-	-	-	10,000
Surplus of income over expenditure	-	-	-	-	45,418	45,418
Transfer to reserve (see note below)		-	16,121	16,121	(32,242)	-
Balance at 31 December 2006	10,000	10,000	16,121	16,121	128,968	181,210

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

Note:

Since the incorporation of the Company, no transfers to statutory and voluntary reserves have been made. The transfer during the year represents the transfers for current and prior years. The comparative figures for 31 December 2005 were not restated.

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

Statement of cash flows
For the period from 1 January 2006 to 31 December 2006

	Note	2006 KD	2005 KD
Cash flows from operating activities			
Surplus of income over expenditure		45,418	80,131
Adjustments for:			
Depreciation		3,128	1,054
Provision for employees' end of service indemnity		2,251	87
Unrealised gain on investment carried at fair value though profit or loss		(3,976)	-
Operating surplus before working capital changes		46,821	81,272
Decrease /(increase) in refundable deposits		87	(245)
(Increase)/ decrease in receivables		(2,096)	373
Increase in inventories		(760)	-
Increase in prepaid expenses and other receivables		(25,359)	(2,059)
Increase in accounts payable and accrued expenses		21,359	3,040
Net cash from operating activities		40,052	82,381
Cash flows from investing activities			
Purchase of equipment		(7,060)	(3,213)
Purchase of investment carried at fair value through profit or loss		(69,942)	-
Net cash used in investing activities		(77,002)	(3,213)
Cash flows from financing activities			
Proceeds from capital increase		10,000	6,100
Net cash from financing activities		10,000	6,100
Net (decrease)/increase in cash and bank balances		(26,950)	85,268
Cash and bank balances at the beginning of the year		122,744	37,476
Cash and bank balances at end of the year	4	95,794	122,744

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

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 youth in Kuwait.

On 1 July 2004, the Company took over the youth related activities of Bayt Lothan Establishment for Art and Culture.

The Company is domiciled in Kuwait and its office is at Salmiya P.O.Box 386 Salmiya 22004, State of Kuwait. The total number of employees as at 31 December 2006 was 13 (2005:13).

The financial statements were authorized for issue by the management of the Company on 7 April 2007.

2. Significant accounting policies

a) Statement of compliance

The financial statements are prepared, in accordance with the International Financial Reporting Standards promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee of the IASB, the requirements of the Kuwaiti Commercial Companies Law of 1960, as amended, Ministerial order No. 18 of 1990 and the Company's articles of association.

b) Basis of preparation

The financial statements are presented in Kuwaiti Dinars, which is the functional currency of the Company and the presentation currency for the financial statements.

The financial statements are prepared on a fair value basis for financial assets held for trading. Other financial assets and liabilities are stated amortized or historical cost. The accounting policies have been consistently applied by Company and are consistent with those used in the previous year.

The preparation of these financial statements is in conformity with IFRS and requires management to make judgments, estimates and assumptions that may affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical expenses and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates underlying assumptions are reviewed on as on-going basis. Revision 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 period of the revision affects both current and future period.

c) Equipment

Equipment is carried at cost less accumulated depreciation and any impairment losses (refer to note 2(f)). Depreciation is calculated to write off the cost of equipment by equal installments over their estimated life of 3 to 5 years.

d) Accounts receivable

Receivables are stated at their cost less impairment losses (refers to note 2(f))

e) Investment at fair value though profit or loss

An instrument is classified as at fair value though profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decision based on their fair value. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value though profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Financial assets designated at fair value through profit or loss are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

f) Impairment

Equipment and accounts receivable 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.

Equipment

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.

Accounts receivable

The recoverable amounts of receivables is calculated on the total amount of expected collections The receivables are of a short duration and therefore the expected future cash collections are not discounted.

Impairment losses are recognized in the statement of income. If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write down or allowance is reversed through the statement of income.

g) Provision for employees' end of service indemnity

Provision is made for employees' end of service indemnity payable under the Kuwait Labour Law based on the employees' accumulated periods of service and the latest entitlements to 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.

h) 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.

i) Inventories

Inventories are stated at the lower of costs and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

j) Donated assets

Donated assets are recognized initially as deferred income when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the donations.

Donations that compensate the Company for expenses incurred are recognized in the statement of income on a systematic basis in the same periods in which the expenses are recognized. Donations that compensate the Company for cost of an asset are recognized in the statement of income on a systematic basis over the useful life of the asset.

k) Revenue recognition

Sponsorship fees and 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.

l) 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.

m) New standards and interpretations not yet adopted

A number of new standards and interpretations and amendments to standards are not yet effective for the year ended 31 December 2006. The changes have not yet been adopted in preparing the financial statements. These new standards and interpretations are not expected to have a significant impact on the financial statements.

3. Equipment

	Furniture and Fixtures KD	Office equipment KD	Computer and accessories KD	Total KD
Cost				
At 1 January 2006	2,879	3,687	1,953	8,519
Additions	857	1,773	4,430	7,060
At 31 December 2006	3,736	5,460	6,383	15,579
Accumulated Depreciation				
At 1 January 2006	752	906	637	2,295
Charge for the year	555	1,431	1,142	3,128
At 31 December 2006	1,307	2,337	1,779	5,423
Net Book Value				
31 December 2006	2,429	3,123	4,604	10,156
31 December 2005	2,127	2,781	1,316	6,224

4. Cash and bank balances

	2006 KD	2005 KD
Cash in hand	2,216	940
Bank balance	93,578	121,804
	95,794	122,744

5. Investment carried at fair value through profit or loss

During the year, the Company subscribed for 50,700 units in Idikar Savings Fund managed by Kuwait Financial Centre K.S.C. (Closed) and regulated by the Central Bank of Kuwait and the Ministry of Trade and Industry, State of Kuwait.

6. Prepaid expenses and other receivables

	2006 KD	2005 KD
Prepaid expenses	17,418	2,059
Amount due from sponsor	10,000	-
	27,418	2,059

Subsequent to the balance sheet date, the Company received KD 10,000 from the respective sponsor.

7. Accounts payable and accrued expenses

	2006 KD	2005 KD
Payable to staff, students and others	23,492	5,802
Accruals	750	500
Advances received from students	3,419	-
	27,661	6,302

8. Equity

a) Share capital

Share capital comprises of 100 authorized, issued and paid up shares of KD 100 each. During the year, the Company received an additional contribution of KD 10,000 from its partners towards the increase in share capital. The legal formalities in this respect are currently in progress.

b) Statutory reserve

In accordance with the Kuwait Commercial Companies' Law and the Company's articles of association, 10% of the profit for the year is required to be transferred to the statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in years when profit is not sufficient for the payment of such dividend.

c) Voluntary reserve

In accordance with the Company's articles of association, 10% of profit for the year, has been transferred to the voluntary reserve. Such transfers can be discontinued by a resolution from the partners in the annual general assembly meeting upon recommendation by the board of directors. There are no restrictions on the distribution of this reserve.

9. Expenses for conducting students' training programs

	2006 KD	2005 KD
February Program	1,600	7,098
WYSE Training Course	4,266	3,336
International Internship (work shadowing)	5,421	3,403
Summer Program and related committees	14,838	15,538
Drama Course	12,392	1,557
Athlete Sponsorship	-	537
Service is My Joy	-	1,166
Sports Activities	551	655
International Volunteer	595	595
English Language and Computer Training course	4,404	2,388
7 Habits Program	1,330	7,873
Part Time Program	30	572
Hotel and Management studies	8,040	5,504
AC Milan Soccer Rome	1,555	-
Media Scholar Ship	2,204	-
Marathon	2,213	-
K4K Project	74	-
ACK-Diploma Business Studies	3,390	-
	62,903	50,222

10. General and administrative expenses

	2006 KD	2005 KD
Rent	3,000	2,670
DSL line subscription	-	205
Office stationary	1,388	578
Bank charges	154	58
Salaries and wages	53,295	21,972
Overtime salaries	296	-
Telephone bills	4,040	1,297
Office and administrative expenses	2,193	1,563
Loyac annual meetings	-	942
Computer maintenance and networking	926	681
Photography and video shooting	1,393	-
Website maintenance contract	2,604	490
Computerization of accounts	-	350
Cost for Year Book	3,662	1,722
Members' compensation	16,000	10,500
Lawyer's fees	5,000	1,250
Social security charges	2,818	1,978
Compliments and prizes	2,602	975
Staff bonus	3,000	600
Audit fees	750	500
Staff service benefit	2,251	387
Advertising	3,962	2,020
Board members' training	11,933	-
	121,267	50,738

11. Related party transactions

Related parties comprise of partners and enterprises in which a substantial interest in the voting power is owned directly or indirectly by the partners or over which they are able to exercise significant influence.

Significant related party transactions during the year were as follows:

Members' compensation of KD 16,000 (2005: KD 10,500) paid to the board members of the Company for daily expenses incurred by them in the course of their duties.

12. 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 are 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 cash and bank balances.

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 balances 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) Market risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result in changes in market prices. Financial instruments, which potentially subject the Company to market risk, consist principally of investments at fair value through profit or loss. The Company manages this risk by monitoring market movements.

d) 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 are not materially different from their carrying values.

13. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.