

**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 2007**

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.
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 2007, and the statement of income, 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.

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 2007, 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 2007, 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.

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

Kuwait: 24 April 2008



Balance sheet

as at 31 December 2007

	Note	2007 KD	2006 KD
Assets			
Equipment	4	8,032	10,156
Total non-current assets		<u>8,032</u>	<u>10,156</u>
Cash and bank balances	5	109,878	95,794
Investment at fair value through profit or loss	6	78,818	73,918
Prepayments and other receivables	7	15,933	31,025
Inventories		744	760
Total current assets		<u>205,373</u>	<u>201,497</u>
Total assets		<u>213,405</u>	<u>211,653</u>
Liabilities			
Provision for employees' end of service indemnity		7,242	2,782
Total non-current liabilities		<u>7,242</u>	<u>2,782</u>
Accounts payable and accrued expenses	8	24,956	27,661
Total current liabilities		<u>24,956</u>	<u>27,661</u>
Total liabilities		<u>32,198</u>	<u>30,443</u>
Equity			
Share capital	9	10,000	10,000
Collected for capital increase		10,000	10,000
Statutory reserve		16,121	16,121
Voluntary reserve		16,121	16,121
Accumulated surplus		128,965	128,968
Total equity		<u>181,207</u>	<u>181,210</u>
Total liabilities and equity		<u>213,405</u>	<u>211,653</u>

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

Fareah Al Saqqaf
Vice Chairperson and
Managing Director

Abeer Al-Essa
Treasurer and Executive
Board Member

Fadia Al-Marzouq
Secretary of the Board and
Executive Board Member



Statement of income

for the period from 1 January 2007 to 31 December 2007

	Note	2007 KD	2006 KD
Income			
Sponsorship fees from companies		207,500	206,202
Donation from individuals		4,480	5,000
Income from conducting students' training programs and other activities	10	109,182	55,767
Unrealised gain on investment at fair value through profit or loss		4,900	3,976
		<u>326,062</u>	<u>270,945</u>
Expenses			
Expenses for conducting students' training programs and other activities	10	(170,880)	(101,132)
General and administrative expenses	11	(147,791)	(121,267)
Depreciation	4	(7,394)	(3,128)
		<u>(326,065)</u>	<u>(225,527)</u>
Surplus of (expenditure) / income over income / (expenditure) for the year		<u>(3)</u>	<u>45,418</u>

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

Statement of changes in equity
for the period from 1 January 2007 to 31 December 2007

	Share capital KD	Collected for capital increase KD	Statutory reserve KD	Voluntary reserve KD	Accumulated Surplus KD	Total KD
Balance as at 31 December 2005	10,000	-	-	-	115,792	125,792
Capital introduced	-	10,000	-	-	-	10,000
Surplus of income over expenditure for the year	-	-	-	-	45,418	45,418
Transfer to reserve	-	-	16,121	16,121	(32,242)	-
Balance at 31 December 2006	10,000	10,000	16,121	16,121	128,968	181,210
Expenditure over income for the year	-	-	-	-	(3)	(3)
Balance at 31 December 2007	10,000	10,000	16,121	16,121	128,965	181,207

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

Statement of cash flows

for the period from 1 January 2007 to 31 December 2007

	Note	2007 KD	2006 KD
Cash flows from operating activities			
Surplus of (expenditure) / income over income / (expenditure) for the year		(3)	45,418
<i>Adjustments for:</i>			
Depreciation		7,394	3,128
Provision for employees' end of service indemnity		4,460	2,251
Loss on sale of equipment		232	-
Unrealized gain on investment at fair value though profit or loss		(4,900)	(3,976)
<i>Operating surplus before working capital changes</i>		7,183	46,821
Decrease/ (increase) in prepayments and other receivables		5,092	(27,368)
Decrease/(increase) in inventories		16	(760)
(Decrease)/increase in accounts payable and accrued expenses		(2,705)	21,359
Net cash from operating activities		<u>9,586</u>	<u>40,052</u>
Cash flows from investing activities			
Proceeds from disposal of equipment		10	
Purchase of equipment		(5,512)	(7,060)
Purchase of an investment at fair value through profit or loss		-	(69,942)
Net cash used in investing activities		<u>(5,502)</u>	<u>(77,002)</u>
Cash flows from financing activities			
Proceeds from capital increase		-	10,000
Received from a sponsor		10,000	-
Net cash from financing activities		<u>10,000</u>	<u>10,000</u>
Net increase/ (decrease) in cash and bank balances		14,084	(26,950)
Cash and bank balances at the beginning of the year		95,794	122,744
Cash and bank balances at end of the year	5	<u>109,878</u>	<u>95,794</u>

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

Notes to the financial statements

for the period from 1 January 2007 to 31 December 2007

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 the 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 2007 was 18 (2006:13).

The financial statements were authorized for issue by the management of the Company on 24 April 2008.

2. Basis of presentation

a) Functional and presentation currency

The financial statements are presented in Kuwaiti Dinar which is the Company’s functional currency and the presentation currency for the financial statements.

b) Basis of measurement

The financial statements are prepared under the historical cost convention as modified by the revaluation of investments at fair value through profit or loss, which are stated at fair value.

c) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience 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 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.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in notes 3(d).

Notes to the financial statements
for the period from 1 January 2007 to 31 December 2007

3. Significant accounting policies

The accounting policies have been consistently applied and are consistent with those used in the previous year. The Company has adopted IFRS 7 Financial Instruments: Disclosures and the amendment to International Accounting Standard (IAS) 1 – Capital disclosures. As a result additional disclosures are made that will enable users to evaluate:

- (i) The significance of financial instruments for the Company's financial position and performance;
- (ii) The nature and extent of risks arising from financial instruments to which the Company is exposed during the year and at the reporting date, and how the Company manages those risks; and
- (iii) The Company's objectives, policies and processes for managing capital.

a) Equipment

Equipment is carried at cost less accumulated depreciation and impairment losses (refer note 3(d)). Depreciation is calculated to write off the cost of fixed assets by equal installments over their estimated useful lives at the following annual rates:

Furniture and fittings	20%
Office equipment	33%
Computers and accessories	33%

b) Receivables

Receivables are stated at their cost less impairment losses (refers to note 3(d)).

c) Investment at fair value through profit or loss

Investments at fair value through profit or loss are those that the Company principally holds for the purpose of short-term profit taking.

Investments at fair value through profit or loss are measured initially at fair value (transaction price). Transaction costs on investments at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, all investments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognized in the statement of income.

Investments in unlisted open-ended investment funds are recorded at the net asset value per unit as reported by administrators of such funds.

Financial investments are recognized/ derecognised by the Company on the date it commits to purchase/ sell the investments.

Notes to the financial statements
for the period from 1 January 2007 to 31 December 2007

d) Impairment

Equipment and receivables 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.

Receivables

The recoverable amounts of receivables are 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.

e) Provision for employees' end of service indemnity

Kuwaiti employees

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's share of contributions to this scheme, which is a defined contribution scheme under International Accounting Standard (IAS) 19 – Employee Benefits are charged to income in the year to which they relate.

Expatriate employees

Expatriate employees are entitled to an end of service indemnity payable under the Kuwait Labor Law and the Company's by-laws based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. Provision for this unfunded commitment which represents a defined benefit plan under International Accounting Standard (IAS) 19 – Employee Benefits, has been made by calculating the notional liability had all employees left at the balance sheet date.



Notes to the financial statements

for the period from 1 January 2007 to 31 December 2007

f) 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.

g) 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.

h) 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.

i) Revenue recognition

Sponsorship fees, donations, training program and other activities' fees 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.

j) Expenses

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

Notes to the financial statements
for the period from 1 January 2007 to 31 December 2007

k) New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- | | |
|---|---|
| • IAS 23 (Revised) <i>Borrowing Costs</i> | Effective for annual periods beginning on or after 1 January 2009 |
| • IFRS 8 <i>Operating Segments</i> | Effective for annual periods beginning on or after 1 January 2009 |
| • IFRIC 11 IFRS 2: <i>Group and Treasury Share Transactions</i> | Effective for annual periods beginning on or after 1 March 2007 |
| • IFRIC 12 <i>Service Concession Arrangements</i> | Effective for annual periods beginning on or after 1 January 2008 |
| • IFRIC 13 <i>Customer Loyalty Programmes</i> | Effective for annual periods beginning on or after 1 July 2008 |
| • IFRIC 14 IAS 19 – <i>The Limit on a Defined Benefit Asset. Minimum Funding Requirements and their Interaction</i> | Effective for annual periods beginning on or after 1 January 2008 |
| • Revised IFRS 3 <i>Business Combinations</i> | Effective for annual periods beginning on or after 1 July 2009 |
| • Revised IAS 27 <i>Consolidated and Separate Financial Statements</i> | Effective for annual periods beginning on or after 1 July 2009 |
| • Amendment to IFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i> | Effective for annual periods beginning on or after 1 January 2009 |
| • Revised IAS 14 <i>Segment Reporting</i> | Effective for annual periods beginning on or after 1 January 2009 |
| • Amendment to IAS 32 <i>Financial Instruments : Presentation</i> | Effective for annual periods beginning on or after 1 January 2009 |
| • Amendment to IAS 1 <i>Presentation of Financial Statements</i> | Effective for annual periods beginning on or after 1 January 2009 |

The management anticipate that the adoption of these Standards and Interpretations once they become effective will have no material financial impact on the financial statements of the Company in the period of initial application.

Notes to the financial statements
for the period from 1 January 2007 to 31 December 2007

4. Equipment

	Furniture and Fixtures KD	Office equipment KD	Computer and accessories KD	Total KD
Cost				
At 1 January 2007	3,736	5,460	6,383	15,579
Additions	446	2,243	2,823	5,512
Disposals	-	(375)	-	(375)
At 31 December 2007	<u>4,182</u>	<u>7,328</u>	<u>9,206</u>	<u>20,716</u>
Accumulated Depreciation				
At 1 January 2007	1,307	2,337	1,779	5,423
Charge for the year	1,612	2,462	3,320	7,394
Disposals	-	(133)	-	(133)
At 31 December 2007	<u>2,919</u>	<u>4,666</u>	<u>5,099</u>	<u>12,684</u>
Carrying amount				
31 December 2007	<u>1,263</u>	<u>2,662</u>	<u>4,107</u>	<u>8,032</u>
31 December 2006	<u>2,429</u>	<u>3,123</u>	<u>4,604</u>	<u>10,156</u>

5. Cash and bank balances

	2007 KD	2006 KD
Cash in hand	1,016	2,216
Bank balance	108,862	93,578
	<u>109,878</u>	<u>95,794</u>

6. Investment at fair value through profit or loss

The amount represents the Company's investment in 50,700 units in Idikhar Saving 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.

7. Prepayments and other receivables

	2007 KD	2006 KD
Prepaid expenses	8,539	17,418
Refundable deposits	2,300	258
Amount due from sponsor	-	10,000
Others	5,094	3,349
	<u>15,933</u>	<u>31,025</u>



Notes to the financial statements
for the period from 1 January 2007 to 31 December 2007

8. Accounts payable and accrued expenses

	2007 KD	2006 KD
Payable to staff, students and others	23,091	23,492
Accruals	750	750
Advances received from students	1,115	3,419
	<u>24,956</u>	<u>27,661</u>

9. Equity

a) Share capital

Share capital comprises of 100 authorized, issued and paid up shares of KD 100 each. During the year ended 31 December 2006, 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 still 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.

Notes to the financial statements
for the period from 1 January 2007 to 31 December 2007

10. Students' training programs and other activities

	2007		2006	
	Income KD	Expenses KD	Income KD	Expenses KD
▪ February Programs (Poetry- Artizana-Music-Sports)	255	(3,742)	152	(1,752)
▪ WYSE Personal and Psychological Growth Program	-	(795)	-	(4,265)
▪ International Internship Program	-	(6,844)	-	(5,421)
▪ Summer Program	12,083	(14,286)	8,298	(14,838)
▪ LAPA (LoYAC Academy for Performing Art)	-	(9,351)	200	(12,592)
▪ Mobile Theatrical Show "Simurgh"	37,512	(51,060)	-	-
▪ "Service is my Joy" Program	1,135	(973)	510	(230)
▪ Sports Day Activities	150	(1,784)	100	(650)
▪ The International Volunteering Program	-	(5,957)	-	(595)
▪ Continuous Development Program	2,080	(4,240)	1,840	(6,244)
▪ The "7 Habits of Highly Effective Teens" Programme	4,021	(5,307)	2,800	(4,130)
▪ Part-Time Program	1,540	(3,178)	1,738	(1,768)
▪ Hotel Management Scholarship Program	-	(7,349)	-	(8,040)
▪ ACK Diploma - Business Studies	3,390	(3,390)	6,780	(3,390)
▪ LoYAC - Jordan	-	(557)	-	-
▪ LoYAC - Book Club	-	(210)	-	-
▪ LoYAC - Football Team	-	(1,910)	-	-
▪ Media committees	-	(2,173)	-	-
▪ Media Camp - Jordan	-	(6,990)	-	-
▪ Loyac magazine	-	(2,660)	-	-
▪ AC Milan Junior Camp - Summer	42,354	(33,368)	24,093	(21,914)
▪ AC Milan Junior Camp - Spring	-	(923)	8,640	(10,195)
▪ Junior Summer Camp - Sharm El Sheikh	-	(992)	-	-
▪ Art course in Bayt Lothan	-	(85)	-	-
▪ Creative workshop	200	(200)	-	-
▪ General LoYAC Programs	905	(2,217)	-	-
▪ Media Scholarship - AUK	250	-	-	(2,204)
▪ Marathon	-	-	-	(2,213)
▪ Kuwait for Kenya Project "K4K"	3,307	(339)	616	(691)
	<u>109,182</u>	<u>(170,880)</u>	<u>55,767</u>	<u>(101,132)</u>



Notes to the financial statements
for the period from 1 January 2007 to 31 December 2007

11. General and administrative expenses

	2007	2006
	KD	KD
Rent of office	3,000	3,000
Rent of Drama House	4,000	-
Renovation of Drama House	11,781	-
Staff costs	86,357	61,660
Professional fees	7,583	5,750
Maintenance	3,940	3,530
Members' compensation	-	16,000
Gifts	2,190	2,602
Telephone bills	6,117	4,040
Photography and Video shooting	1,190	1,393
Cost of yearbook	600	3,662
Training for members and staff	7,868	11,933
Advertisement	6,749	3,962
Miscellaneous expenses	6,416	3,735
	147,791	121,267

12. 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 NIL (2006: KD 16,000) paid to the board members of the Company for daily expenses incurred by them in the course of their duties.

13. Financial instruments

The Company has primary exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of its capital.

The Managing Director has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.



Notes to the financial statements
for the period from 1 January 2007 to 31 December 2007

The Company in the normal course of business uses various types of financial instruments.

a) Credit risk

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

The Company's exposure to credit risk is primarily in respect of prepayments and other receivables, cash and bank balances and investment at fair value through profit or loss. 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.

The maximum exposure to credit risk as at the balance sheet date was:

	31 December 2007	31 December 2006
	KD	KD
Cash and bank balances	109,878	95,794
Investment at fair value through profit or loss	78,818	73,918
Prepayments and other receivables	15,933	31,025
	<u>204,629</u>	<u>200,737</u>

As at the balance sheet date, there were no past due or impaired assets and there is no collateral coverage.

b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

Equity risk

Equity price risk is the risk that the value of an instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market.

The Company's exposed to equity risk with respect to its investment at fair value through profit or loss. The investment is susceptible to market price risk arising from uncertainties about future prices of the instrument.

The Company manages such risk through a careful selection of investments with specified limits.

A 5% percent change in equity prices at the reporting date, with all other variables held constant, would have increased or decreased the profit by KD 3,940 (2006: KD 3,696). The analysis is performed on the same basis for 2006.



Notes to the financial statements
for the period from 1 January 2007 to 31 December 2007

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments.

At the reporting date, the Company's does not hold interest-bearing assets or liabilities. Therefore it is not exposed to interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the value of the financial instrument will fluctuate due to changes in foreign exchange rates.

The Company does not hold assets and liabilities denominated in currencies other than the Kuwaiti Dinar, the functional currency. Therefore, it is not exposed to foreign currency risk.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity to ensure as far as possible, it will always have sufficient liquidity to meet its liabilities when due. Further, it maintains banking facilities and reserve borrowing facilities. It continuously monitors forecast and actual cash flows to match the maturity profile of financial assets and liabilities.

Notes to the financial statements
for the period from 1 January 2007 to 31 December 2007

Liquidity Risk - Contractual Maturities of Cash Flows

The following are the contractual maturities of financial liabilities at the balance sheet date.

31 December 2007	Carrying amount KD	Contractual cash flows KD	6 month or less KD	6 to 12 months KD	1 to 2 years KD	2 to 5 years KD	More than 5 years KD
Provisions for employees' end of service indemnity	7,242	7,242	167	676	3,153	1,571	1,674
Accounts payable and accrued expenses	24,956	24,956	15,988	2,778	6,190	-	-



Notes to the financial statements

for the period from 1 January 2007 to 31 December 2007

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.

The estimated fair value of financial assets and liabilities that are not carried at fair value, (prepayments and other receivables, bank balances, accounts payable and accrued expenses) at the balance sheet date are not materially different from their carrying values.

e) Capital management

The management's policy is to maintain a strong capital base to sustain future development of the organisation. The management monitors the income from sponsorship fees, donations, training program and other activities' fees through operating cash flow management. The management seeks to maintain a balance between the funding received from sponsors and the expenses incurred on training programs and other activities to achieve a sound capital position.

14. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation. Such reclassification has not affected the previously reported profit or equity.