LoYAC Private Training and Consulting Company W.L.L.
(Not-For-Profit Organization)
State of Kuwait

LoYAC

Financial statements and independent auditors' report for the year ended 31 December 2008

LoYAC Private Training and Consulting Company W.L.L.
(Not-For-Profit Organization)
State of Kuwait

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KPMG

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Independent auditors' report

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

Report on the financial statements

We have audited the accompanying financial statements of LoYAC Private Training and Consulting Company W.L.L. ("LoYAC"), which comprise the statement of financial position as at 31 December 2008, and the statements of income and activities, changes in partners' equity and net assets 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 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 LoYAC as at 31 December 2008, 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 LoYAC's articles of association. In our opinion, proper books of account have been kept by LoYAC 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 2008, of the Kuwait Commercial Companies Law of 1960, as amended, or LoYAC's articles of association, that would materially affect LoYAC'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: 20 April 2009

LoYAC Private Training and Consulting Company W.L.L.
(Not-for-Profit Organisation)
State of Kuwait

Statement of financial position
as at 31 December 2008

	Note	2008 KD	2007 KD
ASSETS			
Current assets			
Cash and cash equivalents	*5*	257,217	188,696
Prepayments and other receivables	*6*	6,977	15,933
Contribution receivable	*7*	100,000	-
Inventories		2,804	744
Total current assets		366,998	205,373
Non-current assets			
Property and equipment	*8*	9,717	8,032
Total non-current assets		9,717	8,032
Total assets		376,715	213,405
LIABILITIES AND PARTNERS' EQUITY AND NET ASSETS			
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	*9*	26,336	24,956
Deferred contributions	*10*	158,525	(3)
Total current liabilities		184,861	24,953
Non-current liabilities			
Provision for employees' end of service benefits	*11*	10,644	7,242
Total non-current liabilities		10,644	7,242
Total liabilities		195,505	32,195
Partners' equity and net assets	*12*		
Share capital		10,000	10,000
Collected for capital increase		10,000	10,000
Statutory reserve		16,121	16,121
Voluntary reserve		16,121	16,121
Retained net assets		128,968	128,968
Total partners' equity and net assets		181,210	181,210
Total liabilities and partners' equity and net assets		376,715	213,405

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

Fareah Al-Saqqaf	Abeer Al-Essa	Fadia Al-Marzooq
Vice Chairperson and Managing Director	*Treasurer and Executive Board Member*	*Secretary of the Board and Executive Board Member*

LoYAC Private Training and Consulting Company W.L.L.
(Not-for-Profit Organisation)
State of Kuwait

Statement of income and activities
for the year ended 31 December 2008

	2008 KD	2007 KD
Operating and support revenues (note 14)		
Contributions		
Corporate	304,110	207,500
Services and materials	105,793	4,480
Projects and programs		
Students' training programs	218,810	109,182
Other revenues	12,473	4,900
Total operating and support revenues	641,186	326,062
Operating expenditure		
Projects and programs (note 15)		
Students' training programs	(252,922)	(170,880)
Supporting services (note 16)		
Management and general	(229,736)	(155,185)
Total operating expenditure	(482,658)	(326,065)
Results of operations for the year	158,528	(3)
Deferred contributions (note 10)	(158,528)	3
Net assets surplus/ (deficit)	-	-

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

LoYAC Private Training and Consulting Company W.L.L.
(Not-for-Profit Organisation)
State of Kuwait

LOYAC

Statement of changes in partners' equity and net assets
for the year ended 31 December 2008

	Share capital KD	Collected for capital increase KD	Statutory reserve KD	Voluntary reserve KD	Retained net assets KD	Total KD
Balance as at 31 December 2006	10,000	10,000	16,121	16,121	128,968	181,210
Net assets surplus (deficit)	-	-	-		-	-
Balance as at 31 December 2007	10,000	10,000	16,121	16,121	128,968	181,210
Net assets surplus (deficit)	-	-	-	-	-	-
Balance as at 31 December 2008	10,000	10,000	16,121	16,121	128,968	181,210

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

Statement of cash flows
for the year ended 31 December 2008

	Note	2008 KD	2007 KD
Cash flows from operating activities:			
Results of operations for the year		158,528	(3)
Adjustments for:			
Depreciation	*8*	5,400	7,394
Provision for employees' end of service indemnity	*11*	4,268	4,460
(Gain)/ loss on sale of equipment		(35)	232
Deferred contributions for the year		(158,528)	3
		9,633	12,086
Decrease in prepayments and other receivables		8,956	5,092
(Increase)/ decrease in inventories		(2,060)	16
Increase in contribution receivable		(100,000)	10,000
Increase/ (decrease) in accounts payable and accrued expenses		1,380	(2,705)
Increase / (decrease) in deferred contributions		158,528	(3)
Cash from operations		76,437	24,486
Payments towards employees' end of service indemnity		(866)	-
Net cash from operating activities		75,571	24,486
Cash flows from investing activities:			
Proceeds from disposal of equipment		82	10
Purchase of property and equipment		(7,132)	(5,512)
Net cash used in investing activities		(7,050)	(5,502)
Net increase in cash and cash equivalents		68,521	18,984
Cash and cash equivalents at the beginning of the year		188,696	169,712
Cash and cash equivalents at end of the year	*5*	257,217	188,696

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

1. Status and activities

LoYAC Private Training and Consulting Company W.L.L. ("LoYAC") is a limited liability company that was established in the State of Kuwait on 25 May 2004. LoYAC is a non-profit organization working towards the overall development of the youth.

On 1 July 2004, Lothan Youth Achievement Center ("LoYAC") took over the youth related activities of Bayt Lothan Establishment for Art and Culture.

LoYAC 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 2008 was 20 (2007:18).

The financial statements were authorized for issue by the partners of LoYAC on 20 April 2009.

2. Basis of presentation

a) Statement of compliance

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

b) Functional and presentation currency

The financial statements are presented in Kuwaiti Dinars ("KD") which is LoYAC's functional currency and the presentation currency for the financial statements.

c) Basis of measurement

The financial statements are prepared under the accrual basis on amortized or historical cost basis.

The statement of income is a statement of financial activities related to the current period, it is not a performance measure and it does not purport to present the net income or loss for the period as would a statement of income for a business enterprise.

Net assets, expenses, revenues, gains and losses are classified based on the existence or absence of sponsor imposed restrictions. Accordingly, the net assets, revenues and expenses of LoYAC and changes therein are classified and reported in the notes to the financial statements as follows:

Unrestricted net assets - Net assets that are not subject to any sponsor imposed stipulations that may be designated by the board of directors for any program activities or purchase of equipment.

Temporarily restricted net assets - Net assets subject to sponsor imposed restrictions on their use that may be met either by actions of LoYAC or the passage of time.

Permanently restricted net assets - Net assets subject to sponsor imposed or other legal restrictions requiring that the principal be maintained permanently by LoYAC. Generally, the sponsors permit LoYAC to use all or part of the assets and for either general or sponsor specified purpose.

d) 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 note 4.

3. Significant accounting policies

The accounting policies have been consistently applied and are consistent with those used in the previous year.

a) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, short-term deposits and investments in money market instruments with original maturities of three months or less. The carrying amounts of the money market instruments approximate its fair value at the balance sheet date due to the short term maturity of those instruments. For the purpose of the statement of cash flows, cash equivalents are short term liquid instruments that are both:

- Readily convertible to known amounts of cash
- So near to their maturity that they present insignificant risk of changes in value because of changes in interest rates.

b) Property and equipment

Property and equipment are carried at cost less accumulated depreciation and impairment losses (note 3 (d)). Depreciation is calculated using the straight line method over the estimated useful lives of each part of an item of property and equipment and is charged to the statement of income.

The estimated useful lives of property and equipment are as follows:

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

c) Receivables

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

d) Impairment

Property and equipment and receivables are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Property and 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.

Prepayments and other receivables

The recoverable amounts of prepayments and other 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. LoYAC'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 LoYAC'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 reporting date.

f) Other provisions

A provision is recognized in the statement of financial position 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.

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 of supplies purchased for use in programs and supporting services 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) Deferred contributions

Deferred contributions represent the balance of the excess of support and contributions received/ receivable, over expenditures incurred in the fiscal year on temporarily restricted/ unrestricted programs/ contributions net assets to be utilized towards the related programs/ activities during the next fiscal year.

i) Revenue recognition

i. Contributions and donations

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been substantially met. Contributions are considered to be unrestricted unless specifically restricted by the sponsor.

LoYAC classifies contributions as temporarily or permanently restricted net assets if they are received with sponsor stipulations as to their use. When a sponsor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released and reclassified as unrestricted net assets in the statement of income and activities. Sponsor restricted contributions are initially recognized as temporarily restricted net assets, even if it is anticipated that such restrictions will be met in the current reporting period.

Products and services revenue, which arises principally from corporate contributions, individual contributions, contributed services and student training programs is recognized upon delivery of the product or service to the customer.

ii. Contributed services and donated materials

Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance non financial assets or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation. Contributed services are accounted for as income and expenses when received.

Donated materials are stated at their fair value at the date of receipt and are accounted for as income and expenses at the equivalent amount when received.

iii. Margin investment income

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

j) Expenditures

Expenditures are recognized on an accrual basis. Expenditures for conducting key programs comprise of fees paid to the program's sponsor and other related expenditures incurred, and are accounted for program wise.

k) New standards and interpretations

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these financial statements:

- Revised IAS 1 *Presentation of Financial Statements* introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the statement of income and all non-owner changes in equity in a single statement), or in the statement of income and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Company's 2009 financial statements, is expected to have a significant impact on the presentation of the financial statements.

- The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2009 financial statements. The Company does not expect these amendments to have any significant impact on the financial statements.

The following standards and interpretations are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Company's operations:

- IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged items,* effective for financial periods beginning on or after 1 July 2009
- IFRS 8 *Operating Segments,* effective 1 January 2009
- Revised IAS 23 *Borrowing Costs*, effective 1 January 2009
- Amendments to IAS 32 and IAS 1 *Presentation of financial statements – Puttable financial instruments,* effective 1 January 2009
- Amendment to IFRS 2 *Share-based Payment – Vesting Conditions,* effective 1 January 2009
- Revised IFRS 3 *Business Combinations,* effective 1 July 2009
- IFRIC 15 *Agreement for the construction of Real Estate,* effective 1 January 2009
- IFRIC 16 *Hedges of Net investment in a foreign operation*, effective for financial year beginning on or after 1 October 2008.

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

4. Use of estimates and judgments

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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.

Useful life of property and equipments

The cost of property and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes. The management has not considered any residual value as it is deemed to be immaterial.

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Determining fair values

i. Financial instruments

The fair value is determined based on the quoted bid price at the reporting date. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

ii. Contributed services and materials

The fair value of contributed services and donated materials is based on what LoYAC would have paid for similar services/ materials had they not been contributed/ donated and is determined based on the assumptions that the market participants would use in pricing the contributed service/ material. Market participant assumption, includes assumptions about the effect of the restriction in pricing the contributed service/ material. The restrictions that are an attribute of a contributed service/ material, and therefore would transfer to a market participant are the only restriction reflected in the fair value. Donor restrictions that are specific to the donee are reflected in the classification of net assets, not in the measurement of fair value.

5. Cash and cash equivalents

	2008 KD	2007 KD
Cash in hand	1,609	1,016
Bank balances	154,599	108,862
Money market funds	101,009	78,818
	257,217	188,696

Throughout the year, money market funds is marked-to-market on a monthly basis. The objective of this Fund is to generate income while protecting the principal value. For the year ended 31 December 2008, the approximate pay out rate was 4.41 % determined based on the year's historical average (2007: 6.22 %).

6. Prepayments and other receivables

	2008 KD	2007 KD
Prepaid expenses	3,726	8,539
Refundable deposits	300	2,300
Others	2,951	5,094
	6,977	15,933

7. Contribution receivable

This represents a contribution receivable from Dow Chemicals IMEA GmBH. Subsequent to the balance sheet date, LoYAC collected the full amount from the sponsor.

8. Property and equipment

	Furniture and fittings KD	Office equipment KD	Computers and accessories KD	Total KD
Cost				
At 1 January 2008	4,182	7,328	9,206	20,716
Additions	305	2,388	4,439	7,132
Disposals	-	(186)	-	(186)
At 31 December 2008	4,487	9,530	13,645	27,662
Accumulated Depreciation				
At 1 January 2008	2,919	4,666	5,099	12,684
Charge for the year	473	1,628	3,299	5,400
Disposals	-	(139)	-	(139)
At 31 December 2008	3,392	6,155	8,398	17,945
Carrying amount				
At 31 December 2008	1,095	3,375	5,247	9,717

	Furniture and fittings	Office equipment	Computers and accessories	Total
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	4,182	7,328	9,206	20,716
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	2,919	4,666	5,099	12,684
Carrying amount				
At 31 December 2007	1,263	2,662	4,107	8,032

9. Accounts payable and accrued expenses

	2008 KD	2007 KD
Payable to staff, students and others	13,464	23,091
Retentions from students	5,360	-
Advances received from students	2,550	1,115
Accruals and other payables	4,962	750
	26,336	24,956

10. Deferred contributions

Deferred contributions on programs and activities as at 31 December 2008 were as follows:

	2008 KD	2007 KD
Temporarily restricted	47,531	-
Unrestricted	110,994	(3)
Surplus/ (deficit)	158,525	(3)

The movement in deferred contributions is as follows:

	2008 KD	2007 KD
Opening balance	(3)	-
Transferred during the year	158,528	(3)
	158,525	(3)

11. Provision for employees' end of service benefits

	2008 KD	2007 KD
Opening balance	7,242	2,782
Charges for the year	4,268	4,460
Payments during the year	(866)	-
	10,644	7,242

12. Partners' equity and net assets

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, LoYAC 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. The shareholding between the partners as at 31 December 2008 is allocated as follows:

Partner	Number of shares	Amount KD
Sheikha Amal Al-Sabah	14	1,400
Fareah Al-Saqqaf	15	1,500
Abeer Al-Essa	15	1,500
Mona Al-Kalouti	14	1,400
Nadia Al-Marzouq	14	1,400
Fadia Al-Marzooq	14	1,400
Fetouh Al-Dalali	14	1,400
	100	10,000

b) Voluntary reserve

In accordance with LoYAC'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.

c) Statutory reserve

In accordance with the Kuwait Commercial Companies' Law and LoYAC's articles of association, 10% of the profit for the year is required to be transferred to the statutory reserve. LoYAC 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.

d) Classification of net assets

Unrestricted net assets represent the following at 31 December:

	2008 KD	**2007 KD**
Designated for the following purposes:		
Share capital	10,000	10,000
Collected for capital increase	10,000	10,000
Voluntary reserve	16,121	16,121
	36,121	36,121
Undesignated for programs / activities	239,962	128,968
Total unrestricted net assets	276,083	165,089

Temporarily restricted net assets represent the following at 31 December:

	2008 KD	**2007 KD**
Designated for the following programs / activities:		
Kuwait for Kenya Project (K4K)	6,817	-
AC Milan Junior Camp - Kuwait	8,894	-
AC Milan Junior Camp - Italy	10,497	-
F 1 Competitions	3,812	-
Drama Club (LAPA)	8,084	-
English Language Course - AUK	8,793	-
LoYAC Community Services	594	-
LoYAC Events (Poetry-Artizana-Music-Sports)	22	-
Global Entrepreneurship Program	18	-
Total temporarily restricted net assets	47,531	-

Permanently restricted net assets represent the following at 31 December:

	2008 KD	2007 KD
Statutory reserve	16,121	16,121
Total permanently restricted net assets	16,121	16,121

13. Analysis of net assets

Net assets as at 31 December 2008 were as follows:

	2008 KD	2007 KD
Unrestricted net assets	276,083	165,086
Temporarily restricted net assets	47,531	-
Permanently restricted net assets	16,121	16,121
	339,735	181,207

The movement in net assets during the year ended 31 December 2008 is as follows:

	Unrestricted KD	Temporarily restricted KD	Permanently restricted KD	2008 Total KD	2007 Total KD
Unrestricted net assets					
Unrestricted operating and support revenues	593,655	-	-	593,655	326,062
Unrestricted operating expenditure	(482,658)	-	-	(482,658)	(326,065)
Restricted net assets					
Restricted operating and support revenues:					
- gains from operating activities	-	47,531	-	47,531	-
Change in net assets	110,997	47,531	-	158,528	(3)
Net assets at the beginning of the year	165,086	-	16,121	181,207	181,210
Net assets at the end of the year	276,083	47,531	16,121	339,735	181,207

During the year, unrestricted and temporarily restricted net assets amounted to KD 110,994 (2007: KD 3) and KD 47,531 (2007: Nil), respectively, were recognized as deferred contributions (see note 10).

14. Operating and support revenues

	Unrestricted KD	Temporarily restricted KD	2008 Total KD	2007 Total KD
Contributions				
Corporate contributions	304,110	-	304,110	207,500
Services and materials				
Contributed services of board members	88,800	-	88,800	4,480
Contributed use of printing press	4,953	-	4,953	-
Contributed use of media and other facilities	6,760	-	6,760	-
Contributed air fare	2,280	-	2,280	-
Voluntary services	3,000	-	3,000	-
	105,793	-	105,793	4,480
Projects and programs				
The "7 Habits of Highly Effective Teens" Program	705	-	705	4,021
Kuwait for Kenya Project (K4K)	8,340	6,817	15,157	3,307
Business Management Course - ACK	2,670	-	2,670	3,390
AC Milan Junior Camp – Kuwait	18,845	8,894	27,739	42,354
AC Milan Junior Camp - Italy	24,703	10,497	35,200	-
F 1 Competitions	16,188	3,812	20,000	-
English Language Course - British Council	3,500	-	3,500	2,080
English Language Course – AUK	4,726	8,793	13,519	-
LoYAC Events (Poetry-Artizana-Music-Sports)	489	22	511	605
Part – time Program	1,690	-	1,690	1,540
Summer Program	5,732	-	5,732	12,083
Drama Club (LAPA)	82,388	8,084	90,472	37,512
"Service is my Joy" Program	112	-	112	1,135
LoYAC Community Services	219	594	813	-
Global Entrepreneurship Program	972	18	990	-
Other Programs and Activities	-	-	-	1,155
	171,279	47,531	218,810	109,182
Other revenues	12,473	-	12,473	4,900
	593,655	47,531	641,186	326,062

15. Operating expenditure – projects and programs

	Salaries KD	Student training KD	Travel and housing KD	Contributed services KD	Media KD	Printing and supplies KD	Contractual services KD	International relief services KD	Others KD	2008 Total KD	2007 Total KD
Drama Programs											
Drama Shows	-	1,869	12,341	7,265	1,403	4,234	8,287	2	2,686	38,087	60,411
Drama Club (LAPA)	18,579	3,881	2,606	25	1,793	4,366	12,781	-	270	44,301	-
AC Milan Junior Camp –Italy	900	15,083	7,998	65	531	20	-	-	107	24,704	33,368
Summer Programs	6,046	2,683	-	3,513	7,927	1,803	-	-	1,587	23,559	21,979
AC Milan Junior Camp – Kuwait	5,223	5,198	2,076	-	40	6,242	-	-	67	18,846	923
Formula 1 Competitions	3,126	852	10,644	-	-	1,567	-	-	-	16,189	-
LoYAC Events (Poetry-Artizana-Music-Sports)	8,300	-	-	375	798	35	-	-	2,094	11,602	7,634
English Language Courses	3,600	9,504	-	600	783	-	-	-	-	14,487	4,240
The "7 Habits of Highly Effective -Teens, College, People " Programs	-	5,403	1,092	3,570	584	140	-	-	-	10,789	5,307
International Internship Programs	-	-	9,049	-	1,080	-	-	-	3	10,132	5,336
Kuwait for Kenya Project (K4K)	-	-	1,855	175	366	93	-	5,003	848	8,340	339
Statistic and Research Program	-	-	-	-	-	-	6,500	-	-	6,500	-
Hotel Management Scholarship Course Program	-	4,506	783	-	-	-	-	-	-	5,289	7,349
Part–Time Program	2,980	-	-	-	1,199	118	-	-	150	4,447	3,178
Mass Communication	-	3,265	-	-	-	-	-	-	-	3,265	-
Business Management Course – ACK	-	2,740	-	-	-	200	-	-	-	2,940	3,390
International Volunteer Programs	-	-	2,865							2,865	5,957
WYSE Personal and Psychological Program	-	860	1,000	-	-	-	-	-	-	1,860	795
"We Care" fare	-	-	822	-	-	40	-	-	157	1,019	-
Global Entrepreneurship program	-	968	-	-	-	-	-	-	4	972	1,509
LoYAC Ambassadors Network "LAN"	616	-	-	-	-	-	-	-	-	616	-
LoYAC Book Club	490	-	-	65	37	6	-	-	-	598	210
LoYAC Summer Camps (Challenger Camp - Jordan and Cuisine Camp - Italy)	-	-	-	180	223	13				416	-
AC Milan Project	-	-	336	-	-	18	-	-	-	354	992
Media Camp	-	-	274	-	-	-	-	-	-	274	6,990
"Service is my Joy" Program	-	-	-	110	23	-	-	-	121	254	973
LoYAC Community Services	-	-	-	-	-	21	-	-	196	217	-
	49,860	56,812	53,741	15,943	16,787	18,916	27,568	5,005	8,290	252,922	170,880

15. Operating expenditure – projects and programs (continued)

Operating expenditures – products and services includes contributed services of board members amounting to KD 16,800.

16. Operating expenditure - supporting services

	2008 KD	2007 KD
Office rent	8,985	3,000
Employee benefits	91,746	86,357
Contributed services by board members	72,000	-
Members' compensation	14,000	-
Professional fees	8,417	7,583
Staff training	-	7,868
Board members' training	3,837	-
Printing and office stationary	4,206	3,501
Communication costs	7,627	6,117
Office and administrative expenses	1,906	2,839
Advertisement and design	3,727	6,749
Renovation cost of Drama House	-	11,781
Drama House rent	-	4,000
Maintenance costs	3,718	3,940
Loss on sale of equipment	-	232
Depreciation	5,400	7,394
Others	4,167	3,824
	229,736	155,185

The contributed services by board members have been proportionately allocated to operating expenditures – supporting services and operating expenditures - products and services amounting to KD 72,000 and KD 16,800, respectively based on their time consumed in those activities.

17. 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 contributed services amounting to KD 88,800 during the year.

Members' compensation of KD 14,000 (2007: Nil) paid to the board members of LoYAC for daily expenses incurred by them in the course of their duties.

18. Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

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

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

LoYAC's risk management policies are established to identify and analyze the risks faced by LoYAC, 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 LoYAC's activities. LoYAC, 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.

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

a) Credit risk

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

LoYAC's exposure to credit risk is primarily in respect of prepayments and other receivables, cash and cash and cash equivalents and contribution receivable. As at the reporting date, LoYAC's maximum exposure to credit risk is equal to the carrying amount of the above assets disclosed in the statement of financial position.

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

	2008 KD	2007 KD
Cash and cash equivalents	257,217	188,696
Prepayments and other receivables	6,977	15,933
Contribution receivable	100,000	-
	364,194	204,629

As at the reporting date, there were no past dues 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 LoYAC'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.

LoYAC does not hold any investments and is therefore not exposed to equity risk.

Interest rate risk

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

The majority of LoYAC's financial assets are non-interest-bearing. The Fund is exposed to interest rate risk only on its call deposits with banks and has no interest-bearing liabilities. Interest-bearing financial assets mature or reprise in the short-term, no longer than twelve months. As a result, LoYAC is subject to limited exposure to fluctuations in interest rates.

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.

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

c) Liquidity risk

Liquidity risk is the risk that LoYAC will not be able to meet its financial obligations as they fall due. LoYAC manages it 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.

Liquidity risk - Contractual Maturities of Cash Flows

The following are the contractual maturities of financial liabilities at the reporting date:

31 December 2008	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	10,644	10,644	90	788	1,327	6,852	1,587
Accounts payable and accrued expenses	26,336	26,336	26,336	-	-	-	-

d) Fair value of financial instruments

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.

The estimated fair value of financial assets and liabilities that are not carried at fair value, (prepayments and other receivables, cash and cash equivalents, accounts payable and accrued expenses) at the reporting 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.

19. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation. Such reclassification has not affected the previously reported results of operations and net assets.