

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



**Financial statements and independent auditor's report
for the year ended 31 December 2009**

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

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Independent auditor's 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 2009, and the statements of comprehensive 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.

Auditor's 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 2009, 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 2009, 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: 17 June 2010

Statement of financial position
as at 31 December 2009

	Note	2009 KD	2008 KD (restated)
ASSETS			
Current assets			
Cash and cash equivalents	5	373,350	257,217
Prepayments and other receivables	6	15,675	6,977
Contributions receivable		-	100,000
Inventories		1,873	2,804
Total current assets		<u>390,898</u>	<u>366,998</u>
Non-current assets			
Property and equipment	7	10,083	9,717
Total non-current assets		<u>10,083</u>	<u>9,717</u>
Total assets		<u>400,981</u>	<u>376,715</u>
LIABILITIES AND PARTNERS' EQUITY AND NET ASSETS			
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	8	30,179	26,336
Deferred contributions	9	68,365	43,552
Total current liabilities		<u>98,544</u>	<u>69,888</u>
Non-current liabilities			
Provision for employees' end of service benefits	10	13,924	10,644
Total non-current liabilities		<u>13,924</u>	<u>10,644</u>
Total liabilities		<u>112,468</u>	<u>80,532</u>
Partners' equity and net assets			
Share capital	11	10,000	10,000
Collected for capital increase		10,000	10,000
Statutory reserve		16,121	16,121
Voluntary reserve		27,619	27,619
Retained net assets		224,773	232,443
Total partners' equity and net assets		<u>288,513</u>	<u>296,183</u>
Total liabilities and partners' equity and net assets		<u>400,981</u>	<u>376,715</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 comprehensive income and activities
for the year ended 31 December 2009

	Note	2009 KD	2008 KD (restated)
Operating and support revenues			
Contributions			
Corporate	13	188,634	304,110
Services and materials	13	78,955	76,953
Total contributions		<u>267,589</u>	<u>381,063</u>
Deferred contributions	9	(68,365)	(43,552)
Net contributions		<u>199,224</u>	<u>337,511</u>
Projects and programs			
Students' training programs	13	223,054	243,650
Other revenues	13	7,149	12,473
Total operating and support revenues		<u>429,427</u>	<u>593,634</u>
Operating expenditure			
Projects and programs			
Students' training programs	14	(182,177)	(252,922)
Supporting services			
Management and general	15	(254,920)	(225,736)
Total operating expenditure		<u>(437,097)</u>	<u>(478,658)</u>
Total comprehensive income and net asset (deficit) / surplus		<u>(7,670)</u>	<u>114,976</u>

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

Statement of changes in partners' equity and net assets
for the year ended 31 December 2009

Note	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 2007	10,000	10,000	16,121	16,121	128,965	181,207
Total comprehensive income and net assets surplus (As restated)	-	-	-	-	114,976	114,976
Transfer to reserves	-	-	-	11,498	(11,498)	-
Balance as at 31 December 2008 (As restated)	10,000	10,000	16,121	27,619	232,443	296,183
Total comprehensive income and net assets deficit	-	-	-	-	(7,670)	(7,670)
Transfer to reserves	-	-	-	-	-	-
Balance as at 31 December 2009	10,000	10,000	16,121	27,619	224,773	288,513

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



Statement of cash flows
 for the year ended 31 December 2009

	Note	2009 KD	2008 KD (restated)
Cash flows from operating activities:			
Results of operations for the year – (deficit) / surplus		(7,670)	114,976
<i>Adjustments for:</i>			
Depreciation	7	5,959	5,400
Provision for employees' end of service indemnity	10	4,589	4,268
Gain on sale of property and equipment		(19)	(35)
		<u>2,859</u>	<u>124,609</u>
(Increase)/decrease in prepayments and other receivables		(8,698)	8,956
Decrease/ (increase) in inventories		931	(2,060)
Decrease / (increase) in contributions receivable		100,000	(100,000)
Increase in accounts payable and accrued expenses		3,843	1,380
Increase in deferred contributions		24,813	43,552
<i>Cash from operations</i>		<u>123,748</u>	<u>76,437</u>
Payments towards employees' end of service indemnity	10	(1,309)	(866)
<i>Net cash from operating activities</i>		<u>122,439</u>	<u>75,571</u>
Cash flows from investing activities:			
Proceeds from disposal of property and equipment		20	82
Purchase of property and equipment		(6,326)	(7,132)
<i>Net cash used in investing activities</i>		<u>(6,306)</u>	<u>(7,050)</u>
Net increase in cash and cash equivalents		116,133	68,521
Cash and cash equivalents at the beginning of the year		257,217	188,696
Cash and cash equivalents at end of the year	5	<u>373,350</u>	<u>257,217</u>

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



Notes to the financial statements
for the year ended 31 December 2009

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 2009 was 18 (2008: 20).

The financial statements were authorized for issue by the partners of LoYAC on 17 June 2010.

2. Basis of presentation

a) Statement of compliance

The financial statements are prepared in accordance with the International Financial Reporting Standard (“IFRSs”) and the requirements of the Kuwait Commercial Companies Law of 1960, as amended, Ministerial Order No. 18 of 1990 and LoYAC’s articles of association.

New adopted standards and interpretations

LoYAC applied revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, LoYAC presents in the statement of changes in partners equity all partner changes in equity, whereas all non-partner changes in equity are presented in the statement of comprehensive income and activities.

Comparative information has been re-presented so that it also is in conformity with the revised standard and the current year presentations.

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 comprehensive 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 comprehensive 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:



Notes to the financial statements
for the year ended 31 December 2009

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 have to be met by actions of LoYAC.

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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of assumptions, 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 set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2 (a), which addresses new adopted and effective standards.

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 amount of money market instruments approximate its fair value at the statement of financial position 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; and
- 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 measured at cost less accumulated depreciation and impairment losses (note 3 (d)). Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property and equipment and is charged to the statement of income and activities.



Notes to the financial statements
for the year ended 31 December 2009

The estimated useful lives for the current and comparative periods are as follows:

Furniture and fixtures	5 years
Office equipment	3 years
Computers and accessories	3 years

c) Receivables

Receivables are financial assets with fixed or undeterminable payments that are not quoted in an active market. Receivables are measured at amortized cost, less any impairment losses.

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 comprehensive income and activities.

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 comprehensive income and activities. 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 comprehensive income and activities.



Notes to the financial statements
for the year ended 31 December 2009

e) Employee benefits

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.



Notes to the financial statements
for the year ended 31 December 2009

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 financial 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.

Notes to the financial statements
for the year ended 31 December 2009

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 2009 or may not be applicable on LoYAC operations, and accordingly have not been applied in preparing these 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 2010 financial statements. The Company does not expect these amendments to have any significant impact on the financial statements.
- IFRS 3 *Business Combinations* (revised 2008) Effective for acquisitions with a date of acquisition on or after the beginning of the first annual period beginning on or after 1 July 2009
- IAS 27 *Consolidated and Separate Financial Statements* (amended 2008) Effective for annual periods beginning on or after 1 July 2009
- IFRS 1 *First-time Adoption of International Financial Reporting Standards* (revised 2008) Effective for annual periods beginning on or after 1 July 2009
- Amendments to IAS 39 – *Eligible Hedged Items* Effective for annual periods beginning on or after 1 July 2009
- IFRIC 17 *Distributions of Non-cash Assets to Owners* Effective for annual periods beginning on or after 1 July 2009
- *Improvements to IFRSs 2008 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* Effective for annual periods beginning on or after 1 July 2009
- *Improvements to IFRSs 2009 – various standards* Effective for annual periods beginning either 1 July 2009 or 1 January 2010
- *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters* Effective for annual periods beginning on or after 1 January 2010
- *Amendments to IFRS 2 Share Based Payment – Group Cash-settled Share-based Payment Transactions* Effective for annual periods beginning on or after 1 January 2010
- *Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues* Effective for annual periods beginning on or after 1 February 2010

Notes to the financial statements
for the year ended 31 December 2009

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* Effective for annual periods beginning on or after 1 July 2010
- IAS 24 *Related Party Disclosures* (revised 2009) Effective for annual periods beginning on or after 1 January 2011
- *Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction* Effective for annual periods beginning on or after 1 January 2011
- IFRS 9 *Financial Instruments* Effective for annual periods beginning on or after 1 January 2013

The management of LoYAC anticipates that the adoption of these Standards and Interpretations once become effective in future periods will have no material financial impact on the financial statements of LoYAC in the period of initial application or may not be applicable.

4. Use of estimates and judgments

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position 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 equipment

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.



Notes to the financial statements
for the year ended 31 December 2009

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 done are reflected in the classification of net assets, not in the measurement of fair value.

5. **Cash and cash equivalents**

	2009 KD	2008 KD
Cash in hand	728	1,609
Bank balances	372,622	154,599
Money market fund	-	101,009
	<u>373,350</u>	<u>257,217</u>

During the current year, LoYAC liquidated the money market fund.

6. **Prepayments and other receivables**

	2009 KD	2008 KD
Prepaid expenses	13,790	3,726
Refundable deposits	800	300
Others	1,085	2,951
	<u>15,675</u>	<u>6,977</u>

7. **Property and equipment**

	Furniture and fittings KD	Office equipment KD	Computers and accessories KD	Total KD
Cost				
At 1 January 2009	4,487	9,530	13,645	27,662
Additions	323	1,507	4,496	6,326
Disposals	-	-	(345)	(345)
At 31 December 2009	<u>4,810</u>	<u>11,037</u>	<u>17,796</u>	<u>33,643</u>
Accumulated Depreciation				
At 1 January 2009	3,392	6,155	8,398	17,945
Charge for the year	443	1,850	3,666	5,959
Disposals	-	-	(344)	(344)
At 31 December 2009	<u>3,835</u>	<u>8,005</u>	<u>11,720</u>	<u>23,560</u>
Carrying amounts				
At 31 December 2009	<u>975</u>	<u>3,032</u>	<u>6,076</u>	<u>10,083</u>



Notes to the financial statements
for the year ended 31 December 2009

	Furniture and fittings	Office equipment	Computers and accessories	Total
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	<u>4,487</u>	<u>9,530</u>	<u>13,645</u>	<u>27,662</u>
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	<u>3,392</u>	<u>6,155</u>	<u>8,398</u>	<u>17,945</u>
Carrying amounts				
At 31 December 2008	<u>1,095</u>	<u>3,375</u>	<u>5,247</u>	<u>9,717</u>

8. Accounts payable and accrued expenses

	2009 KD	2008 KD
Payable to staff, students and others	17,485	13,464
Retentions from students	710	5,360
Advances received from students	1,368	2,550
Accruals and other payables	10,616	4,962
	<u>30,179</u>	<u>26,336</u>

9. Deferred contributions

Deferred contributions on programs and activities as at 31 December 2009 were as follows:

	2009 KD	2008 KD (restated)
Temporarily restricted	<u>68,365</u>	<u>43,552</u>

The movement in deferred contributions was as follows:

	2009 KD	2008 KD (restated)
Opening balance	43,552	-
Revenue recognised	(43,552)	-
Deferred at year end	<u>68,365</u>	<u>43,552</u>
	<u>68,365</u>	<u>43,552</u>

Details of deferred contributions on temporarily restricted assets are disclosed on note 11(d).



Notes to the financial statements
for the year ended 31 December 2009

10. Provision for employees' end of service benefits

	2009 KD	2008 KD
Opening balance	10,644	7,242
Charges for the year	4,589	4,268
Payments during the year	(1,309)	(866)
	13,924	10,644

11. 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 ownership between the partners as at 31 December 2009 is 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-Marzouq	14	1,400
Fetouh Al-Dalali	14	1,400
	100	10,000

b) 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.

c) 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.



Notes to the financial statements
 for the year ended 31 December 2009

d) Classification of net assets

Unrestricted net assets represent the following at 31 December 2009:

	2009	2008
	KD	KD
		(restated)
<i>Designated for the following purposes:</i>		
Share capital	10,000	10,000
Collected for capital increase	10,000	10,000
Voluntary reserve	27,619	27,619
	<u>47,619</u>	<u>47,619</u>
Undesignated for programs / activities	<u>224,773</u>	<u>232,443</u>
Total unrestricted net assets	<u>272,392</u>	<u>280,062</u>

Temporarily restricted net assets are related to the following programs as at 31 December 2009:

	2009	2008
	KD	KD
		(restated)
<i>Designated for the following programs / activities:</i>		
Kuwait for Kenya Project (K4K)	10,951	6,817
Drama Club (LAPA)	31,919	27,326
English Language Course – AUK	-	8,793
LoYAC Community Services	742	594
LoYAC Events (Poetry-Artizana-Music-Sports)	288	22
Global Entrepreneurship Program	-	-
Homes Committee	6,873	-
7 Habits of Highly Effective Teens	11,280	-
International Internship Program - USA	1,838	-
English Language Course – Expressions	3,115	-
Banks in action	175	-
LoYAC branch offices	740	-
Football tournament	444	-
Total temporarily restricted net assets	<u>68,365</u>	<u>43,552</u>

Permanently restricted net assets represent the following at 31 December 2009:

	2009	2008
	KD	KD
Statutory reserve	<u>16,121</u>	<u>16,121</u>

Notes to the financial statements
for the year ended 31 December 2009

12. Analysis of net assets

Net assets as at 31 December 2009 were as follows:

	2009 KD	2008 KD (restated)
Unrestricted net assets	272,392	280,062
Temporarily restricted net assets	68,365	43,552
Permanently restricted net assets	16,121	16,121
	<u>356,878</u>	<u>339,735</u>

The movement in net assets during the year ended 31 December 2009 is as follows:

	Un-restricted KD	Temporarily restricted KD	Permanently restricted KD	2009 Total KD	2008 Total KD (restated)
Unrestricted net assets					
Unrestricted operating and support revenues	429,427	-	-	429,427	593,634
Unrestricted operating expenditure	(437,097)	-	-	(437,097)	(478,658)
Restricted net assets					
Restricted operating and support revenues	-	68,365	-	68,365	43,552
Change in net assets	(7,670)	68,365	-	60,695	158,528
Net assets at the beginning of the year	280,062	43,552	16,121	339,735	181,207
Transferred from temporarily restricted	-	(43,552)	-	(43,552)	-
Net assets at the end of the year	<u>272,392</u>	<u>68,365</u>	<u>16,121</u>	<u>356,878</u>	<u>339,735</u>

During the current year, unrestricted and temporarily restricted net assets (deficit) / surplus amounted to KD (7,670) (2008: KD 114,976) and KD 68,365 (2008: KD 43,552), respectively, were amortized and deferred respectively (see note 9).



Notes to the financial statements
for the year ended 31 December 2009

13. Operating and support revenues

	Unrestricted KD	Temporarily restricted KD	2009 Total KD	2008 Total KD (restated)
Contributions				
Corporate contributions	188,634	-	188,634	304,110
Services and materials				
Contributed services of board members	72,000	-	72,000	72,000
Contributed use of printing press	4,340	-	4,340	4,953
Contributed use of media and other facilities	2,615	-	2,615	-
Contributed air fare	-	-	-	-
Voluntary services	-	-	-	-
	<u>78,955</u>	<u>-</u>	<u>78,955</u>	<u>76,953</u>
Projects and programs				
The "7 Habits of Highly Effective Teens" Program	5,980	11,280	17,260	2,830
Kuwait for Kenya Project (K4K)	11,088	10,951	22,039	15,157
Business Management Course - ACK	-	-	-	2,670
AC Milan Junior Camp - Kuwait	-	-	-	27,740
AC Milan Junior Camp -Italy	23,929	-	23,929	35,200
Challenger Camp - Jordan	61	-	61	-
F 1 Competitions	-	-	-	20,000
English Language Course - British Council	400	-	400	3,950
English Language Course - AUK	17,084	-	17,084	13,519
LoYAC Events (Poetry-Artizana-Music-Sports)	3,416	288	3,704	511
Part - time Program	3,152	-	3,152	1,690
Summer Program	12,826	-	12,826	8,732
Drama Club (LAPA)	31,485	31,919	63,404	109,737
"Service is my Joy" Program	882	-	882	111
LoYAC Community Services	786	742	1,528	813
Global Entrepreneurship Program	1,003	-	1,003	990
Homes Committee	16,277	6,873	23,150	-
International Internship Programs	10,481	1,838	12,319	-
LoYAC Ambassadors Network (LAN)	64	-	64	-
Economic Forum - Jordan	1,050	-	1,050	-
English Language Course - Expressions	2,965	3,115	6,080	-
Football Tournament	1,581	444	2,025	-
Banks in action	3	175	178	-
LoYAC Branch Offices	8,660	740	9,400	-
WYSE Personal and Psychological Growth Program	1,516	-	1,516	-
	<u>154,689</u>	<u>68,365</u>	<u>223,054</u>	<u>243,650</u>
Other revenues	7,149	-	7,149	12,473
	<u>429,427</u>	<u>68,365</u>	<u>497,792</u>	<u>637,186</u>

Notes to the financial statements
for the year ended 31 December 2009

14. Operating expenditure – projects and programs

	2009										2008	
	Salaries KD	Student training KD	Travel and housing KD	Contributed services KD	Media KD	Printing and supplies KD	Contractual services KD	Relief services KD	Material Cost KD	Others KD	Total KD	Total KD
Drama Programs	-	-	-	-	-	-	-	-	-	-	-	38,087
Drama Shows	-	-	-	-	-	-	-	-	-	-	-	44,301
Drama Club (LAPA)	16,759	699	822	1,235	1,545	30	9,090	-	259	1,047	31,486	24,704
AC Milan Junior Camp –Italy	-	920	4,979	1,885	285	10	7,489	-	109	29	15,706	18,846
AC Milan Junior Camp – Kuwait	-	-	8	-	-	-	-	-	-	-	8	354
AC Milan Project	-	-	-	-	-	-	-	-	-	-	-	16,189
Formula 1 Competitions	-	-	-	-	-	-	-	-	-	-	-	-
LoYAC Events (Poetry-Artizana-Music-	-	-	-	-	-	-	-	-	-	-	-	-
Sports-Puppet)	1,221	3,225	1,681	2,055	1,117	33	95	-	434	474	10,335	11,602
English Language Courses	3,900	19,500	-	525	105	-	-	-	-	-	24,030	14,487
The "7 Habits of Highly Effective -Teens, College, People " Programs	-	1,004	-	2,320	100	56	2,500	6,755	275	-	6,255	10,789
Kuwait for Kenya Project (K4K)	-	304	3,486	-	421	5	-	-	118	-	11,089	8,340
International Internship Programs	70	784	6,429	3,400	170	4	175	-	223	-	11,255	10,132
Statistic and Research Program	125	142	550	-	-	87	-	-	322	74	1,300	6,500
Hotel Management Scholarship Course Program	-	1,257	-	-	-	-	-	-	-	-	1,257	5,289
Part-Time Program	2,500	240	-	2,360	756	41	-	-	50	-	5,947	4,447
Summer Programs	4,265	1,986	6	5,436	4,266	836	1,760	-	344	1,285	20,184	23,559
"Service is my Joy" Program	200	-	-	550	567	16	-	-	50	506	1,889	254
Mass Communication	-	5,480	-	-	-	-	-	-	-	-	5,480	3,265
Business Management Course – ACK	-	-	-	-	-	-	-	-	-	-	-	2,940
International Volunteer Programs	-	150	1,491	-	156	-	-	-	-	-	1,797	2,865
WYSE Personal and Psychological Program	-	936	580	-	-	-	-	-	-	-	1,516	1,860
"We Care" fare	-	-	-	-	-	-	-	-	-	-	-	1,019
Global Entrepreneurship program	-	1,003	-	-	-	-	-	-	-	-	1,003	972
LoYAC Ambassadors Network "LAN"	1,730	-	-	64	-	-	-	-	-	-	1,794	616
LoYAC Book Club	105	2	-	-	52	12	-	-	-	-	171	598
Homes Committee	125	-	205	-	6	-	-	15,300	641	-	16,277	-
LoYAC Summer Camps (Challenger Camp - Jordan and Cuisine Camp - Italy)	-	-	-	65	90	-	-	-	-	129	284	416
Media Camp	-	-	-	-	-	-	-	-	-	-	-	274
Banks in action	-	-	-	-	-	-	-	-	-	3	3	-
Economic Form – Jordan	-	-	1,097	1,050	-	-	-	-	-	-	2,147	-
LoYAC – Jordan	-	-	1,550	-	-	-	-	-	397	2,011	3,958	-
LoYAC – Lebanon	200	163	1,280	-	-	-	-	-	424	4,154	6,221	-
LoYAC Community Services	124	280	-	-	10	10	-	-	153	208	785	217
	31,324	38,075	24,164	20,945	9,646	1,140	21,109	22,055	3,799	9,920	182,177	252,922



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for the year ended 31 December 2009

14. Operating expenditure – projects and programs (continued)

Operating expenditure – projects and programs includes contributed services of board members amounting to KD 13,000 (2008: KD 12,800).

15. Operating expenditure - supporting services

	2009	2008
	KD	KD
Salaries and benefits	114,982	91,746
Contributed services by board members and administrative staff	74,615	72,000
Board members' compensation	24,000	10,000
Office rent	9,900	8,985
Professional fees	5,817	8,417
Staff training	205	-
Board members' training	-	3,837
Printing and office stationary	5,889	4,206
Communication costs	7,564	7,627
Office and administrative expenses	2,456	1,906
Advertisement and design	1,350	3,727
Repair and maintenance costs	1,068	3,718
Depreciation	5,959	5,400
Others	1,115	4,167
	<u>254,920</u>	<u>225,736</u>

The contributed services by board members have been proportionately allocated to operating expenditure – supporting services and operating expenditure - projects and programs amounting to KD 72,000 (2008: KD 72,000) and KD 13,000 (2008: KD 12,800), respectively based on the time consumed in those activities with the corresponding equal amounts recognised as a contribution.

16. 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 85,000 during the year (2008: KD 84,800).

Members' compensation of KD 24,000 (2008: KD 10,000) for the board members of LoYAC for daily expenses incurred by them in the course of their duties.

LoYAC incurred operating expenses relating to LoYAC Jordan amounting to KD 3,958 (2008: nil). There were no payments and receipts to / from LoYAC Jordan during the current year (2008: KD 12,804).

LoYAC incurred operating expense relating to LoYAC Lebanon amounting to KD 6,221 (2008: nil).



Notes to the financial statements
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17. 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, bank balances and money market funds, and contributions receivable. As at the reporting date, LoYAC's maximum exposure to credit risk is equal to the carrying amounts disclosed in the statement of financial position.

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

	2009 KD	2008 KD
Bank balances and money market funds	372,622	255,608
Prepayments and other receivables	15,675	6,977
Contributions receivable	-	100,000
	<u>388,297</u>	<u>362,585</u>

The management of LoYAC believes that, as at the reporting date, there were neither past due nor impaired assets. There is no collateral coverage against LoYAC's assets.

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.



Notes to the financial statements
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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 as at the reporting date 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 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 year ended 31 December 2009

Liquidity risk - Contractual Maturities of Cash Flows

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

	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
31 December 2009							
Accounts payable and accrued expenses	30,179	30,179	30,179	-	-	-	-
31 December 2008							
Accounts payable and accrued expenses	26,336	26,336	26,336	-	-	-	-



Notes to the financial statements
for the year ended 31 December 2009

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.

18. Prior year adjustments

During the year, LoYAC identified the following error and corrected it retrospectively:

During the year ended 31 December 2008, LoYAC erroneously deferred unrestricted contributions amounting to KD 158,528 for which only an amount of KD 43,552 should have been deferred. Therefore, an amount of KD 114,976 have been recognised as a surplus, and accordingly restated.

The above error has been rectified retrospectively, and the comparative figures for the year ended 31 December 2009 have been restated. The effect of the restatement is tabulated below:

Effect in 2008	KD
<i>Statement of financial position</i>	
Decrease in deferred contribution	(114,976)
Increase in voluntary reserve	<u>11,498</u>
Increase in retained earnings	<u>103,478</u>
<i>Statement of comprehensive income</i>	
Decrease in deferred contributions	(114,976)
Increase in net assets surplus in 2008	<u>114,976</u>

Opening balances of the earliest comparable period have not been presented on the statement of financial position as the effect of restatement on 1 January 2008 figures was considered immaterial.