

EYAS FOR HIGHER AND TECHNICAL EDUCATION COMPANY – K.S.C. (CLOSED)  
STATE OF KUWAIT

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2010  
WITH  
INDEPENDENT AUDITORS' REPORT

EYAS FOR HIGHER AND TECHNICAL EDUCATION COMPANY – K.S.C. (CLOSED)  
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CONTENTS

Independent auditors' report

	<u>Pages</u>
Statement of financial position	3
Statement of comprehensive income	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to financial statements	7 – 32



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## INDEPENDENT AUDITORS' REPORT

The Shareholders  
Eyas for Higher and Technical Education Company – K.S.C. (Closed)  
State of Kuwait

### **Report on the financial statements**

We have audited the accompanying financial statements of Eyas for Higher and Technical Education Company - K.S.C. (Closed) "the Company", which comprise statement of financial position as at August 31, 2010, and the statement of comprehensive income, statement of changes in equity and statement of 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 of material misstatement, 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. Except as discussed in the following paragraphs, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from 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 the auditors' 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, the auditors 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 policies 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 audit opinion.



**Basis for qualified opinion**

1. The financial statements include unquoted investments available for sale which are stated at cost amounting to KD 787,500. The Company's management had not provided sufficient and appropriate information regarding these unquoted investments as at date of statement of financial position. Hence it is not possible to determine whether there are impairment losses for these investments as of August 31, 2010, Further, we could not carry out other alternative audit procedures for these unquoted investments available for sale which would have an impact on the financial statements, if any (Note 7).
2. The Company's share of results from its associate for the year ended August 31, 2010 was recognized based on unaudited financial statements (Note 8).

**Qualified opinion**

In our opinion, except for the effects of the matters referred to in the preceding paragraphs, the financial statements present fairly, in all material respects, the financial position of Eyas for Higher and Technical Education Company - K.S.C. (Closed) as of August 31, 2010, 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**

Also in our opinion, the financial statements include the disclosures required by the Commercial Companies Law and the Company's Articles of Association, and we obtained the information we required to perform our audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Company's books. According to the information available to us, there were no contraventions during the year ended August 31, 2010 of either the Commercial Companies Law or of the Company's Articles of Association which might have materially affected the Company's financial position or results of its operations.


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**EYAS FOR HIGHER AND TECHNICAL EDUCATION COMPANY – K.S.C. (CLOSED)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF AUGUST 31, 2010**  
 (All amounts are in Kuwaiti Dinars)

ASSETS	Note	2010	2009
<b>Current assets:</b>			
Cash on hand and at banks		2,724,075	74,435
Investments at fair value through income statement	3	315,675	704,768
Accounts receivable and other debit balances	4	5,108,940	1,355,478
Inventory	5	4,966	4,966
Due from related parties	6	1,640,765	1,638,609
Total current assets		9,794,421	3,778,256
Investments available for sale	7	2,424,906	2,424,906
Investment in an associate	8	3,098,703	3,087,638
Assets held for sale	9	-	90,074
Fixed assets	10	25,784,766	27,773,500
Total assets		41,102,796	37,154,374
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Murabaha payables – Current	11	7,508,748	5,412,750
Accounts payable and other credit balances	12	4,102,456	2,443,599
Due to related party	6	5,165	5,165
Total current liabilities		11,616,369	7,861,514
Murabaha payables – Non Current	11	9,214,397	11,740,486
Provision for end of service indemnity	13	1,162,096	776,796
Total liabilities		21,992,862	20,378,796
<b>Equity:</b>			
Share Capital	14	11,000,000	11,000,000
Statutory reserve	15	1,447,418	1,194,172
Voluntary reserve	16	1,447,418	1,194,172
Retained earnings		5,215,098	3,387,234
Total equity		19,109,934	16,775,578
Total liabilities and equity		41,102,796	37,154,374

The accompanying notes (1) to (33) form an integral part of the financial statements

  
 Dr. Jassim Mohammed Abd Al-Salam  
 Chairman

Dr. Abdulrahman Saleh Al-Mehailan  
 Vice Chairman

**EYAS FOR HIGHER AND TECHNICAL EDUCATION COMPANY – K.S.C. (CLOSED)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED AUGUST 31, 2010**  
(All amounts are in Kuwaiti Dinars)

	Note	2010	2009
University fees revenue	17	16,758,279	11,458,352
Operating costs	18	(8,186,013)	(5,964,005)
Gross profit		8,572,266	5,494,347
General and administrative expenses	20	(2,131,516)	(1,147,403)
Provision for doubtful debts	4	(168,769)	(39,670)
Provision for obsolete and slow-moving items		-	(12,396)
Depreciation	10	(2,409,277)	(1,946,349)
Operating profit		3,862,704	2,348,529
Other income	21	149,655	95,102
Net investment loss	22	(42,493)	(78,001)
Share of results from an associate	8	11,065	7,969
Loss on disposal of assets held for sale	9	(90,074)	-
Loss on sale and disposal of fixed assets		(126)	(1,505,491)
Finance charges		(1,358,275)	(1,619,529)
Profit (loss) for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax, contribution to Zakat and Board of Directors' remuneration		2,532,456	(751,421)
Contribution to KFAS	23	(22,681)	-
National Labor Support Tax	24	(100,039)	-
Contribution to Zakat	25	(39,380)	-
Board of Directors' remuneration	26	(36,000)	-
Net profit (loss) for the year		2,334,356	(751,421)
Other comprehensive income:			
Other comprehensive income for the year		-	-
Total comprehensive income (loss) for the year		2,334,356	(751,421)
Earnings (loss) per share (fils)	27	21.22	(6.83)

The accompanying notes (1) to (33) form an integral part of the financial statements

**EYAS FOR HIGHER AND TECHNICAL EDUCATION COMPANY – K.S.C. (CLOSED)**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED AUGUST 31, 2010**  
 (All amounts are in Kuwaiti Dinars)

	Share Capital	Statutory reserve	Voluntary reserve	Retained earnings	Total
Balance at August 31, 2008	11,000,000	1,194,172	1,194,172	4,138,655	17,526,999
Total comprehensive loss for the year	-	-	-	(751,421)	(751,421)
Balance at August 31, 2009	11,000,000	1,194,172	1,194,172	3,387,234	16,775,578
Total comprehensive income for the year	-	-	-	2,334,356	2,334,356
Transfer to reserves	-	253,246	253,246	(506,492)	-
<b>Balance at August 31, 2010</b>	<b>11,000,000</b>	<b>1,447,418</b>	<b>1,447,418</b>	<b>5,215,098</b>	<b>19,109,934</b>

The accompanying notes (1) to (33) form an integral part of the financial statements



**EYAS FOR HIGHER AND TECHNICAL EDUCATION COMPANY – K.S.C. (CLOSED)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**  
(All amounts are in Kuwaiti Dinars)

	2010	2009
<b>Cash flows from operating activities:</b>		
Profit (loss) for the year before contribution to KFAS, National Labor Support Tax, contribution to Zakat and Board of Directors' remuneration	2,532,456	(751,421)
Adjustments:		
Profit from saving accounts	(5,514)	(4,423)
Provision for doubtful debts	168,769	39,670
Provision for doubtful debts no longer required	(11,187)	(26,529)
Provision for obsolete and slow-moving items	-	12,396
Net investment loss	42,493	78,001
Share of results from an associate	(11,065)	(7,969)
Depreciation	2,409,277	1,946,349
Loss on disposal of assets held for sale	90,074	-
Loss on sale and disposal of fixed assets	126	1,505,491
Finance charges	1,358,275	1,619,529
Provision for end of service indemnity	533,904	359,670
	<u>7,107,608</u>	<u>4,770,764</u>
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	(3,911,044)	(404,574)
Net change in related parties	(2,156)	918,141
Accounts payable and other credit balances	1,571,336	(1,053,901)
Cash generated from operating activities	<u>4,765,744</u>	<u>4,230,430</u>
KFAS share paid	-	(7,832)
National Labor Support Tax paid	-	(32,142)
Zakat share paid	-	(8,582)
Board of Directors' remuneration paid	-	(50,000)
End of service indemnity paid	(148,604)	(124,112)
Net cash generated from operating activities	<u>4,617,140</u>	<u>4,007,762</u>
<b>Cash flows from investing activities:</b>		
Paid for purchase of fixed assets	(420,919)	(607,526)
Proceeds from sale of fixed assets	250	127,163
Profit received from saving accounts	5,514	4,423
Net cash used in investing activities	<u>(415,155)</u>	<u>(475,940)</u>
<b>Cash flows from financing activities:</b>		
Dividend paid	(1,030)	(100)
Net movement in Murabaha payable	(83,491)	(2,252,455)
Finance charges paid	(1,467,824)	(1,368,416)
Net cash used in financing activities	<u>(1,552,345)</u>	<u>(3,620,971)</u>
Net increase (decrease) in cash on hand and at banks	2,649,640	(89,149)
Cash on hand and at banks at beginning of the year	74,435	163,584
Cash on hand and at banks at end of the year	<u>2,724,075</u>	<u>74,435</u>

The accompanying notes (1) to (33) form an integral part of the financial statements



1. Incorporation and activities

Eyas for Higher and Technical Education Company - K.S.C. (Closed) was established as per Articles of Association of a Kuwait Shareholding Company – Closed, authenticated at the Ministry of Justice – Real Estate Registration and Authentication Department, under Ref. No. 11/Volume 7 dated March 13, 2000. On April 8, 2000, the general establishing assembly had declared the formation of the Company. The Company was recorded in the Commercial Register under Ref. No. 80191 dated March 20, 2000.

The main activities of the Company are:

1. Formation and directing a private university.
2. Establishment of non-government educational institutions (Arabic schools – foreign schools – National Institutions)
3. Organizing and holding exhibitions and conferences, making research and educational studies about education practices and consultancies as per exhibitions organizing systems (on condition that the requirement for consulting offering are satisfied) after approval of specialized authorities.
4. Importing and exporting educational tools.
5. Issuing, publishing and distributing audio and visual printings specializing in the educational field (according to working requirement).
6. Applying and proposing integral solutions and special consultancies related to computer networks and communication services for the education service.
7. Investing the excess amounts available in financial portfolios managed by specialized companies.

The Company may have business relations with other companies applying activities or that may help in the recognition of the Company's objectives either inside or outside the State of Kuwait. Also, the Company has the right to share or buy or join these companies.

As per extraordinary general assembly dated November 4, 2002 the Company's Articles of Association was amended and registered in the Commercial Register as per memorandum from Companies Management Department No. 319 dated November 10, 2002 that the Company applies Islamic regulation on its activity starting from the amendment of the Articles of Association while activities before amendment were organized by agreements and deal relate to start up regulation.

The Company's registered address is P.O.Box 7207, Hawally, 32093, State of Kuwait.

The number of employees as at August 31, 2010 was 247 (2009 – 194 employees).

The financial statements were authorized for issue by the Board of Directors on November 29, 2010. The shareholders' general assembly has the authority to amend these financial statements after issuance.

2. Significant accounting policies

The accompanying financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). Significant accounting policies are summarized as follows:

a) Basis of preparation

The financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention, except for the investments at fair value through income statement are stated at fair value. The accounting policies applied by the Company are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of September 1, 2009:

IAS 1 (revised) "Presentation of Financial Statements"

The Company has applied IAS (1) Revised, which has impacted the presentation of financial statements to enhance the usefulness of the information presented. The revised standard has introduced a number of terminology changes (including revised titles for the financial statements) and has resulted in a number of changes in presentation and disclosure. The revised IAS 1 has introduced a new statement of comprehensive income, wherein all changes in equity arising from transactions other than with owners in their capacity as owners should be presented. Accordingly only changes in equity arising from transactions with owners in their capacity as owners are permitted to be presented in the statement of changes in equity. Comparative information has been re-presented so that it also is in conformity with the revised standard.

IFRS 7 'Financial instruments – Disclosures' (amendment)

Effective September 1, 2009, the amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

IFRS 8 "Operating Segments"

Effective September 1, 2009, the Company has applied IFRS 8, which requires disclosure of information to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Accordingly, operating segments should be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Annual improvement made to IFRS 8 in April 2009 clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Company chief operating decision maker does review segment assets and liabilities, the Company has continued to disclose this information.

**Standards and Interpretations issued but not effective:**

The following IASB Standard and Interpretation have been issued but are not yet effective, and have not yet been adopted by the Company:

