

**LOYAC Private Training and Consulting Company W.L.L.
State of Kuwait**



Financial statements and independent auditor's report
for the year ended 31 December 2011



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
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 2011, and the statements of comprehensive income and activities, changes in equity (net assets) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 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 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of LOYAC as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

INDEPENDENT AUDITOR'S REPORT (continued)

The Board of Directors
LOYAC Private Training and Consulting Company W.L.L.

Other Matter

The financial statements of the LOYAC as at and for the year ended 31 December 2010 were audited by another auditor who expressed an unmodified opinion on those financial statements as on 21 June 2011.

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 2011, of the Kuwait Commercial Companies Law of 1960, as amended, or of LOYAC's articles of association, that might have had material effect on LOYAC's activities or on its financial position.

Bader A. Al-Abduljader
of Bader Al Abduljader & Partners
License No. 207, Category "A"
Russell Bedford International

Kuwait: 24 May 2012





Statement of financial position
as at 31 December 2011

	Note	2011 KD	2010 KD
Assets			
Cash and cash equivalents	4	364,983	347,578
Prepayments and other receivables	5	31,477	13,700
Contributions receivable	6	83,488	47,417
Inventories		4,595	8,499
Total current assets		<u>484,543</u>	<u>417,194</u>
Property and equipment	7	14,554	12,313
Total non-current assets		<u>14,554</u>	<u>12,313</u>
Total assets		<u>499,097</u>	<u>429,507</u>
Liabilities			
Accounts payable and accrued expenses	8	26,144	33,797
Deferred contributions	9	170,364	94,368
Total current liabilities		<u>196,508</u>	<u>128,165</u>
Provision for employees' end of service benefits	10	21,711	17,185
Total non-current liabilities		<u>21,711</u>	<u>17,185</u>
Total liabilities		<u>218,219</u>	<u>145,350</u>
Equity (net assets)			
Share capital	11	20,000	20,000
Statutory reserve		16,121	16,121
Voluntary reserve		27,619	27,619
Retained earnings		217,138	220,417
Total equity (net assets)		<u>280,878</u>	<u>284,157</u>
Total liabilities and equity (net assets)		<u>499,097</u>	<u>429,507</u>

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

Fareah Al-Saqqaf
Chairperson and
Managing Director

Abeer Al-Essa
Treasurer and Executive
Board Member

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



Statement of comprehensive income and activities
for the year ended 31 December 2011

	Note	2011 KD	2010 KD
Operating and support revenues			
Contributions			
Corporate and individuals	13	262,182	237,000
Services and materials	13	74,960	78,533
Total contributions		<u>337,142</u>	<u>315,533</u>
Deferred contributions	9	(170,364)	(94,368)
Net contributions		<u>166,778</u>	<u>221,165</u>
Projects and programs			
Students' training programs	13	452,605	403,512
Other revenues			
	13	<u>34,429</u>	<u>6,989</u>
Total operating and support revenues		<u>653,812</u>	<u>631,666</u>
Operating expenditure			
Projects and programs			
Students' training programs	14	(338,001)	(364,474)
Supporting services			
Management and general	15	(319,090)	(271,548)
Total operating expenditure		<u>(657,091)</u>	<u>(636,022)</u>
Results of operations for the year		<u>(3,279)</u>	<u>(4,356)</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(3,279)</u>	<u>(4,356)</u>

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



Statement of changes in equity (net assets)
for the year ended 31 December 2011

	Share capital KD	Collected for capital increase KD	Statutory reserve KD	Voluntary reserve KD	Retained earnings KD	Total KD
Balance as at 31 December 2009	10,000	10,000	16,121	27,619	224,773	288,513
Total comprehensive income for the year	-	-	-	-	(4,356)	(4,356)
Issue of share capital	10,000	(10,000)	-	-	-	-
Balance as at 31 December 2010	20,000	-	16,121	27,619	220,417	284,157
Total comprehensive income for the year	-	-	-	-	(3,279)	(3,279)
Balance as at 31 December 2011	20,000	-	16,121	27,619	217,138	280,878

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



Statement of cash flows
for the year ended 31 December 2011

	2011 KD	2010 KD
Note		
Cash flows from operating activities		
Results of operations for the year	(3,279)	(4,356)
<i>Adjustments for:</i>		
Depreciation	7 6,839	6,865
Provision for employees' end of service indemnity-net	10 7,286	3,261
Gain on sale of property and equipment	-	(70)
	<u>10,846</u>	<u>5,700</u>
<i>Changes in:</i>		
- Prepayments and other receivables	(17,777)	1,975
- Inventories	3,904	(6,626)
- Contributions receivable	(36,071)	(47,417)
- Accounts payable and accrued expenses	(7,653)	3,618
- Deferred contributions	75,996	26,003
- Payments towards employees' end of service indemnity	10 (2,760)	-
Net cash from / (used in) operating activities	<u>26,485</u>	<u>(16,747)</u>
Cash flows from investing activities:		
Proceeds from disposal of property and equipment	-	70
Purchase of property and equipment	7 (9,080)	(9,095)
Net cash used in investing activities	<u>(9,080)</u>	<u>(9,025)</u>
Net increase / (decrease) in cash and cash equivalents	17,405	(25,772)
Cash and cash equivalents at the beginning of the year	<u>347,578</u>	<u>373,350</u>
Cash and cash equivalents at end of the year	4 <u>364,983</u>	<u>347,578</u>

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



Notes to the financial statements
for the year ended 31 December 2011

1. Reporting entity

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-for-profit organization working towards the overall development of the youth.

LOYAC is domiciled in Kuwait and its office is located at Al Qibliya School, Kuwait City and its registered postal address is P.O. Box 386, Salmiya 22004, State of Kuwait.

The financial statements were authorized for issue by the Board of Directors on 24 May 2012.

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.

b) Functional and presentation currency

The financial statements are presented in Kuwaiti Dinars (“KD”) which is LOYAC’s functional currency.

c) Basis of measurement

The financial statements are prepared on amortized or historical cost basis, except for contributed services and materials which are measured at fair value.

The statement of comprehensive income and activities is a statement of financial activity related to the current year, 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 profit oriented entity.

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 members 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 – These represent transfers to the statutory reserve.



Notes to the financial statements
for the year ended 31 December 2011

d) Estimates and judgments

The preparation of financial statements in conformity with IFRSs require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, 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 the carrying value 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 estimates are revised and any future periods affected.

Determining fair values

The following accounting policy and disclosures require determination of fair value. Fair values have been determined based on following methods:

- 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 market participants would use in pricing the contributed service/ material.

e) Application of New standards and interpretations

New Standards, amendments to standards and interpretations effective but not applied

A number of new standards, amendments to standards and interpretations became effective during the current year but have not been applied in preparing these financial statements. Management believes that these standards and interpretations are not expected to have a significant impact on the reported amounts disclosures in the financial statements.

New and revised Standards in issue but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2011, and have not been applied in preparing these financial statements. None of these Standards and Interpretations are expected to have a significant impact on the financial statements of LOYAC.



Notes to the financial statements
for the year ended 31 December 2011

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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. Depreciation is recognized in the statement of comprehensive income and activities on a straight line basis over the estimated useful lives of each part of an item of property and equipment.

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 amounts due from sponsors and/ or students for contributions made or services performed in the ordinary course of business. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses (Note3 (d)).

d) Impairment

Financial asset

Financial assets are reviewed at the reporting date to determine whether there is objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flow discounted at the original effective interest rate.



Notes to the financial statements
for the year ended 31 December 2011

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in statement of comprehensive income and activities.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in statement of comprehensive income and activities.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in statement of comprehensive income and activities.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in statement of comprehensive income and activities.

e) Employee benefits

Kuwaiti employees

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security (PIFSS) 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, is charged to the statement of comprehensive income and activities 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



Notes to the financial statements
for the year ended 31 December 2011

unfunded commitment, which represents a defined benefit plan, has been made by calculating the notional liability had all employees left at the reporting date.

f) 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 mainly represent soccer uniform kits held for resale in the ordinary course of business and materials and supplies to be consumed in the rendering of services.

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

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

h) Deferred contributions

Deferred contributions represent the excess balance of operating and supporting revenue, over expenditure incurred during the year on student training programs. The contributions are utilized towards the related programs/ activities during the forthcoming 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 restricted net assets if they are received with sponsor stipulations as to their use. When a sponsor restriction expires, that is, the purpose of restriction is accomplished; temporarily restricted net assets are released and reclassified as unrestricted net assets in the statement of comprehensive 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.

Projects and programs revenue, which arises principally from corporate contributions, individual contributions, contributed services and student training programs is recognized upon the provision of the services.



Notes to the financial statements
for the year ended 31 December 2011

ii. Contributed services and donated materials

Contributed services are reported at fair value in the financial statements for voluntary donations of services. 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. Interest income

Interest income is recognized as it accrues in the statement of comprehensive income and activities, using the effective interest method.

j) Expenditures

Expenditures are recognized as they accrue. Expenditures for conducting key programs comprise of fees paid to program sponsors and other related expenditure incurred, which are accounted for program-wise.

4. Cash and cash equivalents

	2011	2010
	KD	KD
Cash in hand	1,827	284
Bank balances	160,936	347,294
Money market fund	<u>202,220</u>	<u>-</u>
	<u>364,983</u>	<u>347,578</u>

During the year, LOYAC placed excess cash in money market placements. The money Market fund ("the fund") is marked-to-market on a monthly basis. The objective of this Fund is to generate income while maintaining the principal value. During the year ended 31 December 2011, the approximate pay out rate was 1% determined based on the year's historical average (2010: Nil).

5. Prepayments and other receivables

	2011	2010
	KD	KD
Prepaid expenses	21,887	11,493
Refundable deposits	890	300
Others	<u>8,700</u>	<u>1,907</u>
	<u>31,477</u>	<u>13,700</u>

6. Contributions receivable

This represents a contribution receivable from Dow Chemical IMEA GmbH. Subsequent to the reporting date; LOYAC collected the full amount from the sponsor.



Notes to the financial statements
for the year ended 31 December 2011

7. Property and equipment

2011	Furniture and fixtures KD	Office equipment KD	Computers and accessories KD	Total KD
Cost				
At 1 January 2011	8,052	12,801	20,840	41,693
Additions	1,013	3,867	4,200	9,080
At 31 December 2011	<u>9,065</u>	<u>16,668</u>	<u>25,040</u>	<u>50,773</u>
Accumulated depreciation				
At 1 January 2011	4,681	9,978	14,721	29,380
Charge for the year	1,005	1,875	3,959	6,839
At 31 December 2011	<u>5,686</u>	<u>11,853</u>	<u>18,680</u>	<u>36,219</u>
Carrying amounts				
At 31 December 2011	<u>3,379</u>	<u>4,815</u>	<u>6,360</u>	<u>14,554</u>
2010				
Cost				
At 1 January 2010	4,810	11,037	17,796	33,643
Additions	3,242	1,764	4,089	9,095
Disposals	-	-	(1,045)	(1,045)
At 31 December 2010	<u>8,052</u>	<u>12,801</u>	<u>20,840</u>	<u>41,693</u>
Accumulated depreciation				
At 1 January 2010	3,835	8,005	11,720	23,560
Charge for the year	846	1,973	4,046	6,865
Disposals	-	-	(1,045)	(1,045)
At 31 December 2010	<u>4,681</u>	<u>9,978</u>	<u>14,721</u>	<u>29,380</u>
Carrying amounts				
At 31 December 2010	<u>3,371</u>	<u>2,823</u>	<u>6,119</u>	<u>12,313</u>



Notes to the financial statements
for the year ended 31 December 2011

8. Accounts payable and accrued expenses

	2011	2010
	KD	KD
Payable to staff, students and others	7,658	22,137
Retentions from students	2,340	4,080
Advances received from students	6,467	1,252
Accruals and other payables	9,679	6,328
	<u>26,144</u>	<u>33,797</u>

9. Deferred contributions

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

	2011	2010
	KD	KD
Kuwait for Kenya Project (K4K)	9,562	5,566
Drama Club (LAPA)	50,753	17,745
LOYAC Community Services	-	307
Music Course – Lolwa	2,002	1,054
Music Course – Faisal	8,538	2,400
Homes Committee	8,240	1,751
7 Habits of Highly Effective Teens and College Students	-	941
International Internship Program	-	8,202
LOYAC branch offices	2,601	4,631
Football tournament	-	444
Soccer Academy	51,347	34,291
Aid Campaigns	3,917	3,917
ExxonMobil branded program	-	6,000
Professional CV writing	-	13
Electronics and communication	1,053	1,869
Dow Day out Program	12,263	3,613
Mass communication	2,740	-
Graduates Employment Programs – GEP	13,883	-
Kuwaiti Talent Fund	3,150	-
Artizana	-	288
Sharing is caring	315	-
Azerbaijan program	-	1,336
	<u>170,364</u>	<u>94,368</u>

The movement in deferred contributions was as follows:

	2011	2010
	KD	KD
Balance at 1 January	94,368	68,365
Revenue recognized	(94,368)	(68,365)
Deferred at year end	<u>170,364</u>	<u>94,368</u>
Balance at 31 December	<u>170,364</u>	<u>94,368</u>



Notes to the financial statements
for the year ended 31 December 2011

10. Provision for employees' end of service benefits

	2011 KD	2010 KD
Balance at 1 January	17,185	13,924
Charge for the year	7,792	4,054
Payments during the year	(2,760)	-
Release from obligation	(506)	(793)
Balance at 31 December	<u>21,711</u>	<u>17,185</u>

11. Equity (net assets)

a) Share capital

Share capital comprises of 100 shares at a nominal value of KD 200 each (2010: KD 200), which are distributed among the owners as follows:

31 December 2011	Shares	Amount KD
Owner:		
Sheikha Amal Al-Sabah	14	2,800
Fareah Al-Saqqaf	15	3,000
Abeer Al-Essa	15	3,000
Fadia Al-Marzooq	14	2,800
Mona Al-Kalouti	14	2,800
Nadia Al-Marzouq	14	2,800
Fetouh Al-Dalali	14	2,800
	<u>100</u>	<u>20,000</u>

31 December 2010	Shares	Amount KD
Owner:		
Sheikha Amal Al-Sabah	14	2,800
Fareah Al-Saqqaf	15	3,000
Abeer Al-Essa	15	3,000
Fadia Al-Marzooq	14	2,800
Mona Al-Kalouti	14	2,800
Nadia Al-Marzouq	14	2,800
Fetouh Al-Dalali	14	2,800
	<u>100</u>	<u>20,000</u>

b) Statutory reserve

In accordance with the Kuwait Commercial Companies' Law and LOYAC's articles of association, 10% of the surplus for the year is required to be transferred to the statutory reserve. The owners 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. No transfers are required in the year of loss or where accumulated losses exist.



Notes to the financial statements
for the year ended 31 December 2011

c) Voluntary reserve

In accordance with LOYAC's articles of association, 10% of surplus for the year has been transferred to the voluntary reserve. Such transfers can be discontinued by a resolution from the owners in the annual general assembly meeting upon recommendation by the board members. There are no restrictions on the distribution of this reserve. No transfers are required in the year of loss or where accumulated losses exist.

d) Classification of net assets

Unrestricted and temporarily restricted net assets represent the following as at 31 December:

	2011	2010
	KD	KD
<i>Designated for the following purposes:</i>		
Share capital	20,000	20,000
Voluntary reserve	27,619	27,619
	<u>47,619</u>	<u>47,619</u>
Undesignated for programs / activities	46,774	126,049
Total unrestricted net assets	<u>94,393</u>	<u>173,668</u>
Temporarily restricted net assets	170,364	94,368
	<u>264,757</u>	<u>268,036</u>

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

	2011	2010
	KD	KD
Statutory reserve	<u>16,121</u>	<u>16,121</u>

12. Analysis of net assets

Net assets as at 31 December were as follows:

	2011	2010
	KD	KD
Unrestricted	94,393	173,668
Temporarily restricted	170,364	94,368
Permanently restricted	16,121	16,121



Notes to the financial statements
for the year ended 31 December 2011

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

2011	Unrestricted KD	Temporarily restricted KD	Permanently restricted KD
Unrestricted net assets			
Unrestricted operating and support revenues	201,207	-	-
Unrestricted operating expenditure	(374,850)	-	-
Restricted net assets			
Restricted operating and support revenues	-	452,605	-
Restricted operating expenditure	-	(282,241)	-
Change in net assets	(173,643)	170,364	-
Net assets at the beginning of the year	173,668	94,368	16,121
Transferred from temporarily restricted	94,368	(94,368)	-
Net assets at the end of the year	<u>94,393</u>	<u>170,364</u>	<u>16,121</u>

2010	Unrestricted KD	Temporarily restricted KD	Permanently restricted KD
Unrestricted net assets			
Unrestricted operating and support revenues	228,154	-	-
Unrestricted operating expenditure	(326,878)	-	-
Restricted net assets			
Restricted operating and support revenues	-	403,512	-
Restricted operating expenditure	-	(309,144)	-
Change in net assets	(98,724)	94,368	-
Net assets at the beginning of the year	204,027	68,365	16,121
Transferred from temporarily restricted	68,365	(68,365)	-
Net assets at the end of the year	<u>173,668</u>	<u>94,368</u>	<u>16,121</u>



Notes to the financial statements
for the year ended 31 December 2011

13. Operating and support revenues

	Unrestricted KD	Temporarily restricted KD	2011 Total KD	2010 Total KD
Contributions				
Corporate contributions	262,182	-	262,182	237,000
Services and materials				
Contributed services of board members	72,000	-	72,000	72,000
Contributed use of printing press	2,360	-	2,360	2,210
Contributed use of media and other facilities	600	-	600	4,323
	<u>74,960</u>	<u>-</u>	<u>74,960</u>	<u>78,533</u>
Projects and programs				
The "7 Habits of Highly Effective Teens and College Students" Program	86	-	86	15,295
Kuwait for Kenya Project (K4K)	7,336	9,562	16,898	17,835
AC Milan programs	17,244	-	17,244	16,778
Music Course - Lolwa	7,367	2,002	9,369	2,000
Music Course - Faisal	4,312	8,538	12,850	10,250
LOYAC Events	815	-	815	2,225
Part - time Program	2,298	-	2,298	2,003
Summer Program	12,527	-	12,527	10,429
Drama Club (LAPA)	70,151	50,753	120,904	91,002
"Service is my Joy" Program	1,396	-	1,396	2,154
LOYAC Community Services	-	-	-	1,728
Global Entrepreneurship Program	-	-	-	1,665
Homes Committee	22,861	8,240	31,101	24,864
International Internship Programs	3,982	-	3,982	11,887
English Language Course - Expressions	5,086	-	5,086	8,605
Football Tournament	-	-	-	444
LOYAC Branch Offices	17,840	2,601	20,441	12,740
Azerbaijan Programs	-	-	-	6,370
Lebanon Homes Committee	-	-	-	10,490
Help Campaigns	-	3,917	3,917	9,800
Communication Committee Youth Council	-	-	-	27
World Urban Youth Assembly	-	-	-	675
Mass And Communication	3,323	2,740	6,063	-
Electronics and Communication	2,816	1,052	3,868	5,077
Soccer Academy	94,213	51,347	145,560	123,046
Environmental Awareness Committees	-	-	-	40
Book Club	23	-	23	36
Professional CV writing	-	-	-	27
ExxonMobil branded program	94	-	94	6,000
Activities department programs	1,117	13,883	15,000	2,520
Dow Day Out Program	2,847	12,264	15,111	7,500
Kuwaiti Talent Fund	-	3,150	3,150	-
LOYACY Magazine	4,200	-	4,200	-
Sharing is Caring	307	315	622	-
	<u>282,241</u>	<u>170,364</u>	<u>452,605</u>	<u>403,512</u>
Other revenues	34,429	-	34,429	6,989
	<u>653,812</u>	<u>170,364</u>	<u>824,176</u>	<u>726,034</u>



Operating expenditure – projects and programs

	2011	2010
Salaries	90,344	32,988
Student training	32,980	3,022
Travel and housing	432	11,883
Contributed services	40,835	1,045
Media	20	26
Printing and supplies	-	76
Contractual services	-	1,249
Relief services	-	25
Material cost	-	14,829
Others	-	16
Total	14,980	1,783
Programs	13,233	88,756
Human Resources	17,244	5,565
Academy	68,370	5,883
Arabic Programs	3,998	-
Arabic Language Courses	216	-
Arabic Language Courses	14,829	-
Arabic Language Courses	25	-
Arabic Language Courses	16	-
Arabic Language Courses	62	-
Arabic Language Courses	2	-
Arabic Language Courses	86	-
Arabic Language Courses	215	-
Arabic Language Courses	49	-
Arabic Language Courses	5,131	-
Arabic Language Courses	5,417	-
Arabic Language Courses	31,445	-
Arabic Language Courses	2,577	-
Arabic Language Courses	1,605	-
Arabic Language Courses	9,074	-
Arabic Language Courses	2,036	-
Arabic Language Courses	3,323	-
Arabic Language Courses	1,010	-
Arabic Language Courses	154	-
Arabic Language Courses	1,329	-
Arabic Language Courses	644	-
Arabic Language Courses	3,366	-
Arabic Language Courses	354	-
Arabic Language Courses	22,861	-
Arabic Language Courses	951	-
Arabic Language Courses	3,208	-
Arabic Language Courses	2,816	-
Arabic Language Courses	1,728	-
Arabic Language Courses	8,378	-
Arabic Language Courses	5,996	-
Arabic Language Courses	3,724	-
Arabic Language Courses	1,659	-
Arabic Language Courses	94	-
Arabic Language Courses	14	-
Arabic Language Courses	9,399	-
Arabic Language Courses	1,117	-
Arabic Language Courses	5,473	-
Arabic Language Courses	1,421	-
Total	338,001	364,474



Notes to the financial statements
for the year ended 31 December 2011

14. Operating expenditure – projects and programs (continued)

Operating expenditure – projects and programs includes contributed services by board members amounting to KD 12,000 (2010: KD 12,000).

15. Operating expenditure - supporting services

	2011	2010
	KD	KD
Salaries and benefits	163,486	121,917
Contributed services by board members	72,000	72,000
Board members' compensation	28,000	25,500
Office rent	10,200	8,600
Professional fees	3,938	3,050
Staff training	357	350
Printing and office stationary	3,160	3,999
Communication costs	9,379	8,018
Office and administrative expenses	3,994	1,692
Advertisement and design	8,380	12,681
Repair and maintenance costs	4,317	3,179
Depreciation	6,822	6,695
Others	5,057	3,867
	<u>319,090</u>	<u>271,548</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 (2010: KD 72,000) and KD 12,000 (2010: KD 12,000), respectively based on the time consumed in those activities with the corresponding equal amounts recognized as a contribution within operating and support revenues.

16. Related party transactions

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

Significant related party transactions during the year were as follows:

- a) Members contributed services amounting to KD 84,000 during the year (2010: KD 84,000).
- b) Members' compensation of KD 28,000 (2010: KD 25,500) for the board members of LOYAC for daily expenses incurred by them in the course of their duties.
- c) Transfers of donations received and operating expenses incurred on behalf of LOYAC Jordan amounting to KD 17,777 (2010: KD 7,904).
- d) Transfers of donations received and operating expenses incurred on behalf of LOYAC Lebanon amounting to KD 7,655 (2010: KD 25,638).
- e) LOYAC incurred operating expenses relating to LOYAC Texas amounting to KD NIL (2010: 583).



Notes to the financial statements
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17. Financial instruments and 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 other receivables, bank balances and contributions receivable. As at the reporting date, LOYAC's maximum exposure to money market fund 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:

	2011	2010
	KD	KD
Cash and cash equivalents	363,156	347,294
Contributions receivable	83,488	47,417
Other receivables	9,590	2,207
	<u>456,234</u>	<u>396,918</u>

LOYAC limits its exposure to credit risk by only placing funds with counterparties with appropriate credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

The management believes that, as at the reporting date, there were neither past due nor impaired financial assets and accordingly no collateral in respect of receivables is required.



Notes to the financial statements
for the year ended 31 December 2011

b) Liquidity risk

Liquidity risk is the risk that the LOYAC will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. LOYAC's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to LOYAC's reputation.

LOYAC limits its liquidity risk by monitoring on a regular basis that sufficient funds are available to meet maturing obligations. In addition, LOYAC maintains adequate amounts of cash and cash equivalents to meet working capital requirements.

LOYAC's financial liabilities are non-derivatives and mature within one year.

c) 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 price 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 is not exposed to equity price risk as at the reporting date.

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. LOYAC is exposed to interest rate risk only on its call deposit with bank and money market fund. Interest bearing financial assets mature or reprice in the short term, no longer than twelve months. As a result, LOYAC is subject to limited exposure to fluctuation in interest rate.

Currency risk

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

LOYAC is not exposed to significant currency risk as at the reporting date.

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.

Financial instruments comprise financial assets and financial liabilities.

The estimated fair value of the financial assets and liabilities at the reporting date are not significantly different from their carrying value.



Notes to the financial statements
for the year ended 31 December 2011

e) Capital risk 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.

There were no changes in the LOYAC's approach to capital management during the year.

LOYAC is subject to externally imposed capital requirements, except for the minimum capital requirements stipulated by the Kuwait commercial companies law, in relation to limited liability companies.

18. Comparative figures

Certain comparative figures were regrouped to conform to current year's presentation. An additional column of a third statement of financial position was not presented as the regrouping has no significant impact on the opening balances of the comparative year ended 31 December 2010.

