

**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 2012



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors

LOYAC Private Training and Consulting Company W.L.L.
State of 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 2012, 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 the auditor's 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 auditor considers 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 2012, 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)

LOYAC Private Training and Consulting Company W.L.L.

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 2012, 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.

On 29 November 2012, Decree law No. 25 of 2012 concerning the promulgation of the new companies act was issued and is effective from the date the law was published in the official gazette; and the companies existing at the time the law was issued shall reconcile their position in accordance with the requirements of the underlying law within six months from its effective date.

LOYAC is currently assessing the impact of the application of the new law on its financial statements and management does not expect the adoption of the new law will have material financial impact on LOYAC's activities or financial position.


Bader A. Al-Abduljader

License No. 207, Category "A" - Kuwait
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Member of Russell Bedford International



Kuwait: 14 February 2013





Statement of financial position
as at 31 December 2012

	Note	2012 KD	2011 KD
Assets			
Cash and cash equivalents	4	177,131	364,983
Prepayments and other receivables	5	26,496	31,477
Contributions receivable		-	83,488
Inventories		5,651	4,595
Total current assets		<u>209,278</u>	<u>484,543</u>
Property and equipment	6	17,222	14,554
Total non-current assets		<u>17,222</u>	<u>14,554</u>
Total assets		<u>226,500</u>	<u>499,097</u>
Liabilities			
Accounts payable and accrued expenses	7	32,836	26,144
Deferred contributions	8	51,386	170,364
Total current liabilities		<u>84,222</u>	<u>196,508</u>
Provision for employees' end of service benefits	9	29,909	21,711
Total non-current liabilities		<u>29,909</u>	<u>21,711</u>
Total liabilities		<u>114,131</u>	<u>218,219</u>
Equity (net assets)	10		
Share capital		20,000	20,000
Statutory reserve		16,121	16,121
Voluntary reserve		27,619	27,619
Retained earnings		48,629	217,138
Total equity (net assets)		<u>112,369</u>	<u>280,878</u>
Total liabilities and equity (net assets)		<u>226,500</u>	<u>499,097</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 2012

	Note	2012 KD	2011 KD
Operating and support revenues			
Contributions			
Corporate and individuals	12	165,050	262,182
Services and materials	12	89,089	74,960
Total contributions		<u>254,139</u>	<u>337,142</u>
Deferred contributions	8	<u>(51,386)</u>	<u>(170,364)</u>
Net contributions		<u>202,753</u>	<u>166,778</u>
Projects and programs			
Students' training programs	12	379,915	452,605
Other revenues	12	45,665	34,429
Total operating and support revenues		<u>628,333</u>	<u>653,812</u>
Operating expenditure			
Projects and programs			
Students' training programs	13	(414,071)	(338,001)
Supporting services			
Management and general	15	<u>(382,771)</u>	<u>(319,090)</u>
Total operating expenditure		<u>(796,842)</u>	<u>(657,091)</u>
Results of operations for the year		<u>(168,509)</u>	<u>(3,279)</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(168,509)</u>	<u>(3,279)</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 2012

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Retained earnings KD	Total KD
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
Total comprehensive income for the year	-	-	-	(168,509)	(168,509)
Balance as at 31 December 2012	20,000	16,121	27,619	48,629	112,369

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



Statement of cash flows
for the year ended 31 December 2012

	Note	2012 KD	2011 KD
Cash flows from operating activities:			
Results of operations for the year		(168,509)	(3,279)
<i>Adjustments for:</i>			
Depreciation	6	9,110	6,839
Provision for employees' end of service indemnity, net	9	8,198	7,286
Gain on sale of property and equipment		(193)	-
		<u>(151,394)</u>	<u>10,846</u>
<i>Changes in:</i>			
- Prepayments and other receivables		4,981	(17,777)
- Inventories		(1,056)	3,904
- Contributions receivable		83,488	(36,071)
- Accounts payable and accrued expenses		6,692	(7,653)
- Deferred contributions		(118,978)	75,996
- Payments towards employees' end of service indemnity	9	-	(2,760)
<i>Net cash generated (used in) / from operating activities</i>		<u>(176,267)</u>	<u>26,485</u>
Cash flows from investing activities:			
Proceeds from disposal of property and equipment		737	-
Purchase of property and equipment	6	(12,322)	(9,080)
<i>Net cash used in investing activities</i>		<u>(11,585)</u>	<u>(9,080)</u>
Net (decrease) / increase in cash and cash equivalents		(187,852)	17,405
Cash and cash equivalents at the beginning of the year		<u>364,983</u>	<u>347,578</u>
Cash and cash equivalents at end of the year	4	<u><u>177,131</u></u>	<u><u>364,983</u></u>

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



Notes to the financial statements
for the year ended 31 December 2012

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 14 February 2013.

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.

On 29 November 2012, Decree law No. 25 of 2012 concerning the promulgation of the new companies act was issued and all effective from the date it was published in the official gazette; and companies existing at the time the law was issued shall reconcile their position in accordance with the revisions of the law.

LOYAC is currently assessing the impact of the application of the new law on its financial statements and management does not expect the adoption of the new law will have material financial impact on LOYAC's activities or financial position.

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.



Notes to the financial statements
for the year ended 31 December 2012

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.

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.

Notes to the financial statements
for the year ended 31 December 2012

e) New standards, amendments to standards and interpretations not applied

The new standards, amendments to the standards and interpretations that came into effect this year but not yet implemented

A number of new standards, amendments to standards and interpretations are in issue and effective for the current year but have not been applied in the preparation of these financial statements as the application of these new and revised IFRSs does not have any significant impact on the reported amounts and disclosures thereto.

The new standards, amendments to the standards and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are in issue but not yet effective for the year ended 31 December 2012, and have not been applied in preparing these financial statements. The Management anticipates that the adoption of these standards, amendments to standards and interpretations in future periods will have no material financial impact on the financial statements of the LOYAC in the period of initial application

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.

Notes to the financial statements
for the year ended 31 December 2012

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 recognized initially at fair value and subsequently measured at amortized 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.

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.

Notes to the financial statements
for the year ended 31 December 2012

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

Notes to the financial statements
for the year ended 31 December 2012

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.



Notes to the financial statements
for the year ended 31 December 2012

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.

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.



Notes to the financial statements
for the year ended 31 December 2012

4. Cash and cash equivalents

	2012 KD	2011 KD
Cash in hand	911	1,827
Bank balances	176,220	160,936
Money market fund	-	202,220
	<u>177,131</u>	<u>364,983</u>

5. Prepayments and other receivables

	2012 KD	2011 KD
Prepaid expenses	14,003	21,887
Refundable deposits	990	890
Others	11,503	8,700
	<u>26,496</u>	<u>31,477</u>

6. Property and equipment

	Furniture and fixtures KD	Office equipment KD	Computers and accessories KD	Total KD
Cost				
At 1 January 2012	9,065	16,668	25,040	50,773
Additions	6,033	1,335	4,954	12,322
Disposal	-	(2,711)	-	(2,711)
At 31 December 2012	<u>15,098</u>	<u>15,292</u>	<u>29,994</u>	<u>60,384</u>
Accumulated depreciation				
At 1 January 2012	5,686	11,853	18,680	36,219
Charge for the year	1,937	2,556	4,617	9,110
Disposal	-	(2,167)	-	(2,167)
At 31 December 2012	<u>7,623</u>	<u>12,242</u>	<u>23,297</u>	<u>43,162</u>
Carrying amounts				
At 31 December 2012	<u>7,475</u>	<u>3,050</u>	<u>6,697</u>	<u>17,222</u>
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>



Notes to the financial statements
for the year ended 31 December 2012

7. Accounts payable and accrued expenses

	2012 KD	2011 KD
Payable to staff, students and others	13,979	7,658
Retentions from students	4,760	2,340
Advances received from students	3,477	6,467
Accruals and other payables	10,620	9,679
	<u>32,836</u>	<u>26,144</u>

8. Deferred contributions

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

	2012 KD	2011 KD
Kuwaiti Talent Fund	-	3,150
General Help Aid	-	3,917
Kuwait for Kenya Project (K4K)	3,500	9,562
Soccer School - AC Milan	15,253	51,347
General Fund for Soccer School	850	-
Music Course	9,057	10,540
Dow Day out Program	-	12,263
Musical Event - National Council for Art & Culture	4,399	-
Graduates Empowerment Program – GEP	6,000	13,883
Electronics and communication	-	1,053
Mass Communication Course	-	2,740
Homes Committee	12,327	8,240
Caring is Sharing Program	-	315
LOYAC Chapters	-	2,601
Loyac Academy for Performing Arts – LAPA	-	50,753
	<u>51,386</u>	<u>170,364</u>

The movement in deferred contributions was as follows:

	2012 KD	2011 KD
Balance at 1 January	170,364	94,368
Revenue recognized	(170,364)	(94,368)
Deferred at year end	51,386	170,364
Balance at 31 December	<u>51,386</u>	<u>170,364</u>

9. Provision for employees' end of service benefits

	2012 KD	2011 KD
Balance at 1 January	21,711	17,185
Charge for the year	8,198	7,792
Payments during the year	-	(2,760)
Release from obligation	-	(506)
Balance at 31 December	<u>29,909</u>	<u>21,711</u>

10. Equity (net assets)

a) Share capital

Share capital comprises of 100 shares at a nominal value of KD 200 each (2011: KD 200), which are distributed among the owners as follows:

31 December	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.

c) Voluntary reserve

In accordance with LOYAC's articles of association, 10% of surplus for the year shall be 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.



Notes to the financial statements
for the year ended 31 December 2012

d) Classification of net assets

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

	2012 KD	2011 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	(2,757)	46,774
Total unrestricted net assets	<u>44,862</u>	<u>94,393</u>
Temporarily restricted net assets	51,386	170,364
	<u>96,248</u>	<u>264,757</u>

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

	2012 KD	2011 KD
Statutory reserve	<u>16,121</u>	<u>16,121</u>

11. **Analysis of net assets**

Net assets as at 31 December were as follows:

	2012 KD	2011 KD
Unrestricted	44,862	94,393
Temporarily restricted	51,386	170,364
Permanently restricted	16,121	16,121



Notes to the financial statements
for the year ended 31 December 2012

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

2012	Unrestricted KD	Temporarily restricted KD	Permanently restricted KD
Unrestricted net assets			
Unrestricted operating and support revenues	237,708	-	-
Unrestricted operating expenditure	(457,603)	-	-
Restricted net assets			
Restricted operating and support revenues	-	390,625	-
Restricted operating expenditure	-	(339,239)	-
Change in net assets	(219,895)	51,386	-
Net assets at the beginning of the year	94,393	170,364	16,121
Transferred from temporarily restricted	170,364	(170,364)	-
Net assets at the end of the year	<u>44,862</u>	<u>51,386</u>	<u>16,121</u>
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>



Notes to the financial statements
for the year ended 31 December 2012

12. Operating and support revenues

	Unrestricted KD	Temporarily restricted KD	2012 Total KD	2011 Total KD
Contributions				
Corporate contributions	165,050	-	165,050	262,182
Services and materials				
Contributed services of board members	72,000	-	72,000	72,000
Contributed use of printing press	558	-	558	2,360
Contributed use of media and other facilities	5,821	-	5,821	600
Contributed facilities for LOYAC 's 10 th Anniversary	10,710	-	10,710	-
	<u>89,089</u>	<u>-</u>	<u>89,089</u>	<u>74,960</u>
Projects and programs				
The 7 Habits of Highly Effective Teens and College Students' Program	540	-	540	86
International Internship in General	372	-	372	3,982
Kuwaiti Talent Fund	3,150	-	3,150	3,150
Homes Project - Jordan / Lebanon	8,897	-	8,897	-
Help Campaigns	3,917	-	3,917	3,917
Kuwait for Kenya Project (K4K)	7,355	3,500	10,855	16,898
Mass Communication Course	7,112	-	7,112	6,063
Foundation skills at AUK	1,695	-	1,695	-
Electronics and Communication	(472)	-	(472)	3,868
Soccer School – AC Milan	109,840	15,254	125,094	145,560
General Fund Soccer School	1,150	850	2,000	-
AC Milan Trip	7,800	-	7,800	17,244
English Language Course	350	-	350	5,086
ExxonMobil branded program	-	-	-	94
Activities department programs	-	-	-	15,000
Dow Day - out Program	12,264	-	12,264	15,111
LOYAC Events	-	-	-	815
Music Course	12,933	9,057	21,990	22,219
Art Exhibition	280	-	280	-
Musical Event - National Council for Art & Culture	2,301	4,399	6,700	-
Concourse D Elegance Expo - Marina Crescent	7,750	-	7,750	-
Outside Events	750	-	750	-
Graduates Empowerment Program - GEP	7,958	6,000	13,958	-
Homes Committee	18,384	12,326	30,710	31,101
Part – time Program	2,091	-	2,091	2,298
“Service is my Joy” Program	2,097	-	2,097	1,396
Summer Program	13,512	-	13,512	12,527
Community services	783	-	783	-
Caring is Sharing Program	1,014	-	1,014	622
LOYAC Book Club	-	-	-	23
LOYACY Magazine	5,860	-	5,860	4,200
LOYAC Academy for Performing Arts - LAPA	88,146	-	88,146	120,904
Kuwait Science Fair	700	-	700	-
LOYAC Chapters	-	-	-	20,441
	<u>328,529</u>	<u>51,386</u>	<u>379,915</u>	<u>452,605</u>
Other revenues	45,665	-	45,665	34,429
	<u>628,333</u>	<u>51,386</u>	<u>679,719</u>	<u>824,176</u>

13. Operating expenditure – projects and programs

	Salaries KD	Student training KD	Travel and housing KD	Contributed services KD	Media KD	Printing and supplies KD	Contractual services KD	Relief services KD	Material cost KD	Others KD	2012 Total KD	2011 Total KD
The "7 Habits of Highly Effective Teens and College, Students " Programs	-	-	-	-	15	44	-	-	-	481	540	86
WYSE Personal and Psychological Program	-	885	504	-	-	-	-	-	-	5	1,394	1,329
International Internship Programs	-	-	4,579	372	904	-	-	-	-	25	5,880	9,359
Global Entrepreneurship program	-	1,921	752	-	-	-	-	-	-	4	2,677	3,366
Kuwait for Kenya Project (K4K)	-	-	2,995	-	-	-	-	1,694	-	2,667	7,356	7,336
International Volunteer Programs	-	43	836	-	-	-	35	-	-	7,100	8,014	154
We Build Global Outreach	-	547	152	-	-	-	-	-	-	-	699	644
Homes Project - Jordan / Lebanon	-	-	3,812	-	284	60	-	2,268	50	4,001	10,475	9,399
Homes Committee	-	1,695	-	-	-	-	4,936	11,744	-	9	18,384	22,861
Mass Communication Course	(472)	8,220	-	-	-	-	-	-	-	-	8,220	3,323
Electronics and communication	-	1,695	-	-	-	-	-	-	-	-	(472)	2,816
Foundation Skill at AUK	-	-	-	-	-	-	-	-	-	-	1,695	-
Media Course	210	-	-	-	-	-	-	-	-	-	210	-
LOYAC – Jordan	-	-	1,669	-	-	-	-	8,400	163	165	10,397	8,378
LOYAC – Lebanon	8,461	-	-	-	-	-	-	-	-	139	8,600	7,655
AC Milan Programs	-	900	7,912	-	15	-	261	-	785	32	9,905	17,244
Soccer School - AC Milan	28,380	914	8,427	-	372	791	23,299	-	13,274	34,383	109,840	94,213
English Language Courses	-	720	-	-	15	-	-	-	-	1	736	13,744
LOYAC Events & Activities	25	9,995	3,081	-	205	803	940	-	524	21,377	36,950	14,979
Part – Time Program	1,500	-	-	-	1,769	636	170	-	76	134	4,285	5,131
Graduates Empowerment Program - GEP	3,750	-	-	-	-	14	-	-	-	4,194	7,958	1,117
ExxonMobil Branded Program	-	-	-	-	-	-	-	-	-	-	-	94
Summer Programs	8,215	365	345	150	7,687	2,405	-	-	4,332	3,338	26,837	31,445
Summer program committees	-	-	39	-	-	376	-	-	373	156	944	2,577
"Service is my Joy" Program	1,560	-	345	-	372	142	-	-	701	515	3,635	2,036
LOYAC Book Club	-	-	-	-	-	55	-	-	-	-	55	354
Community Outside Centers	3,243	-	275	-	20	79	30	-	641	856	5,144	1,728
Loyac Documentary - DOW:Media Unit	-	-	-	-	6,515	-	1,325	-	45	194	8,079	-
LOYACY Magazine	-	150	20	-	-	10,730	-	-	23	-	10,923	5,471
Communications Committee - Youth Council	-	-	-	-	-	-	-	-	-	-	-	1,010
Azerbaijan Programs	-	-	-	-	-	-	-	-	-	-	-	-
LOYAC Academy for Performing Arts - LAPA	19,970	11,331	9,225	12,000	3,990	1,883	28,577	-	3,272	13,756	104,004	1,783
Kuwait Science Fair	500	-	-	-	-	-	200	-	-	-	707	68,369
	75,342	39,381	44,968	12,522	22,163	18,018	59,773	24,106	24,259	93,539	414,071	338,001



14. Operating expenditure – projects and programs (continued)

Operating expenditure – projects and programs includes contributed services by board members amounting to KD12,000 (2011: KD 12,000).

15. Operating expenditure - supporting services

	2012	2011
	KD	KD
Salaries and benefits	194,246	163,486
Contributed services by board members	72,000	72,000
Board members' compensation	-	28,000
Office rent	4,500	10,200
Professional fees	750	3,938
Website	846	1,197
Training cost	1,000	357
Printing and office stationary	3,882	3,160
Communication costs	13,240	9,379
Office and administrative expenses	1,926	3,994
Advertisement and design	5,841	8,380
Repair and maintenance costs	9,125	4,317
Depreciation	9,110	6,822
Loyac's 10 th Anniversary program	53,196	-
Contributed facilities for LOYAC 's 10 th Anniversary	10,710	-
Others	2,399	3,860
	<u>382,771</u>	<u>319,090</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 (2011: KD 72,000) and KD 12,000 (2011: 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 (2011: KD 84,000).
- b) Members' compensation of Nil (2011: KD 28,000) 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 KD10,397 (2011: KD 8,378).



- d) Transfers of donations received and operating expenses incurred on behalf of LOYAC Lebanon amounting to KD 8,600 (2011: KD 7,655).

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 at LOYAC 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:

	2012 KD	2011 KD
Cash and cash equivalents	176,220	363,156
Contributions receivable	-	83,488
Other receivables	12,493	9,590
	<u>188,713</u>	<u>456,234</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.

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 reprise 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 the Company is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Financial instruments comprise financial assets and financial liabilities.

The directors consider that the carrying amounts of financial assets and liabilities recognized in the financial statements approximate their fair values.

LOYAC does not have any financial instruments measured at fair value as at the reporting date and therefore the disclosure of fair value measurements by level using a fair value hierarchy is not applicable.

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.