

**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 2013*



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<i>Contents</i>	<i>Page</i>
Independent auditor's report	1 – 2
Statement of financial position	3
Statement of activities and other comprehensive income	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7 – 23

## **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 2013, and the statements of activities and other comprehensive income, changes in equity 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*


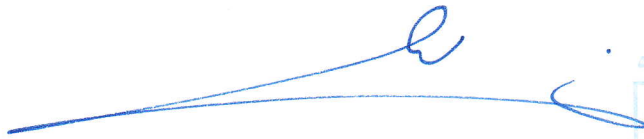
In our opinion, the financial statements present fairly, in all material respects, the financial position of LOYAC as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## 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 Companies Law No 25 of 2012, 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 2013, of the Companies Law No 25 of 2012, 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**  
License No. 207, Category "A" - Kuwait  
of Russell Bedford (Bader Al Abduljader & Partners)  
Member of Russell Bedford International

Kuwait: 22 May 2014



Statement of financial position  
as at 31 December 2013

	Note	2013 KD	2012 KD
<b>Assets</b>			
Cash on hand and at banks	4	213,378	177,131
Prepayments and other receivables	5	53,584	26,496
Contributions receivable	6	85,154	-
Inventories		6,990	5,651
<b>Total current assets</b>		<u>359,106</u>	<u>209,278</u>
Property and equipment	7	16,392	17,222
Intangible assets	8	3,667	-
<b>Total non-current assets</b>		<u>20,059</u>	<u>17,222</u>
<b>Total assets</b>		<u>379,165</u>	<u>226,500</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	9	51,514	32,836
Deferred contributions	10	138,948	51,386
<b>Total current liabilities</b>		<u>190,462</u>	<u>84,222</u>
Provision for employees' end of service benefits	11	30,480	29,909
<b>Total non-current liabilities</b>		<u>30,480</u>	<u>29,909</u>
<b>Total liabilities</b>		<u>220,942</u>	<u>114,131</u>
<b>Equity</b>			
Share capital	12	20,000	20,000
Statutory reserve		16,121	16,121
Voluntary reserve		27,619	27,619
Retained earnings		94,483	48,629
<b>Total equity</b>		<u>158,223</u>	<u>112,369</u>
<b>Total liabilities and equity</b>		<u>379,165</u>	<u>226,500</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 activities and other comprehensive income  
for the year ended 31 December 2013

	Note	2013 KD	2012 KD
<b>Operating and support revenues</b>			
<b>Contributions</b>			
Corporate and individuals	13	368,738	165,050
Services and materials	13	79,132	89,089
<b>Total contributions</b>		<u>447,870</u>	<u>254,139</u>
Deferred contributions	10	(138,948)	(51,386)
<b>Net contributions</b>		<u>308,922</u>	<u>202,753</u>
<b>Projects and programs</b>			
Students' training programs	13	480,251	379,915
Other revenues	13	15,185	45,665
<b>Total operating and support revenues</b>		<u>804,358</u>	<u>628,333</u>
<b>Operating expenditure</b>			
<b>Projects and programs</b>			
Students' training programs	14	(395,473)	(414,071)
<b>Supporting services</b>			
Management and general	16	(363,031)	(382,771)
<b>Total operating expenditure</b>		<u>(758,504)</u>	<u>(796,842)</u>
<b>Results of operations for the year</b>		45,854	(168,509)
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u>45,854</u>	<u>(168,509)</u>

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

**Statement of changes in equity**  
*for the year ended 31 December 2013*

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Retained earnings KD	Total KD
<b>Balance as at 31 December 2011</b>	20,000	16,121	27,619	217,138	280,878
Total comprehensive income for the year	-	-	-	(168,509)	(168,509)
<b>Balance as at 31 December 2012</b>	20,000	16,121	27,619	48,629	112,369
Total comprehensive income for the year	-	-	-	45,854	45,854
<b>Balance as at 31 December 2013</b>	20,000	16,121	27,619	94,483	158,223

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



**Statement of cash flows**  
*for the year ended 31 December 2013*

	Note	2013 KD	2012 KD
<b>Cash flows from operating activities:</b>			
Results of operations for the year		45,854	(168,509)
<i>Adjustments for:</i>			
Depreciation	7	8,684	9,110
Amortization	8	1,833	-
Provision for employees' end of service indemnity, net	11	8,577	8,198
Gain on sale of property and equipment		-	(193)
		<u>64,948</u>	<u>(151,394)</u>
<i>Changes in:</i>			
- Prepayments and other receivables		(27,088)	4,981
- Inventories		(1,339)	(1,056)
- Contributions receivable		(85,154)	83,488
- Accounts payable and accrued expenses		18,678	6,692
- Deferred contributions		87,562	(118,978)
		<u>57,607</u>	<u>(176,267)</u>
Payments towards employees' end of service indemnity	11	(8,006)	-
<i>Net cash generated from/ (used in) operating activities</i>		<u>49,601</u>	<u>(176,267)</u>
<b>Cash flows from investing activities:</b>			
Proceeds from disposal of property and equipment		-	737
Purchase of property and equipment		(7,854)	(12,322)
Purchase of intangible assets		(5,500)	-
Restricted cash at banks		(33,800)	-
<i>Net cash used in investing activities</i>		<u>(47,154)</u>	<u>(11,585)</u>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		2,447	(187,852)
<b>Cash and cash equivalents at the beginning of the year</b>		177,131	364,983
<b>Cash and cash equivalents at end of the year</b>	4	<u>179,578</u>	<u>177,131</u>

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





**Notes to the financial statements**  
*for the year ended 31 December 2013*

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**1. Reporting entity**

LOYAC Private Training and Consulting Company W.L.L. (“LOYAC” or “the company”) 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 and its primary objective is establishing national training institutes.

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 70451, Shuwikh 64058, State of Kuwait.

The financial statements were authorized for issue by the Board of Directors on 22 May 2014.

**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 Companies Law of No 25 of 2012, as amended, 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 activities and other comprehensive income 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 primarily capital and 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

**Notes to the financial statements**  
*for the year ended 31 December 2013*

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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) Accounting policies for new transactions and events

Intangible assets

Intangible assets acquired by Loyac which has a finite useful lives, are measured at cost less accumulated amortization and accumulated impairment loss.

Amortization is calculated over the cost of the asset and recognized on a straight line basis in the statement of activities and other comprehensive income over the estimated useful lives of intangible assets, from the date they are available for use as this most closely reflects the expected patterns of consumption of the future economic benefits embedded in the asset.

The estimated useful lives for the current year are as follows

Computer software	3 years
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The gain or loss arising from disposal of intangible asset is recognized in the statement of comprehensive income and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

f) 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.

**Notes to the financial statements**  
*for the year ended 31 December 2013*

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*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 2013, 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 on hand, unrestricted balances and short-term deposits 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less impairment losses (Note3 (d)).

**Notes to the financial statements**  
*for the year ended 31 December 2013*

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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 activities and other comprehensive income.

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 activities and other comprehensive income.

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 activities and other comprehensive income.



Notes to the financial statements  
for the year ended 31 December 2013

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i) Revenue recognition

i. *Contributions and donations*

Contributions, which include unconditional promises to give (pledges), are recognized as revenues when they become receivable. 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.

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 2013

4. Cash on hand and at banks

	2013 KD	2012 KD
Cash on hand	4,052	911
Unrestricted cash at bank	175,526	176,220
<b>Cash and cash equivalents</b>	<u>179,578</u>	<u>177,131</u>
Restricted cash at banks	33,800	-
<b>Cash on hand and at banks</b>	<u>213,378</u>	<u>177,131</u>

5. Prepayments and other receivables

	2013 KD	2012 KD
Prepaid expenses	27,183	14,003
Refundable deposits	600	990
Others	25,801	11,503
	<u>53,584</u>	<u>26,496</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.

7. Property and equipment

	Furniture and fixtures KD	Office equipment KD	Computers and accessories KD	Total KD
<b>Cost</b>				
At 1 January 2013	15,098	15,292	29,994	60,384
Additions	3,307	3,501	1,046	7,854
At 31 December 2013	<u>18,405</u>	<u>18,793</u>	<u>31,040</u>	<u>68,238</u>
<b>Accumulated depreciation</b>				
At 1 January 2013	7,623	12,242	23,297	43,162
Charge for the year	2,588	2,187	3,909	8,684
At 31 December 2013	<u>10,211</u>	<u>14,429</u>	<u>27,206</u>	<u>51,846</u>
<b>Carrying amounts</b>				
At 31 December 2013	<u>8,194</u>	<u>4,364</u>	<u>3,834</u>	<u>16,392</u>

Notes to the financial statements  
for the year ended 31 December 2013

10. **Deferred contributions**

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

	<b>2013</b>	<b>2012</b>
	<b>KD</b>	<b>KD</b>
The 7 Habits of Highly Effective Teens and College Students' Program	1,598	-
Kuwait for Kenya Project (K4K)	-	3,500
Teens KSA Tailored Camp	1,160	-
Kuwaiti Talent Fund	4,000	-
Homes Project – Lebanon	5,540	-
General Help Aid	500	-
Soccer School - AC Milan	14,272	15,253
General Fund for Soccer School	-	850
Dow Day out Program	54,016	-
Music Course	9,271	9,057
Clarinet Course @ Istanbul	866	-
Musical Event - National Council for Art & Culture	4,756	4,399
Graduates Empowerment Program – GEP	3,000	6,000
Diploma in Graphic Arts	1,950	-
Homes Committee	5,728	12,327
Kan Ya Ma Kan – Project	7,354	-
Loyac Academy of Performing Arts – LAPA	24,937	-
	<u>138,948</u>	<u>51,386</u>

The movement in deferred contributions was as follows:

	<b>2013</b>	<b>2012</b>
	<b>KD</b>	<b>KD</b>
Balance at 1 January	51,386	170,364
Revenue recognized	(51,386)	(170,364)
Deferrals	138,948	51,386
Balance at 31 December	<u>138,948</u>	<u>51,386</u>

11. **Provision for employees' end of service benefits**

	<b>2013</b>	<b>2012</b>
	<b>KD</b>	<b>KD</b>
Balance at 1 January	29,909	21,711
Charge for the year	8,577	8,198
Payments during the year	(8,006)	-
Balance at 31 December	<u>30,480</u>	<u>29,909</u>

Notes to the financial statements  
for the year ended 31 December 2013

12. Equity (net assets)

a) Share capital

Share capital comprises of 100 shares at a nominal value of KD 200 each (2012: KD 200), which are distributed among the owners as follows:

31 December	Shares	Amount KD
<b>Owner:</b>		
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 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.

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.

d) Classification of net assets

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





**Notes to the financial statements**  
*for the year ended 31 December 2013*

	<b>2013</b>	<b>2012</b>
	<b>KD</b>	<b>KD</b>
<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	(44,465)	(2,757)
Total unrestricted net assets	<u>3,154</u>	<u>44,862</u>
Temporarily restricted net assets	138,948	51,386
	<u>142,102</u>	<u>96,248</u>

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

	<b>2013</b>	<b>2012</b>
	<b>KD</b>	<b>KD</b>
Statutory reserve	<u>16,121</u>	<u>16,121</u>

**Notes to the financial statements**  
*for the year ended 31 December 2013*

**13. Operating and support revenues**

	Unrestricted KD	Temporarily restricted KD	2013 Total KD	2012 Total KD
<b>Contributions</b>				
Corporate contributions	368,738	-	368,738	165,050
<b>Services and materials</b>				
Contributed services of board members	72,000	-	72,000	72,000
Contributed use of printing press	3,882	-	3,882	558
Contributed use of media and other facilities	3,250	-	3,250	5,821
Contributed facilities for LOYAC 's 10 <sup>th</sup> Anniversary	-	-	-	10,710
	<u>79,132</u>	<u>-</u>	<u>79,132</u>	<u>89,089</u>
<b>Projects and programs</b>				
The 7 Habits of Highly Effective Teens and College Students' Program	1,292	2,758	4,050	540
International Internship in General	4,035	-	4,035	372
Kuwaiti Talent Fund	-	4,000	4,000	3,150
Homes Project - Jordan / Lebanon	460	5,540	6,000	8,897
We Build Global Outreach	765	-	765	-
Help Campaigns	-	-	-	3,917
Kuwait for Kenya Project (K4K)	6,749	-	6,749	10,855
Mass Communication Course	5,188	-	5,188	7,112
Foundation skills at AUK	-	-	-	1,695
Electronics and Communication	-	-	-	(472)
Soccer School – AC Milan	119,836	14,272	134,108	125,094
General Fund Soccer School	850	-	850	2,000
AC Milan Trip	13,030	-	13,030	7,800
English Language Course	5,850	-	5,850	350
General Help AID	-	500	500	-
Clarinet Course @ Istanbul	2,634	866	3,500	-
Dow Day - out Program	8,496	54,016	62,512	12,264
LOYAC Events	900	-	900	-
Music Course	5,768	9,271	15,039	21,990
Art Exhibition	-	1,950	1,950	280
Musical Event - National Council for Art & Culture	23,727	4,756	28,483	6,700
Concourse D Elegance Expo - Marina Crescent	-	-	-	7,750
Outside Events	-	-	-	750
Graduates Empowerment Program - GEP	3,000	3,000	6,000	13,958
Homes Committee	24,356	5,728	30,084	30,710
Part – time Program	-	-	-	2,091
“Service is my Joy” Program	2,461	-	2,461	2,097
Summer Program	15,890	-	15,890	13,512
Community services	900	-	900	783
Caring is Sharing Program	-	-	-	1,014
LOYAC Internship Program	7,609	-	7,609	-
LOYACY Magazine	2,500	-	2,500	5,860
LOYAC Academy for Performing Arts - LAPA	83,369	32,291	115,660	88,146
Kuwait Science Fair	-	-	-	700
Little LOYACERS	1,638	-	1,638	-
	<u>341,303</u>	<u>138,948</u>	<u>480,251</u>	<u>379,915</u>
<b>Other revenues</b>	15,185	-	15,185	45,665
	<u>804,358</u>	<u>138,948</u>	<u>943,306</u>	<u>679,719</u>

**Notes to the financial statements**  
*For the year ended 31 December 2013*

**14. 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	Total KD	2012 Total KD
The "7 Habits of Highly Effective Teens and College, Students " Programs	400	539	-	-	10	126	-	-	105	111	1,291	540
WYSE Personal and Psychological Program	-	848	505	-	-	-	-	-	-	12	1,365	1,394
International Internship Programs	-	1,094	4,700	-	10	-	-	-	-	33	5,837	5,880
Global Entrepreneurship program	-	1,900	800	-	-	-	-	-	-	4	2,704	2,677
Kuwait for Kenya Project (K4K)	57	-	3,028	-	-	-	-	2,426	4	1,787	7,302	7,356
International Volunteer Programs	-	-	817	-	-	-	-	-	31	66	914	8,014
We Build Global Outreach	-	765	-	-	-	-	-	-	-	28	793	699
Homes Project - Jordan / Lebanon	-	-	460	-	-	-	-	-	-	-	460	10,475
Homes Committee	864	135	165	-	-	-	-	21,465	725	1,002	24,356	18,384
Mass Communication Course	-	5,188	-	-	-	-	-	-	-	-	5,188	8,220
Electronics and communication	-	-	-	-	-	-	-	-	-	-	-	(472)
Foundation Skill at AUK	-	-	-	-	-	-	-	-	-	-	-	1,695
Media Course	-	-	-	-	-	-	-	-	-	-	-	210
LOYAC – Jordan	-	-	1,502	-	-	-	-	19,989	-	87	21,578	10,397
LOYAC – Lebanon	10,402	-	420	-	-	-	-	-	-	-	10,822	8,600
AC Milan Programs	-	-	12,808	-	20	-	-	-	197	11	13,036	9,905
Soccer School - AC Milan	23,956	-	9,674	300	-	437	40,473	21,413	12,188	11,394	119,835	109,840
General fund-Soccer School	-	1,070	-	-	-	-	-	-	-	-	1,070	-
English Language Courses	-	12,040	-	-	-	-	-	-	-	13	12,053	736
LOYAC Events & Activities	5,839	4,832	3,039	2,410	760	330	100	-	4,713	10,106	32,129	36,950
Part – Time Program	3,335	-	-	2,295	23	393	-	-	24	1,538	7,608	4,285
Graduates Empowerment Program - GEP	-	-	-	-	-	-	-	-	-	3,000	3,000	7,958
Summer Programs	10,695	75	-	3,270	58	747	-	-	2,532	1,021	18,398	26,837
Summer program committees	175	-	-	-	-	45	-	-	522	202	944	944
Little LOYACERS	1,040	139	190	-	60	55	-	-	563	73	2,120	-
"Service is my Joy" Program	900	-	-	600	10	242	-	-	497	402	2,651	3,635
LOYAC Book Club	-	-	-	-	-	-	-	-	32	-	32	55
Community Outside Centers	2,100	-	-	-	53	365	-	-	1,061	395	3,974	5,144
Loyac Documentary - DOW:Media Unit	2,070	-	241	1,200	40	333	1,980	-	1,763	870	8,497	8,079
LOYACY Magazine	100	-	-	210	-	1,502	-	-	-	1,588	3,400	10,923
LOYAC Academy for Performing Arts - LAPA	37,835	660	3,793	13,575	316	1,331	9,124	-	11,040	5,696	83,370	104,004
Kuwait Science Fair	-	-	-	-	-	2	500	-	-	244	746	707
	99,768	29,285	42,142	23,860	1,360	5,908	52,177	65,293	35,997	39,683	395,473	414,071



**Notes to the financial statements**  
*For the year ended 31 December 2013*

**15. Operating expenditure – projects and programs (continued)**

Operating expenditure – projects and programs includes contributed services by board members amounting to KD 12,000 (2012: KD 12,000).

**16. Operating expenditure - supporting services**

	<b>2013</b>	<b>2012</b>
	<b>KD</b>	<b>KD</b>
Salaries and benefits	219,293	194,246
Contributed services by board members	72,000	72,000
Board members' compensation	24,000	-
Office rent	3,300	4,500
Professional fees	750	750
Website	1,093	846
Training cost	20	1,000
Printing and office stationary	4,472	3,882
Communication costs	14,174	13,240
Office and administrative expenses	1,531	1,926
Advertisement and design	3,107	5,841
Repair and maintenance costs	4,714	9,125
Depreciation	8,684	9,110
Amortization	1,833	-
Loyac's 10 <sup>th</sup> Anniversary program	-	53,196
Contributed facilities for LOYAC 's 10 <sup>th</sup> Anniversary	-	10,710
Others	4,060	2,399
	<u>363,031</u>	<u>382,771</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 60,000 (2012: KD 60,000) and KD 12,000 (2012: 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.

**17. 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 72,000 during the year (2012: KD 72,000).
- b) Members' compensation of KD 24,000 (2012: NIL) 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 21,578 (2012: KD 10,397).



- d) Transfers of donations received and operating expenses incurred on behalf of LOYAC Lebanon amounting to KD 10,822 (2012: KD 8,600).

## 18. 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:

	2013 KD	2012 KD
Cash and cash equivalents (excluding cash on hand)	175,526	176,220
Contributions receivable	85,154	-
Other receivables	26,401	12,493
	<u>287,081</u>	<u>188,713</u>

**Notes to the financial statements**  
*For the year ended 31 December 2013*

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 LOYAC's approach to capital management during the year.

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