

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



**Consolidated financial statements and independent auditor's
report for the year ended 31 December 2015**

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of LOYAC Private Training and Consulting Company W.L.L. (the "Parent Company" or "LOYAC") and its Subsidiary (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

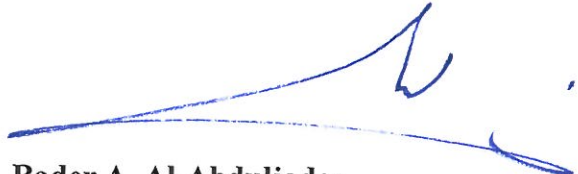
LOYAC Private Training and Consulting Company W.L.L. and its Subsidiary

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the financial statements include the information required by the Companies Law no 1 of the 2016, the executive regulations of law no 25 of 2012, and the Parent Company's articles of association. In our opinion, proper books of account have been kept by the Parent Company 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 2015, of the Companies Law no 1 of 2016, the executive regulations of law no 25 of 2012, or of the Parent Company's articles of association, that might have had material effect on the Group's activities or on its consolidated 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: 31 May 2016

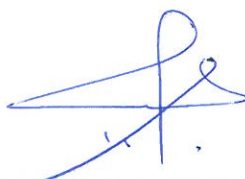
Consolidated statement of financial position
as at 31 December 2015

	Note	2015 KD	2014 KD
Assets			
Property and equipment	4	47,100	14,883
Intangible assets	5	-	1,833
Total non-current assets		<u>47,100</u>	<u>16,716</u>
Inventories		5,718	6,438
Prepayments and other receivables	6	30,126	31,160
Due from related parties	17	29,316	-
Contribution receivables	7	115,030	150,275
Term deposits	8	71,169	63,992
Cash and cash equivalents	9	395,878	240,141
Total current assets		<u>647,237</u>	<u>492,006</u>
Total assets		<u>694,337</u>	<u>508,722</u>
Equity and liabilities			
Equity			
Share capital	10	20,000	20,000
Statutory reserve		16,121	16,121
Voluntary reserve		27,619	27,619
Retained earnings		196,109	174,498
Total equity		<u>259,849</u>	<u>238,238</u>
Liabilities			
Provision for employees' end of service benefits	11	59,090	40,915
Total non-current liabilities		<u>59,090</u>	<u>40,915</u>
Accounts payable and accrued expenses	12	151,416	87,348
Deferred contributions	13	223,982	142,221
Total current liabilities		<u>375,398</u>	<u>229,569</u>
Total liabilities		<u>434,488</u>	<u>270,484</u>
Total liabilities and equity		<u>694,337</u>	<u>508,722</u>

The notes on pages 7 to 24 are an integral part of these consolidated 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*

Consolidated statement of activities and other comprehensive income
for the year ended 31 December 2015

	Note	2015 KD	2014 KD
Operating and support revenues			
Contributions			
Corporate and individuals	14	609,050	553,490
Services and materials	14	247,979	79,255
Total contributions		<u>857,029</u>	<u>632,745</u>
Deferred contributions	13	(223,982)	(142,221)
Net contributions		<u>633,047</u>	<u>490,524</u>
Projects and programs			
Students' training programs	14	864,253	509,983
Other revenues	14	31,205	65,759
Total operating and support revenues		<u>1,528,505</u>	<u>1,066,266</u>
Operating expenditure			
Projects and programs			
Students' training programs	15	(564,761)	(514,967)
Supporting services			
Management and general	16	(942,133)	(471,284)
Total operating expenditure		<u>(1,506,894)</u>	<u>(986,251)</u>
Results of operations for the year		21,611	80,015
Other comprehensive income		-	-
Total comprehensive income for the year		<u>21,611</u>	<u>80,015</u>

The notes on pages 7 to 24 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2015

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Retained earnings KD	Total KD
Balance as at 31 December 2013	20,000	16,121	27,619	94,483	158,223
Total comprehensive income for the year	-	-	-	80,015	80,015
Balance as at 31 December 2014	20,000	16,121	27,619	174,498	238,238
Total comprehensive income for the year	-	-	-	21,611	21,611
Balance as at 31 December 2015	20,000	16,121	27,619	196,109	259,849

The notes on pages 7 to 24 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2015

	Note	2015 KD	2014 KD
Cash flows from operating activities:			
Results of operations for the year		21,611	80,015
<i>Adjustments for:</i>			
Depreciation	4	13,363	9,271
Amortisation	5	1,833	1,834
Provision for employees' end of service indemnity	11	20,547	16,295
Provision no longer required	11	(1,973)	(1,953)
Interest income		(913)	(661)
		<u>54,468</u>	<u>104,801</u>
<i>Changes in:</i>			
- Prepayments and other receivables		1,034	20,424
- Inventories		720	552
- Due from related parties		(29,316)	-
- Contribution receivables		35,245	(63,121)
- Accounts payable and accrued expenses		64,068	35,834
- Deferred contributions		81,761	3,273
		<u>207,980</u>	<u>101,763</u>
Payments towards employees' end of service indemnity	11	(399)	(3,907)
<i>Net cash generated from operating activities</i>		<u>207,581</u>	<u>97,856</u>
Cash flows from investing activities:			
Purchase of property and equipment		(45,580)	(7,762)
Term deposits		(7,177)	(58,841)
Interest income received		913	661
Restricted cash at banks		-	33,800
<i>Net cash used in investing activities</i>		<u>(51,844)</u>	<u>(32,142)</u>
Net increase in cash and cash equivalents		155,737	65,714
Cash and cash equivalents at the beginning of the year		<u>240,141</u>	<u>174,427</u>
Cash and cash equivalents at end of the year	9	<u>395,878</u>	<u>240,141</u>

The notes on pages 7 to 24 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2015

1. Reporting entity

LOYAC Private Training and Consulting Company W.L.L. (“LOYAC” or “the Parent 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.

The consolidated financial statements comprise the Parent Company and its Subsidiary (together referred to as “the Group”). The directly owned subsidiary by the Parent Company is as follows:

Name of the company	Country	% of ownership	Principal activities
LOYAC for Theatrical Production Company (Fareah Ahmad Mohammed Al Saqqaf & Partners) W.L.L. ¹	Kuwait	99%	Theatrical production

¹ The remaining shares in the Subsidiary are held by other partner on behalf of the Parent Company. Therefore, the effective holding of the Group in the Subsidiary is 100%.

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 total number of employees of the Group as at 31 December 2015 was 42 (2014: 35).

The consolidated financial statements were authorised for issue by the Board of Directors on 31 May 2016.

2. Basis of presentation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Committee of the IASB.

The new Companies Law No. 1 of 2016 issued on 24 January 2016 and published in the official Gazette on 1 February 2016 cancelled the Companies Law No. 25 of 2012 and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 November 2012 and the executive regulations of Law No. 25 of 2012 will continue until a new set of executive regulations is issued.

b) Functional and presentation currency

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

c) Basis of measurement

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

Notes to the consolidated financial statements
for the year ended 31 December 2015

The consolidated statement of activities and other comprehensive income is a consolidated 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 consolidated 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 consolidated 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 consolidated 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 recognised 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.

3. Significant accounting policies

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

a) Basis of consolidation

The consolidated financial statements of the Group include the Parent Company and its Subsidiary as referred to in Note 1.

Subsidiaries

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The consolidated financial statements of the subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Intra-group balances and transactions, including intra-group profits and unrealised profits and losses are eliminated on consolidation. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests

Non-controlling interests represent the share of results and net assets in consolidated subsidiaries not held by the Group. Non-controlling interests is presented separately in the consolidated statements of income, comprehensive income and equity.

Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Notes to the consolidated financial statements
for the year ended 31 December 2015

b) 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 consolidated statement of financial position date due to the short term maturity of those instruments. For the purpose of the consolidated 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.

c) Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is recognised in the consolidated statement of comprehensive income and activities on a straight line basis over the estimated.

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

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

d) Intangible assets

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

Amortisation is calculated over the cost of the asset and recognised on a straight line basis in the consolidated 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 recognised in the consolidated statement of activities and other comprehensive income and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

e) 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 (f)).

f) Impairment

Financial assets

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 amortised 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 recognised in the consolidated 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 recognised. For financial assets measured at amortised cost the reversal is recognised in the consolidated statement of comprehensive income and activities.

Non-financial assets

The carrying amounts of the LOYAC'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 recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in consolidated statement of activities and other comprehensive income.

Impairment losses recognised 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 amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised immediately in the consolidated statement of activities and other comprehensive income.

g) 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 consolidated statement of activities and other comprehensive income in the year to which they relate.

Expatriate employees

Expatriate employees are entitled to an end of service indemnity payable under the Kuwait Labor Law and LOYAC's by-laws based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. Provision for this unfunded commitment, which represents a defined benefit plan, has been made by calculating the notional liability had all employees left at the reporting date.

h) Provisions

A provision is recognised in the consolidated 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.

i) 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 realisable 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.

j) 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 utilised towards the related programs/ activities during the forthcoming year.

k) Revenue recognition

i. Contributions and donations

Contributions, which include unconditional promises to give (pledges), are recognised 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 consolidated statement of comprehensive income and activities. Sponsor restricted contributions are initially recognised 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 recognised upon the provision of the services.

ii. Contributed services and donated materials

Contributed services are reported at fair value in the consolidated 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 recognised as it accrues in the consolidated statement of comprehensive income and activities, using the effective interest method.

l) Expenditures

Expenditures are recognised 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 consolidated financial statements
for the year ended 31 December 2015

4. Property and equipment

Cost	Motor vehicles KD	Furniture and fixtures KD	Office equipment KD	Computers and accessories KD	Total KD
At 1 January 2014	-	18,405	18,793	31,040	68,238
Additions	-	253	2,769	4,740	7,762
At 31 December 2014	-	18,658	21,562	35,780	76,000
At 1 January 2015	-	18,658	21,562	35,780	76,000
Additions	5,950	6,467	11,566	21,597	45,580
At 31 December 2015	5,950	25,125	33,128	57,377	121,580
Accumulated depreciation					
At 1 January 2014	-	10,211	14,429	27,206	51,846
Charge for the year	-	2,782	2,917	3,572	9,271
At 31 December 2014	-	12,993	17,346	30,778	61,117
At 1 January 2015	-	12,993	17,346	30,778	61,117
Charge for the year	896	2,852	3,629	5,986	13,363
At 31 December 2015	896	15,845	20,975	36,764	74,480
Carrying amounts					
At 1 January 2014	-	8,194	4,364	3,834	16,392
At 31 December 2014	-	5,665	4,216	5,002	14,883
At 31 December 2015	5,054	9,280	12,153	20,613	47,100

Notes to the consolidated financial statements
for the year ended 31 December 2015

5. Intangible assets

	Computer software KD	Total KD
Cost		
Additions and balance at 31 December 2013	5,500	5,500
At 31 December 2014	5,500	5,500
At 31 December 2015	5,500	5,500
Accumulated amortization		
At 1 January 2014	1,833	1,833
Charge for the year	1,834	1,834
At 31 December 2014	3,667	3,667
At 1 January 2015	3,667	3,667
Charge for the year	1,833	1,833
Balance at 31 December 2015	5,500	5,500
Carrying amounts		
At 31 December 2014	1,833	1,833
At 31 December 2015	-	-

6. Prepayments and other receivables

	2015 KD	2014 KD
Prepaid expenses	15,309	17,952
Refundable deposits	1,821	1,000
Advances	2,325	-
Others	10,671	12,208
	<u>30,126</u>	<u>31,160</u>

7. Contribution receivables

This represents contribution receivables due from various sponsors. Subsequent to the reporting date, the full amounts were recovered.

8. Term deposits

This represents a deposit placed with a local financial institution maturing within twelve months from the placement date and with an effective rate of 1% (2014: 1%). Certain deposit are pledged as a security against letter of guarantees (Note 18).

9. Cash and cash equivalents

	2015 KD	2014 KD
Cash on hand	5,523	4,131
Unrestricted cash at bank	390,355	236,010
	<u>395,878</u>	<u>240,141</u>

Notes to the consolidated financial statements
for the year ended 31 December 2015

10. Equity (net assets)

a) Share capital

Share capital comprises of 100 shares at a nominal value of KD 200 each (2014: KD 200). During the year ended 31 December 2015, and by virtue of amendments to the articles of association no. 404 dated 10 February 2015, certain owners exited the Company and their shares were renounced to the other partners as follows:

31 December 2015	Shares	Amount KD
Owner:		
Fareah Al-Saqqaf	18	3,600
Abeer Al-Essa	17	3,400
Fadia Al-Marzooq	17	3,400
Mona Al-Kalouti	16	3,200
Nadia Al-Marzouq	16	3,200
Fetouh Al-Dalali	16	3,200
	100	20,000
31 December 2014	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
	100	20,000

a) Statutory reserves

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.

b) Voluntary reserve

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

Notes to the consolidated financial statements
for the year ended 31 December 2015

c) Classification of net assets

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

	2015 KD	2014 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	(27,873)	32,277
Total unrestricted net assets	<u>19,746</u>	<u>79,896</u>
Temporarily restricted net assets	223,982	142,221
	<u>243,728</u>	<u>222,117</u>

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

	2015 KD	2014 KD
Statutory reserve	<u>16,121</u>	<u>16,121</u>

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

	2015 KD	2014 KD
Balance at 1 January	40,915	30,480
Charge for the year	20,547	16,295
Payments during the year	(399)	(3,907)
Provision no longer required	(1,973)	(1,953)
Balance at 31 December	<u>59,090</u>	<u>40,915</u>

12. **Accounts payable and accrued expenses**

	2015 KD	2014 KD
Payable to staff, students and others	86,705	56,324
Retentions from students	-	4,485
Advances received from students	33,220	9,362
Accruals and other payables	31,491	17,177
	<u>151,416</u>	<u>87,348</u>

Notes to the consolidated financial statements
for the year ended 31 December 2015

13. Deferred contributions

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

	2015 KD	2014 KD
Shahid park	122,039	-
The 7 Habits of Highly Effective Teens and College Students' Program	4,088	-
AG fund (L1 project)	27,837	-
Kuwait for Kenya Project (K4K)	4,070	1,248
Jordan – homes	5,248	-
Kuwaiti Talent Fund	-	10,460
Homes Project – Lebanon	11,540	5,540
General Help Aid	1,768	1,937
Aden Yemen Initiative -Yemen	3,036	1,500
Soccer School - AC Milan	6,178	28,146
Dow Day out Program	-	22,000
Music Course	3,092	8,412
Film Camp production	5,677	-
Clarinet Course @ Istanbul	-	836
Graduates Empowerment Program – GEP	-	3,000
Homes Committee	14,960	10,978
Little Loyacers Winter	-	1,209
Youth Initiative Programmes	8,786	17,984
Loyac Academy of Performing Arts – LAPA	5,663	28,971
	<u>223,982</u>	<u>142,221</u>

Notes to the consolidated financial statements
for the year ended 31 December 2015

14. Operating and support revenues

			2015	2014
	Unrestricted KD	Temporarily restricted KD	Total KD	Total KD
Contributions				
Corporate contributions	609,050	-	609,050	553,490
Services and materials				
Contributed services of board members	84,000	-	84,000	74,000
Contributed building rent	150,000	-	150,000	-
Contributed use of printing press	2,120	-	2,120	3,575
Contributed use of media and other facilities	11,859	-	11,859	1,680
	247,979	-	247,979	79,255
Total contributions	857,029	-	857,029	632,745
Projects and programs				
The 7 Habits of Highly Effective Teens and College Students' Program	-	-	-	1,673
TEENS KSA TAILORD CAMP-7 HABITS	-	-	-	2,320
Bosnia project	-	-	-	960
Global entrepreneurship-IACOCCA	2,158	-	2,158	-
Youth Enrichment camp-Srilanka	7,474	4,088	11,562	-
AG Fund (L1 Project)	5,685	27,837	33,522	12,725
International Internship in General	2,000	-	2,000	-
Kuwaiti Talent Fund	-	-	-	11,500
Homes Project Kuwait	11,921	14,960	26,881	-
Homes Project - Jordan / Lebanon	912	16,788	17,700	5,540
We Build Global Outreach	-	-	-	860
Kuwait for Kenya Project (K4K)	11,330	4,070	15,400	8,410
Mass Communication Course	-	-	-	1,865
Soccer School – AC Milan	165,056	6,178	171,234	144,052
AC Milan Clinic	-	-	-	772
English Language Course	1,440	-	1,440	4,860
General Help AID	168	1,768	1,936	14,257
GLOYAC AUB Workshop - Lebanon	300	-	300	-
Yemen fund raising event	9,317	-	9,317	-
Yemen LOYAC	7,841	3,036	10,877	-
Aden Yemen Initiative	-	-	-	1,500
Local Programme - outside events	1,704	-	1,704	5,585
Clarinet Course @ Istanbul	836	-	836	866
Dow Day - out Program	22,000	-	22,000	81,978
Sheikh Jaber Stadium Kuwait	70,000	-	70,000	-
Film camp production	4,323	5,677	10,000	-
Music Course	15,780	3,092	18,872	21,771
Ambassador Volunteer	870	-	870	-
Musical Event - National Council for Art & Culture	-	-	-	4,756
Graduates Empowerment Program - GEP	3,000	-	3,000	3,000
Diploma in Graphics	-	-	-	4,202
Homes Committee	-	-	-	28,961
"Service is my Joy" Program	560	-	560	1,250
Summer Program	31,011	-	31,011	14,799
Community services	-	-	-	334
LOYAC Internship Program	3,850	-	3,850	3,562
Park activities	81,800	122,039	203,839	-
LOYAC Academy for Performing Arts - LAPA	125,423	5,663	131,086	60,837
Little LOYACERS	11,282	-	11,282	4,370
Summer Program - Youth Initiative	9,198	8,786	17,984	27,594
Dow Science Club	-	-	-	15,000
Lipton Project	-	-	-	2,913
	607,239	223,982	831,221	493,072
Materials contributed	33,032	-	33,032	16,911
Students' training programs	640,271	223,982	864,253	509,983
Other revenues	31,205	-	31,205	65,759
Total operating and supporting revenues	1,528,505	223,982	1,752,487	1,208,487

Notes to the consolidated financial statements
for the year ended 31 December 2015

15. Operating expenditure – projects and programs

	Salaries KD	Arts and Culture	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	2015 Total KD	2014 Total KD
The "7 Habits of Highly Effective Teens and College, Students " Programs	-	-	1,703	1,158	-	-	-	-	-	-	-	-	4,074
WYSE Personal and Psychological Program	30	-	-	9,535	-	34	-	-	-	357	10	2,871	4,745
International Internship Programs	-	-	3,550	1,485	-	-	5	-	-	9	9	5,058	1,129
Global Entrepreneurship program	-	-	1,096	8,438	60	43	-	600	1,015	111	26	11,389	7,160
Kuwait for Kenya Project (K4K)	530	-	170	60	-	300	425	-	-	623	-	2,108	2,008
International Volunteer Programs	-	-	-	732	1,080	-	-	-	-	122	13	1,947	1,875
We Build Global Outreach	633	-	76	1,105	115	1,500	209	45	5,673	302	5	9,663	12,321
Yemen AID	-	-	-	-	-	-	-	-	-	-	-	-	1,040
Kuwait Talent Fund	-	-	-	899	-	-	-	-	-	-	13	912	1,040
Homes Project - Jordan / Lebanon	2,859	-	570	926	-	100	123	2,050	-	5,293	-	11,921	1,491
Homes Committee	-	-	-	-	-	-	-	-	-	-	-	-	1,865
Mass Communication Course	-	-	-	505	-	-	-	20,000	-	261	27	20,795	22,127
LOYAC – Jordan	10,542	-	2	-	-	-	-	7,582	-	248	56	10,846	19,730
LOYAC – Lebanon	-	-	-	-	-	-	-	-	-	-	29	7,611	-
LOYAC – Yemen	-	-	-	-	-	-	-	-	-	-	70	18,132	-
AC Milan Programs	53,370	-	465	17,555	-	-	35	-	-	7	-	10,719	10,719
Soccer School - AC Milan	-	-	4,176	15,860	1,522	1,306	1,874	32,666	-	8,876	12,681	132,331	105,960
English Language Courses	48,087	-	2,880	2,317	360	2,092	987	-	-	256	18	2,880	9,720
LOYAC Events & Activities	3,183	-	12,316	-	360	143	174	-	-	38	-	66,433	28,058
Part – Time Program	19,238	-	183	2,338	9,936	5,830	1,662	2,170	-	2,978	392	4,081	4,453
Summer Programs	-	-	3,876	-	-	-	-	-	-	-	-	48,420	17,156
Summer program committees	-	-	-	-	-	-	-	-	-	-	-	-	9,609
Little LOYACERS	3,515	-	880	989	2,520	380	444	50	-	277	113	9,168	3,161
"Service is my Joy" Program	865	-	-	-	-	20	1	-	-	126	-	1,012	1,679
Community Outside Centers	-	-	-	-	-	-	-	-	-	-	-	-	2,274
LOYAC Documentary - DOW:Media Unit	2,099	-	385	1,763	1,715	1,750	953	4,445	1,100	1,049	393	15,652	59,979
LOYAC Academy for Performing Arts – LAPA	39,381	-	3,927	28,168	10,112	9,179	1,209	2,710	-	3,890	337	98,913	119,357
Shahid park	26,838	17,000	-	52	-	1,025	2,134	-	-	14,189	443	61,681	-
AG Fund - L1 Project	9,095	-	-	-	8	969	-	799	-	66	-	10,937	24,342
DOW science club	-	-	-	-	-	-	-	-	-	-	-	-	15,000
Kuwait Science Fair	-	-	-	-	-	-	-	-	-	-	-	-	2,916
	220,265	17,000	36,255	93,885	27,788	24,671	10,235	73,117	7,788	39,078	14,679	564,761	514,967

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15. Operating expenditure – projects and programs (continued)

Operating expenditure – projects and programs includes contributed services by board members amounting to KD 12,000 (2014: KD 12,000).

16. Operating expenditure - supporting services

	2015	2014
	KD	KD
Salaries and benefits	576,845	311,072
Contributed services by board members	84,000	74,000
Board members' compensation	28,000	25,000
Office rent	154,800	3,600
Professional fees	6,650	2,500
Website	1,734	1,707
Training cost	3,716	700
Printing and office stationary	12,290	6,396
Communication costs	14,224	10,572
Office and administrative expenses	10,055	6,516
Advertisement and media	15,984	5,364
Repair and maintenance costs	8,857	6,699
Depreciation	13,363	9,271
Amortisation	1,833	1,834
Others	9,782	6,053
	<u>942,133</u>	<u>471,284</u>

Included with in management and general expenses KD 234,373 (2014: KD 74,000) representing contributed services and materials.

The contributed services by board members have been proportionately allocated to operating expenditure – supporting services and operating expenditure - projects and programs amounting to KD 84,000 (2014: KD 74,000) and KD 12,000 (2014: KD 12,000), respectively based on the time consumed in those activities with the corresponding equal amounts recognised 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 84,000 during the year (2014: KD 74,000).
- b) Members' compensation of KD 28,000 (2014: 25,000) 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 KD 20,795 (2014: KD 22,127).
- d) Transfers of donations received and operating expenses incurred on behalf of LOYAC Lebanon amounting to KD 10,846 (2014: KD 19,730).

Other related party transactions

Balances due from related parties at the reporting date were as follows:

	2015 KD	2014 KD
Receivables from related parties		
Key management personnel	<u>29,316</u>	<u>-</u>

Amounts owed from related parties are interest-free, and have no fixed terms of repayment.

18. Contingencies

	2015 KD	2014 KD
Letter of guarantees	<u>65,864</u>	<u>58,764</u>
	<u>65,864</u>	<u>58,764</u>

19. 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 Board of Directors 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.

Credit risk

LOYAC is exposed to credit risk in respect of losses that would have to be recognised if counterparties fail to perform as contracted.

LOYAC's exposure to credit risk is primarily in respect of other receivables, bank balances and contribution receivables. As at the reporting date, LOYAC's maximum exposure to credit risk is equal to the carrying amounts disclosed in the consolidated statement of financial position.

Notes to the consolidated financial statements
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The maximum exposure to credit risk as at the reporting date was:

	2015 KD	2014 KD
Cash and cash equivalents (excluding cash on hand)	390,355	236,010
Contribution receivables	115,030	150,275
Other receivables	13,712	12,208
	<u>519,097</u>	<u>398,493</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.

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.

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 optimising 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 deposits with banks. 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.

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 recognised in the consolidated 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.

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, except for the minimum capital requirements stipulated by the companies law, in relation to limited liability companies.

20. Comparative figures

The financial statements provide comparative information in respect of the previous period. Where necessary, certain comparative figures have been reclassified to conform to the current year's presentation. Such reclassifications did not affect previously reported consolidated statement of activities and other comprehensive income, equity or opening balances of the earliest comparative period presented.