

**LOYAC Private Training and Statistical
Consulting Company W.L.L
(Not-for-Profit Organisation)**



LOYAC

**Financial Statements
31 December 2017**

**INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF LOYAC PRIVATE TRAINING
AND STATISTICAL CONSULTING COMPANY W.L.L.
(NOT-FOR-PROFIT ORGANISATION)**

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of LOYAC Private Training and Statistical Consulting Company W.L.L.– Not-for-Profit Organisation (“the Parent Company”) and its subsidiary (collectively, “the Group”) which comprise the consolidated statement of financial position as at 31 December 2017, and consolidated statement of activities and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another audit firm who expressed an unmodified opinion on those statements on 29 March 2017.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF LOYAC PRIVATE TRAINING AND STATISTICAL CONSULTING COMPANY W.L.L.
(NOT-FOR-PROFIT ORGANISATION) (continued)**

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

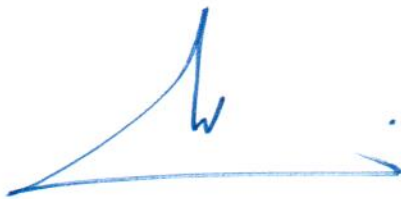
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF LOYAC PRIVATE TRAINING
AND STATISTICAL CONSULTING COMPANY W.L.L.
(NOT-FOR-PROFIT ORGANISATION) (continued)**

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation, as amended, that an inventory count was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation, as amended, have occurred during the year ended 31 December 2017, that might have had a material effect on the business of the Parent Company or on its financial position.



BADER A. AL-ABDULJADER
LICENCE NO. 207-A
EY
(AL AIBAN, AL OSAIMI & PARTNERS)

EY ERNST & YOUNG
Al Aiban, Al Osaimi & Partners

3 May 2018
Kuwait

LOYAC Private Training and Statistical Consulting Company W.L.L. and its
Subsidiary (Not-for-Profit Organisation)



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	<i>Note</i>	<i>2017 KD</i>	<i>2016 KD</i>
ASSETS			
Non-current assets			
Property and equipment	4	40,940	48,621
		40,940	48,621
Current assets			
Inventories		17,130	11,632
Prepayments and other receivables	5	62,623	23,870
Due from related parties	16	25,311	40,720
Contribution receivables	6	219,213	156,136
Term deposits	7	143,621	82,263
Cash and bank balances	8	722,674	415,680
		1,190,572	730,301
TOTAL ASSETS		1,231,512	778,922
EQUITY AND LIABILITIES			
EQUITY			
	9		
Capital		50,000	20,000
Statutory reserve		25,000	20,000
Voluntary reserve		58,307	40,000
Retained earnings		397,810	268,044
Total equity		531,117	348,044
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits	10	100,409	84,973
		100,409	84,973
Current liabilities			
Accounts payable and accrued expenses	11	189,094	91,829
Deferred contributions	12	410,892	254,076
		599,986	345,905
Total liabilities		700,395	430,878
TOTAL LIABILITIES AND EQUITY		1,231,512	778,922

Fareah Al-Saqqaf
Chairperson and
Managing Director

Fadia Al-Marzoq
Vice Chairperson and
Executive Board Member

Abeer Al-Essa
Treasurer and Executive
Board Member

The attached notes 1 to 20 form part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF ACTIVITIES AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2017

	<i>Notes</i>	2017 KD	2016 KD
OPERATING AND SUPPORT REVENUES			
Contributions			
Corporate and individuals	13	866,368	713,790
Services and materials	13	346,705	252,685
Total contributions		1,213,073	966,475
Deferred contributions	12	(410,892)	(254,076)
Net contributions		802,181	712,399
Projects and programs			
Students' training programs	13	1,472,735	1,019,825
Other revenues	13	39,201	14,328
Total operating and support revenues		2,314,117	1,746,552
OPERATING EXPENDITURE			
Projects and programs			
Students' training programs	14	(826,296)	(624,322)
Supporting services			
Management and general	15	(1,304,748)	(1,034,035)
Total operating expenditure		(2,131,044)	(1,658,357)
RESULTS OF OPERATIONS FOR THE YEAR		183,073	88,195
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		183,073	88,195

LOYAC Private Training and Statistical Consulting Company W.L.L. and its
Subsidiary (Not-for-Profit Organisation)



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	<i>Capital KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Retained earnings KD</i>	<i>Total KD</i>
Balance as at 1 January 2016	20,000	16,121	27,619	196,109	259,849
Total comprehensive income for the year	-	-	-	88,195	88,195
Transfer to reserves	-	3,879	12,381	(16,260)	-
Balance as at 31 December 2016	20,000	20,000	40,000	268,044	348,044
Balance as at 1 January 2017	20,000	20,000	40,000	268,044	348,044
Issue of capital	30,000	-	-	(30,000)	-
Total comprehensive income for the year	-	-	-	183,073	183,073
Transfer to reserves	-	5,000	18,307	(23,307)	-
Balance as at 31 December 2017	50,000	25,000	58,307	397,810	531,117

The attached notes 1 to 20 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	<i>Notes</i>	2017 KD	2016 KD
OPERATING ACTIVITIES:			
Results of operations for the year		183,073	88,195
<i>Adjustments to reconcile results to net cash flows:</i>			
Depreciation	4	26,603	21,409
Provision for employees' end of service indemnity	10	27,274	34,793
Provision no longer required	10	(2,704)	(6,814)
Interest income		(2,769)	(1,017)
Operating surplus before changes in working capital		231,477	136,566
<i>Working capital adjustments:</i>			
- Prepayments and other receivables		(38,753)	6,256
- Inventories		(5,498)	(5,914)
- Due from related parties		15,409	(11,404)
- Contribution receivables		(63,077)	(41,106)
- Accounts payable and accrued expenses		97,265	(59,587)
- Deferred contributions		156,816	30,094
		393,639	54,905
Payments towards employees' end of service indemnity	10	(9,134)	(2,096)
Net cash flows from operating activities		384,505	52,809
INVESTING ACTIVITIES:			
Purchase of property and equipment	4	(18,922)	(22,930)
Term deposits		(61,358)	(11,094)
Interest income received		2,769	1,017
Net cash flows used in investing activities		(77,511)	(33,007)
NET INCREASE IN CASH AND BANK BALANCES		306,994	19,802
Cash and bank balances at 1 January		415,680	395,878
CASH AND BANK BALANCES AT 31 DECEMBER	8	722,674	415,680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

1 CORPORATE INFORMATION

LOYAC Private Training and Statistical Consulting Company W.L.L. - Not-for-Profit Organization (“LOYAC” or “the Parent Company”) is a limited liability company that was established in the State of Kuwait on 25 May 2004 under registration no. 101006.

LOYAC is a not-for-profit organisation 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 (collectively “the Group”). The directly owned subsidiary by the Parent Company is as follows:

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

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, its office is located at Al Qibliya School, Kuwait City, and its registered postal address is P.O. Box 64058, Shuwaikh 70451, State of Kuwait.

The consolidated financial statements of the Group for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 3 May 2018.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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).

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

The consolidated financial statements have been prepared on a historical cost basis, except for contributed services and materials that have been measured at fair value.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

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.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Results of operations and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in consolidated statement of activities and other comprehensive income. Any investment retained is recognised at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the adoption of new and amended standards and interpretations. The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IFRSs which are effective for annual accounting periods starting from 1 January 2017 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt those standards when they become effective. However, the Group expects no significant impact from the adoption of the amendments on its consolidated financial position or performance.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date. However, as the management are still in the process of assessing the full impact of the application of IFRS 9 on the consolidated financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the management complete the detailed review.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies how and when an entity recognizes revenue as well as requiring such entities to provide users of consolidated financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard was issued in May 2014 and applies to annual financial statements beginning on or after 1 January 2018. The Group is in the process of quantifying the impact of this standard on the Group's consolidated financial statements, when adopted. The Group does not expect any significant impact on adoption of this standard. The Group plans to adopt the new standard on the required effective date. However, as the management are still in the process of assessing the full impact of the application of IFRS 15 on the consolidated financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the management complete the detailed review.

IFRS 16: Leases

The IASB issued the new standard for accounting for leases - IFRS 16 *Leases* in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to finance lease accounting, with interest and depreciation expense recognised separately in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The Group does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

The Group intends to adopt these standards and amendments when they become effective. During 2018, the Group will continue to evaluate the potential effect of IFRS 16 on its consolidated financial statements.

Other new or amended standards, which are issued but not yet effective, are not relevant to the Group and have no impact on the accounting policies, financial position or performance of the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or financial assets available-for-sale, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include contribution receivables, amounts due from related parties, term deposits and cash and bank balances.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Contribution receivables

Contribution 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.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Derecognition (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, restricted and unrestricted balances and short-term deposits and money market instruments with original maturities of three months or less. The carrying amount of money market instrument approximate its fair value due to the short term maturity of those instruments. 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.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful lives of property, plant and equipment as follows:

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property and equipment and any significant part initially recognised is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of activities and other comprehensive income when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 activities and other comprehensive income.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-financial assets (continued)

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.

Employee benefits

The Group provides end of service benefits to all employees under the Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Group also makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

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.

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.

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.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude. The specific recognition criteria described below also be met before revenue is recognized.

a. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

a. Contributions and donations (continued)

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 activities and other comprehensive income. 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.

b. 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.

c. Interest income

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

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.

Contingencies

Contingent liabilities are not recognised in the financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements, but are disclosed when an inflow of economic benefits is probable.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loan and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include accrued expenses and amounts due to related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Accrued expenses

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of activities and other comprehensive income.

Fair value measurement

The Group measures financial instruments such as financial assets available-for-sale, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period; Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period; Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Foreign currencies

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or consolidated statement of activities and other comprehensive income is also recognised in other comprehensive income or consolidated statement of activities and other comprehensive income, respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of property and equipment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the consolidated statement of activities and other comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

Judgments

In the process of applying the Group accounting policies, management is required to make certain judgments as follows:

Useful lives of property and equipment

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

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 CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

4 PROPERTY AND EQUIPMENT

	<i>Motor vehicles KD</i>	<i>Furniture and fixtures KD</i>	<i>Office equipment KD</i>	<i>Computers and accessories KD</i>	<i>Total KD</i>
Cost					
At 1 January 2016	5,950	25,125	33,128	57,377	121,580
Additions	-	14,161	7,832	937	22,930
At 31 December 2016	<u>5,950</u>	<u>39,286</u>	<u>40,960</u>	<u>58,314</u>	<u>144,510</u>
At 1 January 2017	5,950	39,286	40,960	58,314	144,510
Additions	-	6,135	3,578	9,209	18,922
At 31 December 2017	<u>5,950</u>	<u>45,421</u>	<u>44,538</u>	<u>67,523</u>	<u>163,432</u>
Accumulated depreciation					
At 1 January 2016	896	15,845	20,975	36,764	74,480
Charge for the year	1,190	5,104	6,539	8,576	21,409
At 31 December 2016	<u>2,086</u>	<u>20,949</u>	<u>27,514</u>	<u>45,340</u>	<u>95,889</u>
At 1 January 2017	2,086	20,949	27,514	45,340	95,889
Charge for the year	1,187	8,163	8,055	9,198	26,603
At 31 December 2017	<u>3,273</u>	<u>29,112</u>	<u>35,569</u>	<u>54,538</u>	<u>122,492</u>
Net book value					
At 31 December 2016	<u>3,864</u>	<u>18,337</u>	<u>13,446</u>	<u>12,974</u>	<u>48,621</u>
At 31 December 2017	<u>2,677</u>	<u>16,309</u>	<u>8,969</u>	<u>12,985</u>	<u>40,940</u>

5 PREPAYMENTS AND OTHER RECEIVABLES

	<i>2017 KD</i>	<i>2016 KD</i>
Prepaid expenses	34,261	18,515
Refundable deposits	975	962
Advances	8,060	703
Others	19,327	3,690
	<u>62,623</u>	<u>23,870</u>

Other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date with respect to other receivables is the carrying value mentioned above.

6 CONTRIBUTION RECEIVABLES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

7 TERM DEPOSITS

This represents a deposit placed with a local financial institution maturing within twelve months from the placement date with an effective interest rate of 2.5% (2016: 1.5%). Certain deposits are pledged as a security against letter of guarantees (Note 17).

8 CASH AND BANK BALANCES

	2017	2016
	KD	KD
Cash on hand	2,259	5,717
Cash at bank	720,415	409,963
	<u>722,674</u>	<u>415,680</u>

Included within cash at bank are restricted bank balances amounting to KD 2,610 (2016: KD 1,740) pledged against certain projects and programs.

9 EQUITY

a. Capital

In accordance with the Partners' resolution dated 18 May 2017, the Parent Company's capital has been increased from KD 20,000 to KD 50,000. The capital has been authenticated in the commercial register on 26 September 2017.

Capital comprises of 100 units at a nominal value of KD 500 (2016: KD 200) each, which are paid in cash and distributed as follows:

	<u>2017</u>		<u>2016</u>	
	<i>Units</i>	<i>Amount KD</i>	<i>Units</i>	<i>Amount KD</i>
Partners:				
Fareah Ahmed Al-Saqqaf	18	9,000	18	3,600
Abeer Abdulaziz Al-Essa	17	8,500	17	3,400
Fadia Jassem Al-Marzooq	17	8,500	17	3,400
Mona Bader Al-Kalouti	16	8,000	16	3,200
Nadia Jassem Al-Marzouq	16	8,000	16	3,200
Fetouh Hamad Al-Dalali	16	8,000	16	3,200
	<u>100</u>	<u>50,000</u>	<u>100</u>	<u>20,000</u>

b. Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation, as amended, a minimum of 10% of the profit for the year shall be transferred to the statutory reserve based on the recommendation of the Company's management. The annual general assembly of the Parent Company may resolve to discontinue such transfers when the reserve exceeds 50% of the issued capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued capital. The Partners' resolved in their meeting dated 20 April 2018 to make additional transfers to the statutory reserve to reach KD 25,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

9 EQUITY (continued)

a. Voluntary reserve

In accordance with the Companies' law and the Parent Company's Memorandum of Incorporation, a maximum of 10% of profit for the year is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution from the partners in the annual general assembly meeting upon recommendation by the board members. The Partners' resolved in their meeting dated 20 April 2018 to make additional transfers to the voluntary reserve to reach KD 58,307.

b. Classification of net assets

Unrestricted and temporarily restricted net assets at the reporting date comprise the following:

	2017 KD	2016 KD
<i>Designated for the following purposes:</i>		
Capital	50,000	20,000
Voluntary reserve	58,307	40,000
	<u>108,307</u>	<u>60,000</u>
Undesignated for programs / activities	(13,082)	13,968
Total unrestricted net assets	<u>95,225</u>	<u>73,968</u>
Temporarily restricted net assets	410,892	254,076
	<u>506,117</u>	<u>328,044</u>

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

	2017 KD	2016 KD
Statutory reserve	<u>25,000</u>	<u>20,000</u>

10 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2017 KD	2016 KD
Balance at 1 January	84,973	59,090
Charge for the year	27,274	34,793
Payments during the year	(9,134)	(2,096)
Provision no longer required	(2,704)	(6,814)
Balance at 31 December	<u>100,409</u>	<u>84,973</u>

11 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	2017 KD	2016 KD
Payable to staff, students and others	138,948	62,966
Advances received from students	14,465	1,160
Accruals and other payables	35,681	27,703
	<u>189,094</u>	<u>91,829</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

12 DEFERRED CONTRIBUTIONS

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

	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Al Shaheed Park	338,143	65,781
AG fund (L1 project)	-	35,448
International Internship in General	-	8,292
Global Outreach	-	10,000
Homes Project Kuwait	8,197	15,749
“Service is my Joy” Program	3,717	3,156
Summer Program - Youth Initiative	-	2,000
Kuwait for Kenya Project (K4K)	726	726
Homes Project - Jordan	3,343	15,248
Homes Project - Lebanon	-	11,540
General Help Aid	1,768	1,768
Aden Yemen Initiative -Yemen	647	-
Soccer School - AC Milan	24,041	28,073
Dow Day out Program	-	10,000
Little Loyacers	-	2,000
LOYAC Academy for Performing Arts – LAPA	30,310	29,295
Other programs/ events	-	15,000
	<u>410,892</u>	<u>254,076</u>

LOYAC Private Training and Statistical Consulting Company W.L.L. and its
Subsidiary (Not-for-Profit Organisation)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

13 OPERATING AND SUPPORT REVENUES

	<i>Unrestricted KD</i>	<i>Temporarily restricted KD</i>	<i>2017 Total KD</i>	<i>2016 Total KD</i>
Contributions				
Corporate contributions	866,368	-	866,368	713,790
Services and materials				
Contributed services of board members	168,000	-	168,000	96,000
Contributed building rent	150,000	-	150,000	150,000
Contributed use of printing press	4,660	-	4,660	3,952
Contributed use of media and other facilities	24,045	-	24,045	2,733
	<u>346,705</u>	<u>-</u>	<u>346,705</u>	<u>252,685</u>
Total contributions	<u>1,213,073</u>	<u>-</u>	<u>1,213,073</u>	<u>966,475</u>
Projects and programs				
WYSE Personal & Psychological Growth program	3,467	-	3,467	725
Global Entrepreneurship - IACOCCA	3,679	-	3,679	719
Youth Enrichment camps	-	-	-	33,220
AG Fund (L1 Project)	-	-	-	43,452
International Internship in General	-	-	-	11,152
Global Outreach	5,000	-	5,000	10,000
Homes Project Kuwait	6,553	8,197	14,750	19,348
Homes Project - Jordan / Lebanon	6,323	-	6,323	26,788
Kuwait for Kenya Project (K4K)	-	726	726	8,363
Soccer School – AC Milan	230,456	24,041	254,497	212,742
English Language courses	800	-	800	-
General Help AID	-	1,768	1,768	1,768
LOYAC Yemen	14,143	647	14,790	4,536
LOYAC Jordan	13,832	-	13,832	-
LOYAC Lebanon	3,671	3,343	7,014	-
Dow day-out Program	15,150	-	15,150	10,000
Film Camp production	-	-	-	5,677
Tantal Film Camp	-	-	-	6,958
Blood Drive	3,000	-	3,000	3,000
Ambassador Volunteer	1,795	-	1,795	1,323
“Service is my Joy” program	19,556	-	19,556	6,215
Kuwait Industrial Union	390	-	390	895
Summer programs	-	-	-	13,882
LOYAC Internship program	22,257	-	22,257	10,195
Arab Children's Fund (Antakiya Project)	-	-	-	5,112
Little LOYACERS	9,780	-	9,780	12,270
Summer program - Youth Initiative	14,433	-	14,433	22,887
Atai Morocco	10,120	-	10,120	-
Reffia Tanzania	9,728	-	9,728	-
Thailand Rustic Pathways	15,200	-	15,200	-
Internship - DLA Piper	1,911	-	1,911	-
Internship IFAD Italy	2,685	-	2,685	-
Al Jahra Project	2,283	3,717	6,000	-
Jahiz Committee	1,000	-	1,000	-
ECO Quest	-	-	-	5,000
Al Shaheed Park - Events & Activities	389,084	338,143	727,227	381,812
LOYAC Academy for Performing Arts - LAPA	237,514	30,310	267,824	141,748
	<u>1,043,810</u>	<u>410,892</u>	<u>1,454,702</u>	<u>999,787</u>
Materials contributed	18,033	-	18,033	20,038
Students' training programs	<u>1,061,843</u>	<u>410,892</u>	<u>1,472,735</u>	<u>1,019,825</u>
Other income	39,201	-	39,201	14,328
Total operating and supporting revenues	<u>2,314,117</u>	<u>410,892</u>	<u>2,725,009</u>	<u>2,000,628</u>

LOYAC Private Training and Statistical Consulting Company W.L.L. and its Subsidiary (Not-for-Profit Organisation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

14 OPERATING EXPENDITURE – PROJECTS AND PROGRAMS

	Salaries KD	Arts and Culture KD	Student training KD	Travel and housing KD	Contributed services KD	Media KD	Printing and supplies KD	Contractual services KD	Material cost KD	Others KD	Total KD	2017 Total KD	2016 Total KD
SIGEF conference	-	-	-	-	-	-	-	-	-	-	-	-	936
Youth Enrichment Camp	171	-	94	17,932	7,800	-	310	4,695	1,155	4,138	36,295	36,295	29,587
WYSE Personal and Psychological program	-	-	2,322	1,039	-	-	-	-	-	9	3,370	3,370	3,880
International Internship program	-	-	-	2,642	5,490	-	-	-	-	-	8,132	8,132	2,643
Global Entrepreneurship program	-	-	2,515	385	-	-	-	-	-	14	2,914	2,914	1,604
Kuwait for Kenya Project (K4K)	-	-	-	-	-	-	-	-	-	-	-	-	7,637
International Volunteer program	-	-	34	15	-	30	31	-	86	248	444	444	197
We Build Global Outreach	-	-	20	-	-	-	-	-	300	382	702	702	-
Homes Project - Jordan / Lebanon	112	-	1,868	3,508	1,560	-	-	13	-	945	7,881	7,881	-
LOYAC – Jordan	-	-	-	338	-	17	-	-	-	-	-	-	-
LOYAC – Lebanon	-	-	-	70	-	609	-	-	-	10,009	10,489	10,489	10,594
LOYAC – Yemen	1	-	596	1,697	-	457	-	-	2,446	11,457	12,136	12,136	11,694
LOYAC – Egypt	-	-	-	-	-	-	-	-	-	8,947	14,144	14,144	9,977
Soccer School - AC Milan	84,741	-	4,496	46,465	4,437	2,699	3,724	34,818	13,589	15,622	210,591	210,591	175,228
LOYAC events & activities	6,400	-	855	-	-	501	1,695	1,207	1,003	311	11,972	11,972	13,467
ECO Quest	-	-	-	-	-	-	-	-	-	-	-	-	4,788
Blood Drive	-	-	42	95	780	-	360	1,125	189	-	2,591	2,591	2,450
Arab Women's International Forum	-	-	-	-	-	-	-	-	-	-	-	-	454
Ambassador Volunteer	944	-	30	-	-	-	-	-	-	-	974	974	882
Homes Project Kuwait	1,200	-	38	438	-	-	-	-	4,855	22	6,553	6,553	8,712
LOYAC Peace Conference	-	-	-	-	-	-	-	-	-	-	-	-	755
Summer-Bridge program	-	-	26	-	180	38	172	-	-	104	520	520	4,253
Summer program volunteering	-	-	-	-	-	-	-	-	140	-	140	140	-
Summer program - Youth Initiative	3,009	-	1,512	2,442	26,415	92	531	-	233	1,044	35,278	35,278	38,588
Little Loyacers	1,730	-	477	828	24,405	18	163	-	723	673	29,017	29,017	11,384
"Service is my Joy" program	1,350	-	29	81	7,080	12	785	-	212	251	9,800	9,800	4,169
LOYAC Documentary - Dow: Media Unit	330	-	250	82	-	180	139	486	107	589	2,163	2,163	-
AG Fund - LI Project	-	-	-	15	-	-	15	-	-	-	30	30	6,939
Tantal Film Camp	-	-	-	-	-	-	-	-	-	-	-	-	7,196
Training course	500	-	-	-	-	-	-	-	-	6	529	529	-
Internship DLA piper	900	-	-	1,853	30	-	-	-	-	-	1,883	1,883	-
Al Jahra Project	-	-	-	40	-	253	120	-	970	-	2,283	2,283	-
Jahiz Committee	-	-	9	-	-	-	62	-	74	-	145	145	-
Summer Program - Kuwait Industrial Union	-	-	-	-	780	-	-	-	61	-	841	841	-
Al Shaheed Park - Events & Activities	18,313	72,777	-	-	-	8,937	18,802	-	-	11,710	130,539	130,539	111,817
LOYAC Academy for Performing Arts - LAPA	149,066	-	6,074	56,375	18,067	5,445	1,010	15,676	3,383	28,434	283,530	283,530	154,491
	268,767	72,777	21,287	136,340	97,024	19,288	27,942	58,020	29,936	94,915	826,296	826,296	624,322

Operating expenditure – projects and programs includes contributed services by board members amounting to KD Nil (2016: KD 12,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

15 MANAGEMENT AND GENERAL EXPENSE

	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Salaries and benefits	824,292	673,941
Contributed services by board members	168,000	96,000
Board members' compensation	39,000	35,000
Office rent	161,250	155,400
Professional fees	6,600	4,650
Website	3,483	6,338
Training	1,655	188
Printing and office stationary	8,565	6,707
Communication	10,220	12,582
Office and administrative expenses	16,407	10,639
Advertisement and media	30,745	4,492
Repair and maintenance	7,221	3,866
Depreciation	26,603	21,409
Others	707	2,823
	<u>1,304,748</u>	<u>1,034,035</u>

Included with in management and general expenses KD 346,705 (2016: KD 252,685) 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 168,000 (2016: KD 96,000) and KD Nil (2016: 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.

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 168,000 during the year (2016: KD 96,000).
- b) Members' compensation of KD 39,000 (2016: 35,000) 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 10,489 (2016: KD 10,594).
- d) Transfers of donations received and operating expenses incurred on behalf of LOYAC Lebanon amounting to KD 12,136 (2016: KD 11,694).
- e) Transfers of donations received and operating expenses incurred on behalf of LOYAC Yemen amounting to KD 14,144 (2016: KD 9,977).
- f) Transfers of donations received and operating expenses incurred on behalf of LOYAC Egypt amounting to KD 410 (2016: KD Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

16 RELATED PARTY TRANSACTIONS (continued)

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

	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
Receivables from related parties		
Key management personnel	<u>25,311</u>	<u>40,720</u>

Amounts owed from related parties are interest-free, and have no fixed terms of repayment. For the year ended 31 December 2017, the Group has not recorded any impairment of receivables related to amount owed by related parties (2016: KD Nil).

17 CONTINGENCIES

	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
Letter of guarantees	<u>76,956</u>	<u>76,956</u>

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and exposure to market risk is limited to foreign exchange risk as none of the Group's financial assets are listed on any stock exchange and the Group does not have any interest bearing assets or liabilities. The risks are monitored through the Group's strategic planning process.

The Group's financial assets comprise amounts due from related parties, contribution receivable, term deposits and bank balances. Financial liabilities comprise accounts payable and accrued expenses.

The Board of Directors of the Group is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

The management of the Group reviews and agrees policies for managing each of these risks which are summarised below:

Credit risk

Credit risk is the risk that counterparty will cause a financial loss to the Group by failing to discharge an obligation. Credit risk arises in the Group's normal course of business.

Credit risk arises from cash and cash equivalents, receivables from related parties, contributions, and other receivables. The Group's maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets mentioned below.

Bank balances

Bank balances are held with financial institution with appropriate credit risk rating.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

Receivables from related parties

The Group's exposure to credit risk from related parties is limited as none of the amounts receivable from related parties are provided for or impaired. These are monitored by management on an ongoing basis and considered recoverable.

Credit risk

Contributions and other receivables

As at 31 December 2017, contribution and other receivables were neither past due nor impaired. These relate to a number of independent sponsors counterparties from whom there is no recent history of default.

The maximum exposure to credit risk as at the reporting date was:

	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Cash and cash equivalents (excluding cash on hand)	720,415	409,963
Contribution receivables	219,213	156,136
Term deposits	143,621	82,263
Due from related parties	25,311	40,720
Other receivables	19,327	3,690
	<u>1,127,887</u>	<u>692,772</u>

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 Group will be unable to meet its liabilities when they fall due. The Group'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 the Group's reputation.

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

The Group'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 the Group'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.

The Group is not exposed to equity price risk as at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market risk (continued)

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 the Group's financial assets are non-interest bearing. The Group is exposed to interest rate risk only on its call deposits with banks. Interest bearing financial assets mature or reprice in the short term, no longer than twelve months. As a result, the Group is subject to limited exposure to fluctuation in interest rates.

Currency risk

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

The Group has no significant foreign currency exposure as at the reporting date and is therefore not exposed to currency risk.

19 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.

Financial assets consist of contribution and other receivables, bank balances and cash, and receivables from related parties. Financial liabilities consist of account payables and accruals.

The management assessed that the fair values of financial assets and financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

20 CAPITAL RISK MANAGEMENT

The Group'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 and activities through operating cash flow management. The management seeks to maintain a balance between the funding received from sponsors and the expenses incurred on programs and other activities to achieve sound capital position.

The primary objective of the Group's capital management is to maximize the stakeholder value.

No changes were made in the objectives, policies or processes during the year ended 31 December 2017 and 31 December 2016.