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

LOYAC

Financial Statements
31 December 2018

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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 2018, 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 2018, 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), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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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.

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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 2018, that might have had a material effect on the business of the Parent Company or on its financial position.

EY ERNST & YOUNG
Al Aiban, Al Osaimi & Partners

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

20 May 2019
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Note	***2018 KD***	*2017 KD*
ASSETS			
Non-current assets			
Property and equipment	4	**30,050**	40,940
		30,050	40,940
Current assets			
Inventories		**28,940**	17,130
Prepayments and other receivables	5	**33,635**	62,623
Receivables from related parties	16	**3,091**	25,311
Contribution receivables	6	**173,726**	219,213
Term deposits	7	**145,298**	143,621
Cash and bank balances	8	**1,008,975**	722,674
		1,393,665	1,190,572
TOTAL ASSETS		**1,423,715**	1,231,512
EQUITY AND LIABILITIES			
EQUITY	9		
Capital		**50,000**	50,000
Statutory reserve		**25,000**	25,000
Voluntary reserve		**58,307**	58,307
Retained earnings		**777,691**	397,810
Total equity		**910,998**	531,117
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits	10	**114,722**	100,409
		114,722	100,409
Current liabilities			
Accounts payable and accrued expenses	11	**213,718**	189,094
Deferred contributions	12	**184,277**	410,892
		397,995	599,986
Total liabilities		**512,717**	700,395
TOTAL LIABILITIES AND EQUITY		**1,423,715**	1,231,512

FareahAl-Saqqaf	Fadia Al-Marzooq	Abeer Al-Essa
Chairperson	*Vice Chairperson and Managing Director*	*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 2018

	Notes	***2018*** ***KD***	*2017* *KD*
OPERATING AND SUPPORT REVENUES			
Contributions			
Corporate and individuals	13	**923,213**	866,368
Services and materials	13	**346,881**	346,705
Total contributions		**1,270,094**	1,213,073
Projects and programs			
Contribution from students' training programs	13	**1,452,299**	1,454,702
Deferred contributions	12	**(184,277)**	(410,892)
Total revenue from projects and programs		**1,268,022**	1,043,810
Materials contributed	13	**82,128**	18,033
Other income	13	**93,754**	39,201
Total operating and support revenues		**2,713,998**	2,314,117
OPERATING EXPENDITURE			
Projects and programs			
Students' training programs	14	**(894,485)**	(826,296)
Supporting services			
Management and general	15	**(1,439,632)**	(1,304,748)
Total operating expenditure		**(2,334,117)**	(2,131,044)
RESULTS OF OPERATIONS FOR THE YEAR		**379,881**	183,073
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**379,881**	183,073

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Capital *KD*	*Statutory reserve* *KD*	*Voluntary reserve* *KD*	*Retained earnings* *KD*	*Total* *KD*
At 1 January 2018	**50,000**	**25,000**	**58,307**	**397,810**	**531,117**
Total comprehensive income for the year	-	-	-	379,881	379,881
At 31 December 2018	**50,000**	**25,000**	**58,307**	**777,691**	**910,998**
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)	-
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 2018

	Notes	***2018 KD***	*2017 KD*
OPERATING ACTIVITIES:			
Results of operations for the year		**379,881**	183,073
Adjustments to reconcile results of operations to net cash flows:			
Depreciation	4	**25,255**	26,603
Provision for employees' end of service indemnity	10	**17,055**	27,274
Provision for indemnity no longer required	10	**-**	(2,704)
Interest income		**(3,209)**	(2,769)
Operating surplus before changes in working capital		**418,982**	231,477
Working capital adjustments:			
- Prepayments and other receivables		**28,988**	(38,753)
- Inventories		**(11,810)**	(5,498)
- Related party balances		**22,220**	15,409
- Contribution receivables		**45,487**	(63,077)
- Accounts payable and accrued expenses		**24,624**	97,265
- Deferred contributions		**(226,615)**	156,816
		301,876	393,639
Payments towards employees' end of service indemnity	10	**(2,742)**	(9,134)
Net cash flows from operating activities		**299,134**	384,505
INVESTING ACTIVITIES:			
Purchase of property and equipment	4	**(14,365)**	(18,922)
Term deposits placements		**(1,677)**	(61,358)
Interest income received		**3,209**	2,769
Net cash flows used in investing activities		**(12,833)**	(77,511)
NET INCREASE IN CASH AND BANK BALANCES		**286,301**	306,994
Cash and bank balances at 1 January		**722,674**	415,680
CASH AND BANK BALANCES AT 31 DECEMBER	8	**1,008,975**	722,674

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

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 a related party 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 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 5 May 2019.

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.

- *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 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2018. 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.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of these financial statements are consistent with those used in the previous financial year, except as mentioned below:

New and amended standards and interpretations

The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018.

The nature and the impact of each new standard and amendment is described below:

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 15 – *Revenue from Contracts with Customers*
The Group has adopted IFRS 15: *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group's adoption of IFRS 15 did not result in a change in the revenue recognition policy of the Group in relation to its contracts with customers. Further, the adoption of IFRS 15 had no impact on this interim condensed financial information of the Group.

IFRS 9 - *Financial Instruments*
The Group adopted IFRS 9 *Financial Instruments* on its effective date of 1 January 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

IFRS 9 introduces new requirements for a) the classification and measurement of financial assets, b) impairment for financial assets and c) general hedge accounting. Details of these new requirement as well as their impact on the Group's consolidated financial statements are described below.

a) Classification and measurement
Under IFRS 9, financial assets such as contribution receivables, accounts receivable, receivables from related parties and cash and bank balances that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost.

Financial assets at fair value through other comprehensive (FVOCI) comprise equity instruments which the Group had irrevocably elected, at initial recognition or transition, to classify at fair value through other comprehensive income. Under IAS 39, the Group's equity securities were classified as Available-for-sale financial assets. Therefore, reclassification for these instruments is not required on initial adoption of IFRS 9.

Financial liabilities previously measured at amortised cost under IAS 39 have been classified and measured under IFRS 9 at amortised cost using the effective interest rate method. There have been no changes in the classification and measurement of financial liabilities on the adoption of IFRS 9.

(b) Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model of IAS 39 with an 'expected credit loss' ('ECL') model. The new impairment model outlines a 'three stage' model ('general approach') for impairment based on the changes in credit quality since the initial recognition. Under the general approach, ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition (i.e. 'good' exposures), an allowance is to be provided for credit losses that result from default events 'that are possible' within the next 12 months (a 12 month ECL – Stage 1 of the model).

For those credit exposures for which there has been significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the default (a lifetime ECL – Stage 2 of the model).

Financial assets are assessed as credit impaired (Stage 3 of the model) when one or more events that have a detrimental impact on the estimated future cash flows of those assets have occurred.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 9 - *Financial Instruments* (continued)

An alternative to the 'general approach' is the 'simplified approach' that can be applied to trade receivables or contract assets that do not contain a significant financing component. The loss allowance should be measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime ECL.

The Group has elected to apply the simplified approach. Under the simplified approach, the Group shall apply forward looking provision matrix to calculate the impairment allowance.

For an explanation of how the Group applies the impairment requirements of IFRS 9, refer to the policy under Note 2.5 "Impairment of financial assets".

(c) Hedge accounting
The general hedge accounting requirements of IFRS 9 aim to simplify hedge accounting, creating a stronger link with risk management strategy and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks. The adoption of general hedge accounting requirements of IFRS 9 does not result in any change in accounting policies of the Group and does not have any material effect on the Group's consolidated financial statements.

Impact of initial application of IFRS 9
IFRS 9 did not have any impact on the Group's classification and measurement of its financial instruments. Further, the Group assessed that impact of ECL is not material.

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9
The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018.

	Original classification under IAS 39	*New classification under IFRS 9*	*Original carrying amount under IAS 39 KD*	*Re-measurement /ECL / others KD*	*New carrying amount under IFRS 9 KD*
Financial assets					
Contribution receivables	Loans and receivables	Amortised cost	219,213	-	219,213
Cash and bank balances	Loans and receivables	Amortised cost	722,674	-	722,674
Term deposits	Loans and receivables	Amortised cost	143,621	-	143,621
Receivables from related parties	Loans and receivables	Amortised cost	25,311	-	25,311
Other receivables	Loans and receivables	Amortised cost	19,327	-	19,327
Total financial assets			**1,130,146**	-	**1,130,146**

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's consolidated 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 financial position or performance.

IFRS 16: Leases
In January 2016, the IASB issued IFRS 16 '*Leases*' with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 '*Leases*'. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the statement of financial position. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. 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 16 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.

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

Revenue recognition policy applicable from 1 January 2018
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in all of its revenue arrangements since it typically controls the goods or services before transferring them to the customer.

The specific recognition criteria described below must also be met before revenue is recognised.

Contributions and donations
Contributions, which include unconditional promises to give (pledges), are recognised as revenues at a point in time when they become receivable. Conditional contributions are recorded when the performance obligation (i.e. 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. 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 transferred over time.

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 over the time when received as income and expenses.

Donated materials are stated at their fair value at the date of receipt and are accounted for at a point in time as income and expenses at the equivalent amount when received.

Revenue from rendering services is recognised over time when the services are performed.

Other revenue is recognised on an accrual basis.

Revenue is measured at the fair value of the consideration received or receivable.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition accounting policies applied up to 31 December 2017
Revenue is recognised 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.

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.

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.

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.

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.

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)
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 derecognised.

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

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

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

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.

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.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or a cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount or CGU.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

Impairment losses of continuing operations are recognised in the consolidated statement of activities and other comprehensive income in those expense categories consistent with the function of the impaired asset, except for land or building previously revalued when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets or CGUs recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the assets does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of activities and other comprehensive income.

Financial instruments accounting policies applied from 1 January 2018

Financial assets and financial liabilities
Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities (other than on financial assets and financial liabilities at fair value through profit or loss (FVPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or issue financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of activities and other comprehensive income.

Financial assets
All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial asset.

Classification of financial assets
Financial assets at amortised cost
Financial assets such as contribution receivables, accounts receivable, amount due from related parties, and cash and bank balances that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL except for equity instruments when the Group may make an irrevocable election/designation at initial recognition.

Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments at amortised cost, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments accounting policies applied from 1 January 2018 (continued)

Financial assets (continued)
The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost.

For financial instruments carried at amortised cost, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. Interest income is recognised in the consolidated statement of activities and other comprehensive income bases on effective interest method.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. No impairment loss is recognised for equity instruments that are classified as financial assets at FVOCI. The amount of expected credit losses is updated at each reporting date.

The Group always recognises lifetime ECL for trade receivables which generally does not have a significant financing component. Amounts due from related parties that are interest free and receivable on demand, the Group expects no default on such amounts after reviewing and assessing the financial position of these parties. Accordingly, the measurement of amounts due from related parties under IFRS 9 doesn't have impact on the consolidated statement of activities and other comprehensive income of the Group. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a trade receivables.

Credit-impaired financial assets at amortised cost
A financial asset is credit-impaired when one or more events, constituting an event of default for internal credit risk management purposes as historical experience indicates, that have a detrimental impact on the estimated future cash flows of that financial asset have occurred that meet below criteria.

Evidence that a financial asset is credit-impaired includes observable data about the following events:
- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

Write-off of financial assets at amortised cost
The Group writes off a financial asset at amortised cost when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments accounting policies applied from 1 January 2018 (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the consolidated statement of activities and other comprehensive income.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises an impairment loss in the consolidated statement of activities and other comprehensive income for all financial assets at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the consolidated statement of activities and other comprehensive income.

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

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

(i) The rights to receive cash flows from the asset have expired, or
(ii) The Group has transferred the right 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 assets.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments accounting policies applied from 1 January 2018 (continued)

Financial liabilities
All financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Group's financial liabilities include accounts payable and accruals and amounts due to related parties.

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

Accounts payable and accruals
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 derecognised when the obligation under the liability is discharged or cancelled or expires.

When 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, and the difference in the respective carrying amounts is recognised in the consolidated statement of activities and other comprehensive income.

Financial instruments accounting policies applied up to 31 December 2017
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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments accounting policies applied up to 31 December 2017
Financial assets

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.

Impairment of 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.

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 the 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies
Contingent liabilities are not recognised in the consolidated 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 consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

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 statement of activities.

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 the statement of activities is also recognised in other comprehensive income or the statement of activities, respectively).

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, maximising 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

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
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.

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.

Classification of financial assets

Effective from 1 January 2018 (IFRS 9)
The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Effective before 1 January 2018 (IAS 39)
Management has to decide on acquisition of financial assets whether it should be classified as available-for-sale, held to maturity, investments at fair value through profit or loss or as loans and receivables. In making the judgment, the Group considers the primary purpose for which it is acquired and how it intends to manage and report performance

4 PROPERTY AND EQUIPMENT

	Motor vehicles KD	*Furniture and fixtures KD*	*Office equipment KD*	*Computers and accessories KD*	*Total KD*
Cost					
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	5,950	45,421	44,538	67,523	163,432
At 1 January 2018	**5,950**	**45,421**	**44,538**	**67,523**	**163,432**
Additions	6,700	1,505	2,299	3,861	14,365
Disposals	-	-	-	(6,376)	(6,376)
At 31 December 2018	**12,650**	**46,926**	**46,837**	**65,008**	**171,421**
Accumulated depreciation					
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	3,273	29,112	35,569	54,538	122,492
At 1 January 2018	**3,273**	**29,112**	**35,569**	**54,538**	**122,492**
Charge for the year	2,529	9,187	5,586	7,953	25,255
Disposals	-	-	-	(6,376)	(6,376)
At 31 December 2018	**5,802**	**38,299**	**41,155**	**56,115**	**141,371**
Net book value					
At 31 December 2017	2,677	16,309	8,969	12,985	40,940
At 31 December 2018	**6,848**	**8,627**	**5,682**	**8,893**	**30,050**

5 PREPAYMENTS AND OTHER RECEIVABLES

	2018 KD	*2017 KD*
Prepaid expenses	**19,525**	34,261
Refundable deposits	**2,316**	975
Advances	**37**	8,060
Others	**11,757**	19,327
	33,635	62,623

Other receivables do not contain impaired assets. The net carrying value of each receivables is considered a reasonable approximation of fair value.

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

6 CONTRIBUTION RECEIVABLES

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

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% (2017: 2.5%). Certain deposits are pledged as a security against letter of guarantees (Note 17).

8 CASH AND BANK BALANCES

	2018 *KD*	*2017* *KD*
Cash on hand	**8,115**	2,259
Cash at bank	**1,007,547**	720,415
	1,015,662	722,674

Included within cash at bank are restricted bank balances amounting to KD 8,346 (2017: KD 2,610) pledged against certain projects and programs.

9 EQUITY

a. Capital

Capital comprises of 100 units at a nominal value of KD 500 (2017: KD 500) each, which are paid in cash and distributed as follows:

	2018		*2017*	
	Units	*Amount KD*	*Units*	*Amount KD*
Partners:				
Fareah Ahmed Al-Saqqaf	**18**	**9,000**	18	9,000
Abeer Abdulaziz Al-Essa	**17**	**8,500**	17	8,500
Fadia Jassem Al-Marzooq	**17**	**8,500**	17	8,500
Mona Bader Al-Kalouti	**16**	**8,000**	16	8,000
Nadia Jassem Al-Marzouq	**16**	**8,000**	16	8,000
Fetouh Hamad Al-Dalali	**16**	**8,000**	16	8,000
	100	**50,000**	100	50,000

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 Group'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 to discontinue transfers to the statutory reserve as the reserve equals to 50% of the issued capital.

c. 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 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 to discontinue transfers to the voluntary reserve as the reserve exceeds 50% of the issued capital.

9 EQUITY (continued)

d. Classification of net assets

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

	2018 KD	2017 KD
Designated for the following purposes:		
Capital	**50,000**	50,000
Voluntary reserve	**58,307**	58,307
	108,307	108,307
Undesignated for programs / activities	**593,414**	(13,082)
Total unrestricted net assets	**701,721**	95,225
Temporarily restricted net assets	**184,277**	410,892
	885,998	506,117

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

	2018 KD	2017 KD
Statutory reserve	**25,000**	25,000

10 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2018 KD	2017 KD
As at 1 January	**100,409**	84,973
Charge for the year	**17,055**	27,274
Payments during the year	**(2,742)**	(9,134)
Provision for indemnity no longer required	**-**	(2,704)
As at 31 December	**114,722**	100,409

11 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	2018 KD	2017 KD
Payable to staff, students and others	**164,921**	138,948
Advances received from students	**15,695**	14,465
Accruals and other payables	**33,102**	35,681
	213,718	189,094

12 DEFERRED CONTRIBUTIONS

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

	2018	*2017*
	KD	*KD*
Al Shaheed Park	**50,626**	338,143
"Service is my joy" program	**5,000**	-
Loyac Yemen	**15,856**	647
Soccer School - AC Milan	**45,246**	24,041
Al Jahra Project	**3,717**	3,717
Loyac chapters (Lebanon/Jordan/Yemen/Egypt)	**5,000**	-
Home Project – Jordan	-	3,343
Home Project – Kuwait	-	8,197
Kuwait for Kenya Project (K4K)	**726**	726
General Help Aid	**1,768**	1,768
Educational Fund	**1,982**	-
Internship IFAD Italy	**771**	-
LOYAC Academy for Performing Arts – LAPA	**53,585**	30,310
	184,277	410,892

13 OPERATING AND SUPPORT REVENUES

Disaggregated revenue information

Type of goods or service	*Unrestricted KD*	*Temporarily restricted KD*	*2018 Total KD*	*2017 Total KD*
Contributions				
Corporate contributions	923,213	-	923,213	866,368
Services and materials				
Contributed services of board members	168,000	-	168,000	168,000
Contributed building rent	150,000	-	150,000	150,000
Contributed use of printing press	5,518	-	5,518	4,660
Contributed use of media and other facilities	23,363	-	23,363	24,045
	346,881	-	346,881	346,705
Total contributions	1,270,094	-	1,270,094	1,213,073
Projects and programs				
WYSE Personal & Psychological Growth program	200	-	200	3,467
Global Entrepreneurship - IACOCCA	780	-	780	3,679
Educational Fund	4,018	1,982	6,000	-
Global Outreach program	11,560	-	11,560	5,000
Homes Project Kuwait	11,421	-	11,421	14,750
Homes Project - Jordan / Lebanon	220	-	220	6,323
Kuwait for Kenya Project (K4K)	-	726	726	726
Soccer School – AC Milan	286,193	45,246	331,439	254,497
General Help AID	-	1,768	1,768	1,768
LOYAC Yemen	23,960	15,856	39,816	14,790
LOYAC Jordan	3,343	-	3,343	13,832
LOYAC Lebanon	1,080	-	1,080	7,014
LOYAC Egypt	670	-	670	-
LOYAC Chapters	-	5,000	5,000	-
Blood Drive	3,000	-	3,000	3,000
Ambassador Volunteer	15,449	-	15,449	1,795
"Service is my Joy" program	12,615	5,000	17,615	19,556
LOYAC Internship program	24,432	-	24,432	22,257
KON Social Entrepreneurship Program	36,697	-	36,697	-
Little Loyacers	13,061	-	13,061	9,780
Atai Morocco	10,000	-	10,000	10,120
Internship IFAD Italy	4,229	771	5,000	2,685
Al Jahra Project	-	3,717	3,717	6,000
Al Shaheed Park - Events & Activities	498,132	50,626	548,758	727,227
LOYAC Academy for Performing Arts – LAPA	294,798	53,585	348,383	267,824
Other programs	12,164	-	12,164	58,612
Total revenue from projects and programs	1,268,022	184,277	1,452,299	1,454,702
Materials contributed	82,128	-	82,128	18,033
Other income	93,754	-	93,754	39,201
Total operating and supporting revenues	2,713,998	184,277	2,898,275	2,725,009

13 OPERATING AND SUPPORT REVENUES (continued)

Timing of revenue recognition	***Unrestricted KD***	***Temporarily restricted KD***	***2018 Total KD***	*2017 Total KD*
Contributions				
Corporate contributions at a point in time	**923,213**	-	**923,213**	866,368
Services and materials transferred over time	**346,881**	-	**346,881**	346,705
Total contributions	**1,270,094**	-	**1,270,094**	1,213,073
Revenue from projects and programs transferred over time	**1,268,022**	**184,277**	**1,452,299**	1,454,702
Material consumed over time	**82,128**	-	**82,128**	18,033
Other income transferred over time	**93,754**	-	**93,754**	39,201
Total operating and support revenues	**2,713,998**	**184,277**	**2,898,275**	2,725,009

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*	*2018 Total KD*	*2017 Total KD*
Youth Enrichment Camp	150	-	127	15,141	11,700	-	316	41	514	4,143	32,132	36,295
WYSE Personal and Psychological program	-	-	2,060	960	-	-	-	-	-	(7)	3,013	3,370
International Internship program	-	-	-	3,220	-	-	9	-	-	1,000	4,229	8,132
Global Entrepreneurship program	-	-	1,196	-	-	-	18	-	-	18	1,232	2,914
International Volunteer program	-	-	43	20	-	-	38	83	-	51	235	444
Homes Project - Jordan / Lebanon	-	-	-	573	-	-	-	-	16	-	589	7,881
LOYAC – Jordan	-	-	-	221	-	7	-	15	5	15,022	15,270	10,489
LOYAC – Lebanon	-	-	-	742	-	-	-	40	454	13,606	14,842	12,136
LOYAC –Yemen	700	-	235	1,290	30	-	31	375	1,660	19,669	23,990	14,144
LOYAC – Egypt	880	-	-	-	-	5	-	515	1,178	670	3,248	410
Soccer School - AC Milan	83,163	-	6,963	66,083	435	637	1,711	46,113	2,653	42,564	250,322	210,591
LOYAC events & activities	4,450	-	47	84	1,560	802	1,250	7	352	1,255	9,807	11,972
Blood Drive	-	-	-	10	23	-	92	1,501	162	690	2,478	2,591
Ambassador Volunteer	8,436	-	-	-	-	-	-	-	-	118	8,554	974
Homes Project Kuwait	1,200	-	10	210	-	-	54	-	12,445	14	13,933	6,553
Summer-Bridge program	150	-	3	-	12,800	30	77	-	226	1,220	14,506	520
Summer program volunteering	-	-	12	-	-	-	-	-	76	-	88	140
Summer program - Youth Initiative	1,337	-	1,797	2,144	5,409	67	1,036	22,218	238	5,044	39,290	35,278
Little Loyacers	1,380	-	58	843	17,876	70	550	23	1,075	389	22,264	29,017
"Service is my Joy" program	60	-	203	729	-	11	1,173	-	343	4,033	6,552	9,800
Al Shaheed Park - Events & Activities	9,970	27,324	-	-	-	2,867	16,186	-	25,352	31,845	113,544	130,539
LOYAC Academy for Performing Arts - LAPA	151,551	-	3,652	43,904	-	2,948	3,120	24,909	8,397	36,333	274,814	283,530
Other programs	28	-	2,475	5,028	29,031	63	252	727	379	1,570	39,553	8,576
	263,455	27,324	18,881	141,202	78,864	7,507	25,913	96,567	55,525	179,247	894,485	826,296

Operating expenditure – projects and programs includes contributed services by board members amounting to KD Nil (2017: KD Nil).

15 MANAGEMENT AND GENERAL EXPENSES

	2018 *KD*	*2017* *KD*
Salaries and benefits	**935,589**	824,292
Contributed services by board members	**168,000**	168,000
Board members' compensation	**48,000**	39,000
Office rent	**163,700**	161,250
Professional fees	**8,050**	6,600
Website design and maintenance	**2,870**	3,483
Training	**1,381**	1,655
Printing and office stationary	**9,948**	8,565
Communication	**6,058**	10,220
Office and administrative expenses	**30,074**	16,407
Advertisement and media	**24,788**	30,745
Repair and maintenance	**15,857**	7,221
Depreciation	**25,255**	26,603
Others	**62**	707
	1,439,632	1,304,748

Included with in management and general expenses KD 348,097 (2017: KD 346,705) representing contributed services and materials.

Contributed services by board members amounting to KD 168,000 (2017: KD 168,000) and KD Nil (2017: KD Nil) have been proportionately allocated to operating expenditure – supporting services and operating expenditure - projects and programs, 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 DISCLOSURES

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 (2017: KD 168,000).
b) Members' compensation of KD 48,000 (2017: KD 39,000) 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 15,270 (2017: KD 10,489).
d) Transfers of donations received and operating expenses incurred on behalf of LOYAC Lebanon amounting to KD 14,842 (2017: KD 12,136).
e) Transfers of donations received and operating expenses incurred on behalf of LOYAC Yemen amounting to KD 23,990 (2017: KD 14,144).
f) Transfers of donations received and operating expenses incurred on behalf of LOYAC Egypt amounting to KD 3,248 (2017: KD 410).

16 RELATED PARTY DISCLOSURES (continued)

	2018	*2017*
	KD	*KD*
Receivables from related parties		
Key management personnel	**3,091**	25,311

Amounts owed from related parties are interest-free, and have no fixed terms of repayment. For the year ended 31 December 2018, the Group has not recorded any impairment of receivables related to amounts owed by related parties (2017: KD Nil). Other related parties represent affiliates of major stakeholders.

17 CONTINGENCIES

	2018	*2017*
	KD	*KD*
Letter of guarantees	**76,956**	76,956

18 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

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 and interest rate risk as none of the Group's financial assets are listed on any stock exchange. The risks are monitored through the Group's strategic planning process.

The Group's financial assets comprise amounts due from related parties, contribution receivables, term deposits and bank balances. Financial liabilities comprise payable to related parties, 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, contribution, 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.

	2018	*2017*
	KD	*KD*
Cash and cash equivalents (excluding cash on hand)	**1,007,547**	720,415
Contribution receivables	**173,726**	219,213
Term deposits	**145,298**	143,621
Receivables from related parties	**3,091**	25,311
Other receivables	**11,757**	19,327
	1,341,419	1,127,887

18 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Contribution and other receivables

Comparative information under IAS 39
In the prior year, the impairment of contribution and other receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 90 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

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

Expected credit loss assessment as at 1 January 2018 and 31 December 2018
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all contribution and other receivables.

The expected loss rates are based on the payment profiles and the corresponding historical credit losses experienced during prior periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group does not hold collateral as security.

At 1 January 2018 and 31 December 2018, contribution and other receivables were neither past due nor impaired. These contributions come from a number of independent sponsors and counterparties from whom there is no recent history of default and accordingly, allowance for expected credit losses to be immaterial.

Bank balances
Credit risk from bank balance is limited because the counterparty is reputable financial institution with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Impairment on bank balance has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its bank balance to have low credit risk based on the external credit ratings of the counterparties.

Receivables from related parties and other receivables
As at the reporting date, the majority of the Group's counterparty exposure has a low risk of default and does not include any past-due amounts. Accordingly, management identified impairment loss to be immaterial.

18 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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–derivative 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.

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 term 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

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.

Underlying the definition of fair value is the presumption that the Group 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, term deposits and receivables from related parties. Financial liabilities consist of account payables and accruals and payable to related parties.

Fair values of all financial instruments are not materially different from their carrying values. The management assessed that the fair values of contribution and other receivables, account payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. As to amounts due from (to) related parties which have no specified repayment date and are repayable on demand, management assessed that fair value is not less than their face value.

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 maximise the stakeholder value.

No changes were made in the objectives, policies or processes during the year ended 31 December 2018 and 31 December 2017.