

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



LOYAC

**Consolidated Financial Statements  
31 December 2020**



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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 2020, 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 2020, and of its consolidated financial performance and its consolidated 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.

## **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 2020, that might have had a material effect on the business of the Parent Company or on its financial position.



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

27 July 2021  
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 2020

	<i>Notes</i>	<b>2020 KD</b>	<b>2019 KD</b>
<b>ASSETS</b>			
<b>Non-current asset</b>			
Furniture and equipment	3	22,037	30,560
		<u>22,037</u>	<u>30,560</u>
<b>Current assets</b>			
Inventories		26,084	16,166
Prepayments and other receivables	4	26,479	68,592
Receivables from related parties	15	2,655	1,098
Contribution receivables	5	100,636	98,908
Term deposits	6	359,657	182,527
Cash and bank balances	7	972,444	1,057,012
		<u>1,487,955</u>	<u>1,424,303</u>
<b>TOTAL ASSETS</b>		<u><b>1,509,992</b></u>	<u><b>1,454,863</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Capital	8	50,000	50,000
Statutory reserve	8	25,000	25,000
Voluntary reserve	8	58,307	58,307
Retained earnings		817,405	812,864
<b>Total equity</b>		<u><b>950,712</b></u>	<u><b>946,171</b></u>
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Provision for employees' end of service benefits	9	163,910	138,973
		<u>163,910</u>	<u>138,973</u>
<b>Current liabilities</b>			
Accounts payable and accrued expenses	10	168,182	170,639
Deferred contributions	11	227,188	199,080
		<u>395,370</u>	<u>369,719</u>
<b>Total liabilities</b>		<u><b>559,280</b></u>	<u><b>508,692</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>1,509,992</b></u>	<u><b>1,454,863</b></u>

Fareah Al-Saqqaf  
Chairperson

Fadia Al-Marzooq  
Vice Chairperson and Managing  
Director

Abeer Al-Essa  
Treasurer and Executive Board  
Member

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

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



CONSOLIDATED STATEMENT OF ACTIVITIES AND OTHER COMPREHENSIVE  
INCOME

For the year ended 31 December 2020

	<i>Notes</i>	<b>2020 KD</b>	<b>2019 KD</b>
<b>OPERATING AND SUPPORT REVENUES</b>			
<b>Contributions</b>			
Corporate and individuals	12	804,030	915,080
Services and materials	12	398,585	401,770
<b>Total contributions</b>		<b>1,202,615</b>	<b>1,316,850</b>
<b>Projects and programs</b>			
Contribution from students' training programs	12	1,005,078	1,406,684
Deferred contributions	11	(227,188)	(199,080)
<b>Total revenue from projects and programs</b>		<b>777,890</b>	<b>1,207,604</b>
Materials contributed	12	45,855	37,418
Other income	12	172,759	33,076
<b>Total operating and support revenues</b>		<b>2,199,119</b>	<b>2,594,948</b>
<b>OPERATING EXPENDITURE AND SUPPORT SERVICES</b>			
<b>Operating expenditure</b>			
Projects and programs	13	(608,305)	(936,006)
<b>Supporting services</b>			
Management and general	14	(1,586,273)	(1,623,769)
<b>Total operating expenditure</b>		<b>(2,194,578)</b>	<b>(2,559,775)</b>
<b>RESULTS FROM OPERATIONS FOR THE YEAR</b>		<b>4,541</b>	<b>35,173</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>4,541</b>	<b>35,173</b>

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

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 2020

	<i>Capital KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Retained earnings KD</i>	<i>Total KD</i>
As at 1 January 2020	50,000	25,000	58,307	812,864	946,171
Total comprehensive income for the year	-	-	-	4,541	4,541
<b>At 31 December 2020</b>	<b>50,000</b>	<b>25,000</b>	<b>58,307</b>	<b>817,405</b>	<b>950,712</b>
As at 1 January 2019	50,000	25,000	58,307	777,691	910,998
Total comprehensive income for the year	-	-	-	35,173	35,173
At 31 December 2019	50,000	25,000	58,307	812,864	946,171

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

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



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	<i>Notes</i>	<b>2020</b> <i>KD</i>	<b>2019</b> <i>KD</i>
<b>OPERATING ACTIVITIES</b>			
Results from operations for the year*		4,541	35,173
<i>Adjustments to reconcile results from operations to net cash flows:</i>			
Depreciation	3	14,315	19,325
Provision for employees' end of service indemnity	9	40,395	29,849
Interest income		(9,098)	(11,313)
Operating surplus before changes in working capital		50,153	73,034
<i>Working capital adjustments:</i>			
- Prepayments and other receivables		42,113	(34,957)
- Inventories		(9,918)	12,774
- Related party balances		(1,557)	1,993
- Contribution receivables		(1,728)	74,818
- Accounts payable and accrued expenses		(2,457)	(43,079)
- Deferred contributions		28,108	14,803
		104,714	99,386
Payments towards employees' end of service indemnity	9	(15,458)	(5,598)
<b>Net cash flows from operating activities</b>		<b>89,256</b>	<b>93,788</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of furniture and equipment	3	(5,792)	(20,161)
Proceeds from disposal of furniture and equipment	3	-	326
Term deposits placements		(177,130)	(37,229)
Interest income received		9,098	11,313
<b>Net cash flows used in investing activities</b>		<b>(173,824)</b>	<b>(45,751)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND BANK BALANCES</b>		<b>(84,568)</b>	<b>48,037</b>
Cash and bank balances at 1 January		1,057,012	1,008,975
<b>CASH AND BANK BALANCES AT 31 DECEMBER</b>	<b>7</b>	<b>972,444</b>	<b>1,057,012</b>

\* Results from operations for the year includes non-cash contributions amounting to KD 398,585 (2019: KD 401,770).



# 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 2020

### 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 domiciled and incorporated in the State of Kuwait on 25 May 2004 under registration number 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's head 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 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 15 July 2021.

### 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 also the functional currency of the Parent Company.

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 current year, 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.

# 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 2020

### 2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2020. 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

#### 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 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment did not have any material impact on the consolidated financial statements of the Group.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2020 did not have any material impact on the accounting policies, financial position or performance of the Group.

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 2020

**2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

A number of new standards, amendments to standards and interpretations which are effective for annual periods beginning on or after 1 January 2020 have not been early adopted in the preparation of the Group's consolidated financial statements. None of these are expected to have a significant impact on the Group's consolidated financial statements.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.5.1 Revenue recognition**

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.

**2.5.2 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.

**2.5.3 Furniture and equipment**

Furniture 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 furniture and equipment as follows:

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

# 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 2020

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.5.3 Furniture and equipment (continued)

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

#### 2.5.4 Intangible assets

Intangible assets acquired by LOYAC which has a finite useful life, 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
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The gain or loss arising from disposal of intangible assets 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.

#### 2.5.5 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.

#### 2.5.6 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.

#### 2.5.7 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5.7 Impairment of non-financial assets (continued)**

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.

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.

**2.5.8 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*d) Financial assets*

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- ▶ Financial assets at amortised cost (debt instruments)
- ▶ Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- ▶ Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- ▶ Financial assets at fair value through profit or loss

The Group has not designated any financial assets as at fair value and financial assets at amortised cost is more relevant to the Group.

# 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 2020

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.5.8 Financial instruments (continued)

##### i) Financial assets (continued)

###### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the consolidated statement of activities when the asset is derecognised, modified or impaired.

The Group has not designated any financial assets as at fair value through profit or loss and financial assets at amortised cost is more relevant to the Group. The Group's financial assets at amortised cost includes receivables from related parties, contribution receivables, other receivables, term deposits and bank balances.

###### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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.

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 of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. 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**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a 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 timing of the default (a lifetime ECL).

##### ii) Financial liabilities

###### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include accounts payable and accruals.

# 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 2020

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.5.8 Financial instruments (continued)

##### ii) *Financial liabilities (continued)*

###### **Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- ▶ Financial liabilities at fair value through profit or loss
- ▶ Financial liabilities at amortised cost

The Group has not designated any financial liability as at fair value through profit or loss and financial liabilities at amortised cost is more relevant to the Group.

###### ***Financial liabilities at amortised cost***

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of activities.

###### ***Accounts payable and accruals***

Accounts payable and accruals are recognised for amounts to be paid in the future for 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 the 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.

##### iii) *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.

#### 2.5.9 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.

#### 2.5.10 Current versus non-current classification

The Group presents assets and liabilities in the consolidated 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.

# 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 2020

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.5.10 Current versus non-current classification (continued)

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.

#### 2.5.11 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.

#### 2.5.12 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.

#### 2.5.13 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.

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

#### 2.5.15 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5.15 Fair value measurement (continued)**

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 minimising 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 categorisation (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.

**2.5.16 Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as a part of comprehensive income, on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the grant relates to non-monetary assets, the asset and the grant are recorded at nominal amounts and released to statement of comprehensive income over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. The Group recognises the grants as other income in the statement of activities and other comprehensive income (note 20).

**2.5.17 Events after the reporting date**

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

**2.6 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.

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 2020

**2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

**2.6.1 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 furniture 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.

***Useful lives of furniture and equipment***

The Group's management determines the estimated useful lives of its furniture 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.

**2.6.2 Judgments**

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

***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***

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

**3 FURNITURE 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>
<b>Cost</b>					
At 1 January 2019	12,650	46,926	46,837	65,008	171,421
Additions	-	2,043	14,332	3,786	20,161
Disposals	-	(2,530)	(5,492)	(8,904)	(16,926)
<b>At 31 December 2019</b>	<b>12,650</b>	<b>46,439</b>	<b>55,677</b>	<b>59,890</b>	<b>174,656</b>
Additions	-	549	1,552	3,691	5,792
Disposals	-	(763)	-	-	(763)
<b>At 31 December 2020</b>	<b>12,650</b>	<b>46,225</b>	<b>57,229</b>	<b>63,581</b>	<b>179,685</b>
<b>Accumulated depreciation</b>					
At 1 January 2019	5,802	38,299	41,155	56,115	141,371
Charge for the year	2,530	6,530	4,089	6,176	19,325
Disposals	-	(2,526)	(5,439)	(8,635)	(16,600)
<b>At 31 December 2019</b>	<b>8,332</b>	<b>42,303</b>	<b>39,805</b>	<b>53,656</b>	<b>144,096</b>
Charge for the year	1,634	2,331	5,963	4,387	14,315
Disposals	-	(763)	-	-	(763)
<b>At 31 December 2020</b>	<b>9,966</b>	<b>43,871</b>	<b>45,768</b>	<b>58,043</b>	<b>157,648</b>
<b>Net book value</b>					
At 31 December 2019	4,318	4,136	15,872	6,234	30,560
<b>At 31 December 2020</b>	<b>2,684</b>	<b>2,354</b>	<b>11,461</b>	<b>5,538</b>	<b>22,037</b>

**4 PREPAYMENTS AND OTHER RECEIVABLES**

	<i>2020 KD</i>	<i>2019 KD</i>
Prepaid expenses	14,870	35,432
Refundable deposits	1,375	1,525
Advances	178	-
Other receivables	10,056	31,635
	<b>26,479</b>	<b>68,592</b>

**5 CONTRIBUTION RECEIVABLES**

This represents contribution receivables from various sponsors. Subsequent to the reporting date, the full amounts have been collected.

**6 TERM DEPOSITS**

This represents deposits placed with local financial institutions maturing within twelve months from the placement date with an effective interest rate of 1.2% - 1.35% (2019: 2.4% - 3.2%). Term deposits amounting to KD 76,956 (2019: KD 76,956) are pledged as security against letter of guarantees (Note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

**7 CASH AND BANK BALANCES**

	2020 KD	2019 KD
Cash on hand	3,100	4,054
Cash at bank	969,344	1,052,958
	<u>972,444</u>	<u>1,057,012</u>

Included within cash at bank are restricted bank balances amounting to KD 8,346 (2019: KD 8,346) pledged against certain projects and programs.

**8 EQUITY**

**8.1 Capital**

Capital comprises of 100 units at a nominal value of KD 500 (2019: KD 500) each, which are paid in cash and distributed as follows:

	2020		2019	
	Units	Amount KD	Units	Amount KD
<i>Partners:</i>				
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
	<u>100</u>	<u>50,000</u>	<u>100</u>	<u>50,000</u>

**8.2 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.

**8.3 Voluntary reserve**

In accordance with the Companies' law and the Parent Company's Memorandum of Incorporation, as amended, 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.

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 2020

**8 EQUITY (continued)**

**8.4 Classification of net assets**

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

	2020 KD	2019 KD
<i>Designated for the following purposes:</i>		
Capital	50,000	50,000
Voluntary reserve	58,307	58,307
	<u>108,307</u>	<u>108,307</u>
Undesignated for programs / activities	590,217	613,784
Total unrestricted net assets	698,524	722,091
Temporarily restricted net assets	227,188	199,080
	<u>925,712</u>	<u>921,171</u>

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

	2020 KD	2019 KD
Statutory reserve	25,000	25,000

**9 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS**

	2020 KD	2019 KD
As at 1 January	138,973	114,722
Charge for the year	40,395	29,849
Payments during the year	(15,458)	(5,598)
As at 31 December	<u>163,910</u>	<u>138,973</u>

**10 ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

	2020 KD	2019 KD
Payable to staff, students and others	67,552	122,991
Advances received from students	14,886	7,000
Accruals and other payables	85,744	40,648
	<u>168,182</u>	<u>170,639</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 2020

**11 DEFERRED CONTRIBUTIONS**

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

	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
Al Shaheed Park	28,774	42,295
Student empowerment program	20,018	36,654
Mob Art	14,219	415
Loyac Lebanon	-	6,847
"Service is my joy" program	-	7,500
Loyac Yemen	21,041	8,581
Soccer School - AC Milan	18,511	51,947
Loyac chapters (Lebanon/Jordan/Yemen/Egypt)	-	5,000
Tasmania - Youth enrichment camp (Australia)	-	10,000
Home Project - Kuwait	6,656	4,775
Educational Fund	7,622	7,622
W.E.P. Production Center LOYAC Aden	6,900	-
Rise Up Beirut	78,447	-
LOYAC Academy for Performing Arts - LAPA	25,000	17,444
	<u>227,188</u>	<u>199,080</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 2020

12 OPERATING AND SUPPORT REVENUES

Disaggregated revenue information

Type of goods or services	Total revenue KD	Temporarily restricted revenue KD	2020 Total KD	2019 Total KD
<b>Contributions</b>				
Corporate contributions	804,030	-	804,030	915,080
<b>Services and materials</b>				
Contributed services of board members	240,000	-	240,000	240,000
Contributed building rent	150,000	-	150,000	150,000
Contributed use of printing press	5,585	-	5,585	5,786
Contributed use of media and other facilities	3,000	-	3,000	5,984
	398,585	-	398,585	401,770
<b>Total contributions</b>	<b>1,202,615</b>	<b>-</b>	<b>1,202,615</b>	<b>1,316,850</b>
<b>Projects and programs</b>				
Educational Fund	-	(7,622)	(7,622)	3,078
Youth enrichment camp	1,874	-	1,874	42,815
Student empowerment program	42,002	(20,018)	21,984	10,648
Mob Art	33,262	(14,219)	19,043	23,325
Homes Project Kuwait	9,820	(6,656)	3,164	9,047
Kuwait for Kenya Project (K4K)	-	-	-	726
Soccer School – AC Milan	174,027	(18,511)	155,516	283,472
General Help AID	-	-	-	1,768
LOYAC Yemen	62,731	(27,941)	34,790	32,511
LOYAC Lebanon	32,897	-	32,897	2,334
Blood Drive	5,000	-	5,000	5,000
Ambassador Volunteer	5,905	-	5,905	1,825
“Service is my Joy” program	7,757	-	7,757	13,735
LOYAC Internship program	5,602	-	5,602	15,635
KON Social Entrepreneurship Program	28,010	-	28,010	36,886
Little Loyacers	3,385	-	3,385	15,763
Rise Up Beirut	144,032	(78,447)	65,585	-
Career Readiness Online Work shops	19,146	-	19,146	-
Internship IFAD Italy	-	-	-	771
Ethics Workshop	25	-	25	-
Health & Well Being Workshop	30	-	30	-
Essential Workplace Competencies Workshop	7,780	-	7,780	-
Summer Program - Kuwait Industrial Union	190	-	190	-
Other programs	7,644	-	7,644	8,040
Al Shaheed Park - Events & Activities	266,707	(28,774)	237,933	621,258
LOYAC Academy for Performing Arts – LAPA	147,252	(25,000)	122,252	78,967
<b>Total revenue from projects and programs</b>	<b>1,005,078</b>	<b>(227,188)</b>	<b>777,890</b>	<b>1,207,604</b>
Materials contributed	45,855	-	45,855	37,418
Other income	172,759	-	172,759	33,076
<b>Total operating and supporting revenues</b>	<b>2,426,307</b>	<b>(227,188)</b>	<b>2,199,119</b>	<b>2,594,948</b>

Temporarily restricted net assets include KD 227,188 (2019: KD 199,080) as a contributions from projects and programs which is included in the deferred contributions under current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

12 OPERATING AND SUPPORT REVENUES (continued)

<i>Timing of revenue recognition</i>	<i>Total revenue KD</i>	<i>Temporarily restricted revenue KD</i>	<i>2020 Total KD</i>	<i>2019 Total KD</i>
<b>Contributions</b>				
Corporate contributions at a point in time	804,030	-	804,030	915,080
Services and materials transferred over time	398,585	-	398,585	401,770
<b>Total contributions</b>	<b>1,202,615</b>	<b>-</b>	<b>1,202,615</b>	<b>1,316,850</b>
Revenue from projects and programs transferred over time	1,005,078	(227,188)	777,890	1,207,604
Material contributed over time	45,855	-	45,855	37,418
Other income transferred over time	172,759	-	172,759	33,076
<b>Total operating and support revenues</b>	<b>2,426,307</b>	<b>(227,188)</b>	<b>2,199,119</b>	<b>2,594,948</b>



## 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 2020

#### 13 OPERATING EXPENDITURE – PROJECTS AND PROGRAMS

	Salaries KD	Student training KD	Travel and housing KD	Contributed services KD	Media KD	Printing and supplies KD	Contractual services KD	Material cost KD	Others KD	2020 Total KD	2019 Total KD
Youth Enrichment Camp	-	500	725	3,955	135	34	500	-	-	5,829	47,147
Ethics Workshop	-	-	-	-	-	-	-	-	2	2	-
WYSE Personal and Psychological program	-	-	-	-	-	-	-	-	-	-	766
Health & Well - Being Workshop	300	-	-	-	-	-	-	-	1	301	-
Essential Workplace Competencies Workshop	880	-	-	4,680	73	-	-	-	11	5,644	-
Professional Interview Preparation	-	-	-	-	-	-	-	-	2	2	-
Student empowerment program	-	21,984	-	-	-	-	-	-	-	21,984	16,648
KON Social Entrepreneurship Program	300	-	-	780	48	-	886	-	143	2,157	12,202
MOB art	-	-	-	-	-	41	-	-	19,002	19,043	23,325
National day video	150	-	-	-	-	300	-	-	-	450	11,959
Global Entrepreneurship program	-	-	-	-	-	-	-	-	-	-	708
Homes Project - Jordan / Lebanon	-	-	-	-	-	-	-	-	-	-	780
LOYAC - Jordan	-	-	-	-	-	-	188	-	14,002	14,190	28,026
LOYAC - Lebanon	12,144	-	491	-	-	-	2,070	-	26,290	48,995	29,986
LOYAC - Yemen	16,349	368	351	-	47	189	2,541	1,641	13,305	34,791	33,933
LOYAC - Egypt	-	-	-	-	-	-	-	-	-	-	163
Soccer School - AC Millan	64,563	14,465	11,211	-	1,153	86	22,824	912	35,248	150,462	255,112
English Language Workshop	-	-	-	-	-	-	-	-	2	2	-
Blood Drive	-	12	124	3,415	-	134	2,280	146	1,172	7,283	3,722
Ambassador Volunteer	2,945	-	-	-	-	-	-	-	87	3,032	1,869
Homes Project Kuwait	900	10	244	765	-	-	-	2,000	10	3,929	9,047
Summer-Bridge program	-	-	-	-	-	34	-	-	-	34	3,175
Summer program volunteering	-	-	-	-	-	-	-	-	-	-	-
Little Loyacers	350	175	30	4,680	47	360	245	80	28	5,995	6,570
National Day Festival	-	21	-	-	-	5	-	96	-	122	120
"Service is my Joy" program	150	-	-	-	-	53	-	195	22	420	5,159
Jahaz Committee	-	-	-	1,560	-	-	-	-	-	1,560	-
Summer Program - Kuwait Industrial Union	-	-	-	-	-	-	-	13	20	33	104
LOYAC internship program	750	50	-	2,340	65	36	20	-	259	3,520	9,303
Rise Up Beirut	-	-	81	-	174	191	-	110	65,029	65,585	-
Cancer Readiness Online Workshop	1,050	20	-	6,240	22	-	3	-	9	7,344	-
Other programs	-	-	-	-	-	-	-	-	-	-	17,712
Al Shaheed Park - Events & Activities	5,401	-	368	-	1,745	3,699	-	19,649	16,874	47,736	135,255
LOYAC Academy for Performing Arts - LAPA	79,332	1,391	10,049	17,440	9,599	741	6,815	4,985	35,508	165,860	300,115
	<b>185,564</b>	<b>38,996</b>	<b>23,674</b>	<b>45,855</b>	<b>13,108</b>	<b>5,883</b>	<b>38,372</b>	<b>29,827</b>	<b>227,026</b>	<b>608,305</b>	<b>936,006</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

14 MANAGEMENT AND GENERAL EXPENSES

	2020 KD	2019 KD
Salaries and benefits	1,093,420	1,068,678
Contributed services by board members	240,000	240,000
Board members' compensation	18,000	49,000
Office rent	157,200	160,800
Professional fees	21,190	21,139
Website design and maintenance	2,039	1,178
Training	1,220	145
Printing and office stationary	7,091	8,754
Communication	4,962	6,998
Office and administrative expenses	8,127	18,052
Advertisement and media	5,024	9,861
Repair and maintenance	13,070	17,394
Depreciation	14,315	19,325
Others	615	2,445
	<u>1,586,273</u>	<u>1,623,769</u>

Included with in management and general expenses KD 399,185 (2019: KD 418,162) representing contributed services and materials.

Contributed services by board members amounting to KD 240,000 (2019: KD 240,000) 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.

15 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 240,000 during the year (2019: KD 240,000).
- b) Members' compensation of KD 18,000 (2019: KD 49,000) for the board members of LOYAC for daily expenses incurred by them in the course of their duties. (Members compensations amounting to KD 23,000 for the year 2019 has not been distributed and is reversed during the year 2020).
- c) Transfers of donations received, and operating expenses incurred on behalf of LOYAC Jordan amounting to KD 14,190 (2019: KD 20,026).
- d) Transfers of donations received, and operating expenses incurred on behalf of LOYAC Lebanon amounting to KD 34,148 (2019: KD 28,703).
- e) Transfers of donations received, and operating expenses incurred on behalf of LOYAC Yemen amounting to KD 33,109 (2019: KD 30,514).
- f) Transfers of donations received, and operating expenses incurred on behalf of LOYAC Egypt amounting to KD Nil (2019: KD 163).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

**15 RELATED PARTY DISCLOSURES (continued)**

	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
<b>Receivables from related parties</b>		
Key management personnel	<u>2,655</u>	<u>1,098</u>

Amounts owed from related parties are interest-free and have no fixed terms of repayment. For the year ended 31 December 2020, the Group has not recorded any impairment of receivables related to amounts owed by related parties (2019: KD Nil). Other related parties represent affiliates of major stakeholders.

**16 CONTINGENCIES**

	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
Letter of guarantees	<u>76,956</u>	<u>76,956</u>

Certain deposits are pledged as a security against letter of guarantees (Note 6). From which it is expected that no material claims will arise.

**17 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 receivables from related parties, contribution receivables, 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:

**17.1 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 other receivables, receivables from related parties, contribution receivables, term deposits and bank balances. The Group's maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets mentioned below.

	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
Cash and bank balances (excluding cash on hand)	969,344	1,052,958
Contribution receivables	100,636	98,908
Term deposits	359,657	182,527
Receivables from related parties	2,655	1,098
Other receivables	10,056	31,635
	<u>1,442,348</u>	<u>1,367,126</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

**17 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES  
(continued)**

**17.1 Credit risk (continued)**

***Contribution and other receivables***

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 31 December 2020 and 31 December 2019, 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***

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.

**17.2 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.

**17.3 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.

**17.3.1 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 2020

**17 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES  
(continued)**

**17.3.2 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.

**17.3.3 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.

**18 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, cash and short-term deposits and receivables from related parties. Financial liabilities consist of accounts payable and accruals and payables 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.

**19 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 ensure available funds to carry out social activities.

No changes were made in the objectives, policies or processes during the year ended 31 December 2020 and 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

**20 IMPACT OF COVID-19**

Coronavirus pandemic (COVID-19), which began to spread by the beginning of 2020 and witnessed a rise in the number of cases in most countries worldwide, including Kuwait, has negatively impacted most businesses and economics in addition to its impact on the sharp drop in the global oil prices, which in general, tend to affect the economic growth heavily. In the absence of a specific treatment for this virus, it is difficult to predict the period of closure for some businesses, the partial curfews and the suspension of flights that were recommended by the governmental bodies in Kuwait and most of the countries worldwide.

Given the persistent volatility, the extent and duration of these trade and economic effects remains uncertain and depends on future developments that currently cannot be quantified accurately. These developments include the rate at which coronavirus is transmitted, the extent and effectiveness of containments, the movement in product prices, demand, and the overall pace of the global economies' movement. Accordingly, the economic and commercial impacts on the Group's operations cannot be reliably assessed until the date of issuance of these consolidated financial statements. In this context the Group has taken into account whether any adjustments or changes in judgements, estimates, and risk management should be necessarily considered as well as recorded in the consolidated financial statements.

Accordingly, the Group continued to develop assumptions, development scenarios, impacts and developments as part of the operational results and cash flows for future reporting periods that may have a substantial impact and material adjustments on the consolidated financial statements. The main assumptions are as follows:

*Impairment of non-financial assets*

The Group has considered any impairment indicators or any significant uncertainties impacting its inventories, property and equipment, intangible assets and right-of-use assets especially arising from any change in lease terms and concluded that there is no material impact of COVID-19.

*Government grants*

Further, during the year, the Group received an aggregate amount of KD 88,383 as COVID-19 support towards staff costs from the Kuwait Government. The same has been included in other income in statement of activities and other comprehensive income.