

**LOYAC for Theatrical Production Company  
(Fareah Ahmad Mohammed Al Saqqaf & Partners)  
State of Kuwait**



**Financial statements and independent auditor's report  
for the year ended 31 December 2016**

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## **INDEPENDENT AUDITOR'S REPORT**

### **The Partners**

**LOYAC for Theatrical Production Company**  
**(Fareah Ahmad Mohammed Al Saqqaf & Partners) W.L.L.**  
**State of Kuwait**

### **Report on Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of LOYAC For Theatrical Production Company (Fareah Ahmad Mohammed Al Saqqaf & Partners) W.L.L. ("the Company"), which comprise the statement of financial position as at 31 December 2016, the statement of activities and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and of its 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

**Independent auditor's report to the Partners of  
LOYAC for Theatrical Production Company  
(Fareah Ahmad Mohammed Al Saqqaf & Partners) W.L.L. (continued)**

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

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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



- Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

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 for Theatrical Production Company  
(Fareah Ahmad Mohammed Al Saqqaf & Partners) W.L.L. (continued)**

**Report on Other Legal and Regulatory Requirements**

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the financial statements include the information required by the Companies Law no 1 of 2016, its executive regulations, and the Company's articles of association. In our opinion, proper books of account have been kept by the Company and an inventory count was carried out in accordance with recognised procedures. We have not become aware of any contravention, during the financial year ended 31 December 2016, of the Companies Law no 1 of 2016, its executive regulations, or of the Company's articles of association, that might have had material effect on the Company's activities or on its financial position.



**Bader A. Al Abdaljader**  
**License No. 207, Category "A"**  
**of Russell Bedford (Bader Al Abdaljader & Partners)**  
**Member of Russell Bedford International**

Kuwait: 19 March 2017

**Statement of financial position**  
*as at 31 December 2016*

|                                     | Note | 2016<br>KD    | 2015<br>KD    |
|-------------------------------------|------|---------------|---------------|
| <b>Assets</b>                       |      |               |               |
| <b>Non-current assets</b>           |      |               |               |
| Property and equipment              | 6    | 7,472         | 8,472         |
| <b>Total non-current assets</b>     |      | <u>7,472</u>  | <u>8,472</u>  |
| <b>Current assets</b>               |      |               |               |
| Contribution receivables            |      | 5,516         | -             |
| Prepayments and other receivables   | 7    | 4,916         | 4,566         |
| Receivables from related parties    | 16   | 45,867        | 38,852        |
| Cash and bank balances              | 8    | 10,552        | 8,764         |
| <b>Total current assets</b>         |      | <u>66,851</u> | <u>52,182</u> |
| <b>Total assets</b>                 |      | <u>74,323</u> | <u>60,654</u> |
| <b>Equity and liabilities</b>       |      |               |               |
| <b>Equity</b>                       |      |               |               |
| Share capital                       | 9    | 15,000        | 15,000        |
| Statutory reserve                   | 10   | 3,032         | 3,032         |
| Voluntary reserve                   | 11   | 3,032         | 3,032         |
| Retained earnings                   |      | 13,137        | 24,257        |
| <b>Total equity</b>                 |      | <u>34,201</u> | <u>45,321</u> |
| <b>Liabilities</b>                  |      |               |               |
| <b>Current liabilities</b>          |      |               |               |
| Deferred contributions              | 12   | 29,295        | 5,663         |
| Trade and other payables            | 13   | 10,827        | 9,670         |
| <b>Total current liabilities</b>    |      | <u>40,122</u> | <u>15,333</u> |
| <b>Total liabilities</b>            |      | <u>40,122</u> | <u>15,333</u> |
| <b>Total equity and liabilities</b> |      | <u>74,323</u> | <u>60,654</u> |

The notes on pages 8 to 24 are an integral part of these financial statements.



Fareah Ahmad Al Saqqaf  
 Managing Director

**Statement of activities and other comprehensive income**  
*for the year ended 31 December 2016*

|  |             | <b>2016</b>      | <b>for the</b>     |
|--|-------------|------------------|--------------------|
|  | <b>Note</b> | <b>KD</b>        | <b>period from</b> |
|  |             |                  | <b>22 May</b>      |
|  |             |                  | <b>2014 to 31</b>  |
|  |             |                  | <b>December</b>    |
|  |             |                  | <b>2015</b>        |
|  |             |                  | <b>KD</b>          |
| <b>Operating and support revenues</b>                  |             |                  |                    |
| <b>Contributions</b>                                   |             |                  |                    |
| Corporate and individuals                              | <i>14</i>   | 7,000            | 102,500            |
| Services and materials                                 | <i>14</i>   | 99,137           | 89,760             |
| Other income   |             | 113              | -                  |
| <b>Total contributions</b>                             |             | <u>106,250</u>   | <u>192,260</u>     |
| Deferred contributions                                 |             | <u>(29,295)</u>  | <u>(5,663)</u>     |
| <b>Net contributions</b>                               |             | 76,955           | 186,597            |
| <b>Projects and programs</b>                           |             |                  |                    |
| Revenue from programs                                  | <i>14</i>   | <u>261,667</u>   | <u>173,496</u>     |
| <b>Total operating and support revenues</b>            |             | <u>338,622</u>   | <u>360,093</u>     |
| <b>Operating expenditure</b>                           |             |                  |                    |
| <b>Projects and programs</b>                           |             |                  |                    |
| Events and programs                                    | <i>15</i>   | (154,491)        | (131,211)          |
| <b>Supporting services</b>                             |             |                  |                    |
| Management and general                                 | <i>17</i>   | <u>(195,251)</u> | <u>(198,561)</u>   |
| <b>Total operating expenditure</b>                     |             | <u>(349,742)</u> | <u>(329,772)</u>   |
| <b>Results of operations for the year/ period</b>      |             | <u>(11,120)</u>  | <u>30,321</u>      |
| <b>Other comprehensive income</b>                      |             |                  |                    |
|  |             | -                | -                  |
| <b>Total comprehensive income for the year/ period</b> |             | <u>(11,120)</u>  | <u>30,321</u>      |

The notes on pages 8 to 24 are an integral part of these financial statements.

**LOYAC for Theatrical Production Company**  
**(Fareah Ahmad Mohammed Al Saqqaf & Partners) W.L.L.**  
**State of Kuwait**



**Statement of changes in equity**  
*for the year ended 31 December 2016*

|   | Share capital<br>KD | Statutory reserve<br>KD | Voluntary reserve<br>KD | Retained earnings<br>KD | Total<br>KD   |
|---|---------------------|-------------------------|-------------------------|-------------------------|---------------|
| <b>Changes in equity during the period ended 31 December 2015</b> |                     |                         |                         |                         |               |
| Issue of share capital  | 15,000              | -                       | -                       | -                       | 15,000        |
| Total comprehensive income for the period                         | -                   | -                       | -                       | 30,321                  | 30,321        |
| Transfer to reserves  | -                   | 3,032                   | 3,032                   | (6,064)                 | -             |
| <b>Balance at 31 December 2015</b>                                | <b>15,000</b>       | <b>3,032</b>            | <b>3,032</b>            | <b>24,257</b>           | <b>45,321</b> |
| <b>Changes in equity during the year ended 31 December 2016</b>   |                     |                         |                         |                         |               |
| Balance as at 1 January 2016                                      | 15,000              | 3,032                   | 3,032                   | 24,257                  | 45,321        |
| Total comprehensive income for the year                           | -                   | -                       | -                       | (11,120)                | (11,120)      |
| <b>Balance at 31 December 2016</b>                                | <b>15,000</b>       | <b>3,032</b>            | <b>3,032</b>            | <b>13,137</b>           | <b>34,201</b> |

The notes on pages 8 to 24 are an integral part of these financial statements.





**Statement of cash flows**  
*for the year ended 31 December 2016*

|  | Note | 2016<br>KD     | for the<br>period from<br>22 May 2014<br>to 31<br>December<br>2015<br>KD |
|--|------|----------------|--|
| <b>Cash flows from operating activities</b>                        |      |                |  |
| Results of operations for the year/ period                         |      | (11,120)       | 30,321   |
| <i>Adjustments for:</i>  |      |                |  |
| Depreciation   | 6    | 2,736          | 1,660  |
| Operating (deficit)/ surplus before changes in working capital     |      | (8,384)        | 31,981   |
| Contribution receivables   |      | (5,516)        | -  |
| Prepayments and other receivables                                  |      | (350)          | (4,566)  |
| Receivables from related parties                                   |      | (7,015)        | (38,852)   |
| Deferred contributions   |      | 23,632         | 5,663  |
| Trade and other payables   |      | 1,157          | 9,670  |
| <b>Net cash generated from operating activities</b>                |      | <u>3,524</u>   | <u>3,896</u>   |
| <b>Cash flow from investing activities</b>                         |      |                |  |
| Paid for purchase of property and equipment                        | 6    | (1,736)        | (10,132)   |
| <b>Net cash used in investing activities</b>                       |      | <u>(1,736)</u> | <u>(10,132)</u>  |
| <b>Cash flow from financing activities</b>                         |      |                |  |
| Proceeds from issue of share capital                               |      | -              | 15,000   |
| <b>Net cash from financing activities</b>                          |      | <u>-</u>       | <u>15,000</u>  |
| <b>Net increase in cash and bank balances</b>                      | 8    | 1,788          | 8,764  |
| <b>Cash and bank balances at the beginning of the year/ period</b> |      | <u>8,764</u>   | -  |
| <b>Cash and bank balances at the end of the year/period</b>        |      | <u>10,552</u>  | <u>8,764</u>   |

The notes on pages 8 to 24 are an integral part of these financial statements.

**Notes to the financial statements**  
*for the year ended 31 December 2016*

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**1. Reporting entity**

LOYAC for Theatrical Production Company (Fareah Ahmad Mohammed Al Saqqaf & Partners) W.L.L. (“the Company” or “LAPA”) is incorporated in the State of Kuwait as a limited liability Company on 22 May 2014 by virtue of the Article of Association authenticated under No. 1520 Volume 1. The Company was registered with the commercial register on 26 May 2014 under registration no. 353377.

The Company is a subsidiary of LOYAC for Private Training and Statistical Consulting Company W.L.L. - Not-for-Profit Organisation (the “Parent Company”).

The Company is principally incorporated to carry out theatrical production.

The Company’s registered office is at Hawalli – Block 1 – Street 17 – Building 14612 – 4<sup>th</sup> floor – Office #11, State of Kuwait.

The preceding period is the first statutory period for the Company and covers the period from the date of commencement of operations on 22 May 2014 to 31 December 2015. As a result, the comparative amounts for the statements of activities and other comprehensive income, changes in equity, cash flows and related notes are not entirely comparable.

The financial statements were authorised for issue by the Managing Director on 19 March 2017.

**2. Basis of preparation**

**a) Statement of compliance**

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

**b) Basis of measurement**

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

The statement of activities and other comprehensive income is a statement of financial activity related to the current period, it is not a performance measure and it does not purport to present the net income or loss for the period as would a statement of comprehensive income for a profit oriented entity. Net assets, expenses, revenues, gains and losses are classified based on the existence or absence of sponsor imposed restrictions. Accordingly, the net assets, revenues and expenses of LAPA and changes therein are classified and reported in the notes to the financial statements as follows:

**Notes to the financial statements**  
*for the year ended 31 December 2016*

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*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 LAPA.

*Permanently restricted net assets* - These represent primarily capital and transfers to the statutory reserve.

**c) Functional and presentation currency**

These financial statements are presented in Kuwaiti Dinars, which is the Company's functional currency.

**d) Use of estimates and judgments**

The preparation of the financial statements in accordance with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

In particular, information about estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4 and 5.

**3. Significant accounting policies**

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

**a) Revenue recognition**

*i. Contributions and donations*

Contributions, which include unconditional promises to give (pledges), are recognised as revenues when they become receivable. Conditional contributions are recorded when the conditions have been substantially met. Contributions are considered to be unrestricted unless specifically restricted by the sponsor.

**Notes to the financial statements**  
*for the year ended 31 December 2016*

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LAPA classifies contributions as temporarily restricted net assets if they are received with sponsor stipulations as to their use. When a sponsor restriction expires, that is, the purpose of restriction is accomplished; temporarily restricted net assets are released and reclassified as unrestricted net assets in the statement of comprehensive income and activities. Sponsor restricted contributions are initially recognised as temporarily restricted net assets, even if it is anticipated that such restrictions will be met in the current reporting period.

Projects and programs revenue, which arises principally from corporate contributions, individual contributions, contributed services and student training programs is recognised upon the provision of the services.

*ii. Contributed services and donated materials*

Contributed services are reported at fair value in the 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.

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

Other revenue and expenses are recognised on an accrual basis.

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

**b) 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.

**c) Foreign currencies**

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Foreign currency differences are generally recognised in statement of activities and other comprehensive income. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

**Notes to the financial statements**  
*for the year ended 31 December 2016*

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**d) Property and equipment**

*i) Recognition and measurement*

Items of property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property and equipment, and is recognised net within other income in the statement of activities and other comprehensive income. The useful lives are reviewed periodically and are reassessed and adjusted, if appropriate, at each reporting date to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items of property and equipment. A change in the estimated useful life of property and equipment is applied at the beginning of the year of change with no retrospective effect.

*Depreciation*

Depreciation is recognised in the statement of activities and other comprehensive income on a straight-line basis over the estimated useful lives as follows:

|                        |         |
|------------------------|---------|
| Motor vehicles         | 5 years |
| Office equipment       | 3 years |
| Furniture and fixtures | 5 years |

**e) Accounts receivable**

Receivables are amounts due from related parties, 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 (Note 3 (i)).

**f) Cash and bank balances**

Cash and bank balances include cash at banks.

**g) Trade and other payables**

Trade and other payables are stated at amortised cost.

**Notes to the financial statements**  
*for the year ended 31 December 2016*

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**h) 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.

**i) Impairment**

**Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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. All impairment losses are recognised in statement of activities and other comprehensive income.

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 flows 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 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 statement of activities and other comprehensive income.

**Non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

**Notes to the financial statements**  
*for the year ended 31 December 2016*

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An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in statement of activities and other comprehensive income.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

**j) Provisions**

Provisions are recognised in the financial statements when the Company 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 assessment of the time value of money and, where appropriate, the risks specific to the liability.

**k) Employee benefits**

*Kuwaiti Employees*

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's share of contributions to this scheme, which is a defined contribution scheme under International Accounting Standard (IAS) 19 – *Employee Benefits*, is charged to income in the year to which it relates.

*Expatriate Employees*

Expatriate employees are entitled to an end of service indemnity payable under the Kuwait Labor Law and the Company's by-laws based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. Provision for this unfunded commitment which represents a defined benefit plan under International Accounting Standard (IAS) 19 – *Employee Benefits*, has been made by calculating the notional liability had all employees left at the reporting date.

**l) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company.

**Notes to the financial statements**  
*for the year ended 31 December 2016*

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**4. Use of estimates and judgments**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Key sources of estimation uncertainty**

Management is of the opinion that there are no key sources of estimation uncertainty at the end of the financial period that have a significant effect on the amounts of assets and liabilities within the next financial year.

**Critical accounting judgments in applying the Company's accounting policies**

Management is of the opinion that there are no critical judgements that have a significant effect on the amounts recognised in the financial statements.

**5. Determination of 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 LAPA would have paid for similar services/ materials had they not been contributed/ donated and is determined based on the assumptions that market participants would use in pricing the contributed service/ material.



Notes to the financial statements  
for the year ended 31 December 2016

6. Property and equipment

| Cost                            | Motor vehicles<br>KD | Office equipment<br>KD | Furniture and fixtures<br>KD | Total<br>KD |
|---------------------------------|----------------------|------------------------|------------------------------|-------------|
| Additions                       | 5,950                | 3,226                  | 956                          | 10,132      |
| At 31 December 2015             | 5,950                | 3,226                  | 956                          | 10,132      |
| At 1 January 2016               | 5,950                | 3,226                  | 956                          | 10,132      |
| Additions                       | -                    | 1,736                  | -                            | 1,736       |
| At 31 December 2016             | 5,950                | 4,962                  | 956                          | 11,868      |
| <b>Accumulated depreciation</b> |                      |                        |                              |             |
| Charge for the period           | 896                  | 587                    | 177                          | 1,660       |
| At 31 December 2015             | 896                  | 587                    | 177                          | 1,660       |
| At 1 January 2016               | 896                  | 587                    | 177                          | 1,660       |
| Charge for the year             | 1,190                | 1,356                  | 190                          | 2,736       |
| At 31 December 2016             | 2,086                | 1,943                  | 367                          | 4,396       |
| <b>Carrying amounts</b>         |                      |                        |                              |             |
| At 31 December 2015             | 5,054                | 2,639                  | 779                          | 8,472       |
| At 31 December 2016             | 3,864                | 3,019                  | 589                          | 7,472       |

No materials contributed were included within addition of property and equipment as at 31 December 2016 (2015: KD 387)

**Notes to the financial statements**  
*for the year ended 31 December 2016*

**7. Prepayments and other receivables**

|                   | <b>2016</b>  | <b>2015</b>  |
|-------------------|--------------|--------------|
|                   | <b>KD</b>    | <b>KD</b>    |
| Prepaid expenses  | 3,686        | 4,566        |
| Staff receivables | 1,230        | -            |
|                   | <u>4,916</u> | <u>4,566</u> |

**8. Cash and bank balances**

|               | <b>2016</b>   | <b>2015</b>  |
|---------------|---------------|--------------|
|               | <b>KD</b>     | <b>KD</b>    |
| Bank balances | 9,801         | 8,319        |
| Cash on hand  | 751           | 445          |
|               | <u>10,552</u> | <u>8,764</u> |

**9. Share capital**

The issued and fully cash paid up share capital is KD 15,000 comprising of 100 shares of KD 150 each distributed among partners as follows:

| <b>Partners</b>  | <b>Number of shares</b> | <b>Amount KD</b> |
|--|-------------------------|------------------|
| LOYAC for Private Training and Statistical Consulting Company W.L.L. (Not-for-Profit Organisation) | 99                      | 14,850           |
| Fareah Ahmad Mohammed Al Saqqaf  | 1                       | 150              |
|  | <u>100</u>              | <u>15,000</u>    |

Share capital is fully paid in cash.

**10. Statutory reserve**

In accordance with the Company's articles of association, 10% of the profit for the year is required to be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in periods when profit is not sufficient for the payment of such dividend.

**Notes to the financial statements**  
*for the year ended 31 December 2016*

**11. Voluntary reserve**

In accordance with the Company's articles of association, 10% of the profit for the year is required to be transferred to the voluntary reserve. This transfer may be discontinued, upon recommendation of Management, by a resolution of the Partners. There are no restrictions on the distribution of this reserve.

**12. Deferred contributions**

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

|  | <b>2016</b>   | <b>2015</b>  |
|--|---------------|--------------|
|  | <b>KD</b>     | <b>KD</b>    |
| Global Outreach program (Peace of Art) | -             | 5,663        |
| Shams Mawlana                          | 9,034         | -            |
| Arab Children fund                     | 3,449         | -            |
| Arabic language kids program           | 6,545         | -            |
| Kalaam Ams Wa Elyoom (ASWAT)           | 3,517         | -            |
| Creative Drama Workshop (DOW)          | 3,000         | -            |
| Other programs/ events                 | 3,750         | -            |
|  | <u>29,295</u> | <u>5,663</u> |

**13. Trade and other payables**

|                  | <b>2016</b>   | <b>2015</b>  |
|------------------|---------------|--------------|
|                  | <b>KD</b>     | <b>KD</b>    |
| Accrued expenses | 10,170        | 9,408        |
| Other payables   | 657           | 262          |
|                  | <u>10,827</u> | <u>9,670</u> |

**Notes to the financial statements**  
*for the year ended 31 December 2016*

**14. Operating and support revenues**

|   | Unrestricted<br>KD | Temporarily<br>restricted<br>KD | 2016<br>Total<br>KD | 2015<br>Total<br>KD |
|---|--------------------|---------------------------------|---------------------|---------------------|
| <b>Contributions</b>  |                    |                                 |                     |                     |
| Corporate contributions                                       | 3,250              | 3,750                           | 7,000               | 102,500             |
| <b>Services and materials</b>                                 |                    |                                 |                     |                     |
| Contributed services of board members                         | 24,000             | -                               | 24,000              | 14,000              |
| Contributed use of building                                   | 75,000             | -                               | 75,000              | 75,000              |
| Contributed use of printing press                             | 137                | -                               | 137                 | 223                 |
| Contributed use of media and other facilities                 | -                  | -                               | -                   | 537                 |
|   | 99,137             | -                               | 99,137              | 89,760              |
| <b>Total contributions</b>                                    | <b>102,387</b>     | <b>3,750</b>                    | <b>106,137</b>      | <b>192,260</b>      |
| <b>Projects and programs</b>                                  |                    |                                 |                     |                     |
| Shahid park events  | 115,315            | -                               | 115,315             | 17,500              |
| Shams Mawlana   | -                  | 9,034                           | 9,034               | -                   |
| Arabic language kids program                                  | 5,775              | 6,545                           | 12,320              | 2,645               |
| LAPA dance classes  | 6,799              | -                               | 6,799               | 390                 |
| Modern Heritage Music Festival - Kalaam Ams Wa Elyoom (ASWAT) | 10,003             | 3,517                           | 13,520              | -                   |
| Aley Zayak Feen Yaa Ali                                       | 6,470              | -                               | 6,470               | -                   |
| Al Majlis Takreem event                                       | 3,500              | -                               | 3,500               | -                   |
| KPC project   | 10,000             | -                               | 10,000              | -                   |
| Abdulaziz Al Misbah performance                               | 8,950              | -                               | 8,950               | -                   |
| Our Deal with the Italians                                    | 4,500              | -                               | 4,500               | -                   |
| Arab Children fund  | 4,721              | 3,449                           | 8,170               | -                   |
| Ambassador Volunteer  | 1,570              | -                               | 1,570               | -                   |
| Young Voices event  | 3,000              | -                               | 3,000               | -                   |
| Golden Feet   | 4,950              | -                               | 4,950               | -                   |
| The Light Within (Armenian Arabian Performance)               | 9,800              | -                               | 9,800               | -                   |
| Lena Chamamyam Concert  | 9,850              | -                               | 9,850               | -                   |
| Turn off the Light  | 9,850              | -                               | 9,850               | -                   |
| Global Outreach Program (Peace of Art)                        | 5,665              | -                               | 5,665               | 13,487              |
| MacBeth play  | -                  | -                               | -                   | 3,000               |
| Iskindrilla   | -                  | -                               | -                   | 11,171              |
| Zade Dirani Piano Concert                                     | -                  | -                               | -                   | 7,950               |
| Milan expo  | -                  | -                               | -                   | 6,560               |
| Min Hawa Al Andalus play                                      | -                  | -                               | -                   | 67,361              |
| The Night of the Spider "La Notte Della Taranta"              | -                  | -                               | -                   | 6,400               |
| Habayebana event  | -                  | -                               | -                   | 10,000              |
| Lulwa Al Shamlan piano event                                  | -                  | -                               | -                   | 7,950               |
| Creative drama workshop                                       | -                  | 3,000                           | 3,000               | 1,600               |
| Other events  | 10,800             | -                               | 10,800              | 6,938               |
|   | 231,518            | 25,545                          | 257,063             | 162,952             |
| Materials contributed   | 4,604              | -                               | 4,604               | 10,544              |
| <b>Total revenue from projects and programs</b>               | <b>236,122</b>     | <b>25,545</b>                   | <b>261,667</b>      | <b>173,496</b>      |
| <b>Other revenues</b>   | <b>113</b>         | <b>-</b>                        | <b>113</b>          | <b>-</b>            |
| <b>Total operating and supporting revenues</b>                | <b>338,622</b>     | <b>29,295</b>                   | <b>367,917</b>      | <b>365,756</b>      |



**Notes to the financial statements**  
*for the year ended 31 December 2016*

**16. Related party transactions**

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operating decisions.

Related parties primarily comprise of owners and executive officers and other companies in which a substantial interest in voting power is owned directly or indirectly by the owners or over which they are able to exercise significant influence. In the normal course of business and upon management approval, transactions have been carried out during the year ended 31 December 2016.

**Other related party transactions**

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

|  | <b>2016</b>   | <b>2015</b>   |
|--|---------------|---------------|
|  | <b>KD</b>     | <b>KD</b>     |
| <b>Receivables from related parties</b>  |               |               |
| LOYAC for Private Training and Statistical Consulting Company W.L.L. - (Not-for-Profit Organisation) | 5,782         | 12,591        |
| Key management personnel   | 40,085        | 26,261        |
|  | <u>45,867</u> | <u>38,852</u> |

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

**Notes to the financial statements**  
*for the year ended 31 December 2016*

**17. Management and general expenses**

|                                       | <b>for the<br/>period from<br/>22 May<br/>2014 to 31<br/>December</b> |                |
|---------------------------------------|---|----------------|
|                                       | <b>2016</b>   | <b>2015</b>    |
|                                       | <b>KD</b>   | <b>KD</b>      |
| Salaries and benefits                 | 82,791  | 86,610         |
| Rent                                  | 75,000  | 75,000         |
| Contributed services by board members | 24,000  | 14,000         |
| Board members' compensation           | -   | 2,000          |
| Office and administrative expenses    | 1,303   | 5,738          |
| Communication costs                   | 2,920   | 4,126          |
| Professional fees                     | 1,125   | 2,000          |
| Gift and refreshment                  | 1,165   | 2,034          |
| Repair and maintenance                | 1,904   | 2,258          |
| Depreciation                          | 2,736   | 1,660          |
| Printing and office stationary        | 911   | 1,605          |
| Other miscellaneous expenses          | 1,396   | 1,530          |
|                                       | <u>195,251</u>  | <u>198,561</u> |

Included within management and general expenses is an amount of KD 99,136 (2015: KD 89,373) representing contributed services and materials.

**18. Financial risk management**

**Overview**

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Management Committee has overall responsibility for the establishment and oversight of the Company's risk management framework.

**Notes to the financial statements**  
*for the year ended 31 December 2016*

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**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's bank balances. Cash is maintained with financial institutions of good repute.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's reputation.

The Company manages liquidity risk by maintaining adequate cash reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At present the Company does expect to pay all liabilities at their contractual maturity. In order to meet such cash commitments the Company expects the operating activity to generate sufficient cash inflows.

**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 Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*Currency risk*

The Company is not exposed to currency risk as at 31 December 2016.

*Interest rate risk*

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company is not exposed to interest rate risk at 31 December 2016.

*Other market price risk*

The Company has no exposure to equity securities price risk as it holds no equity investments.



**Notes to the financial statements**  
*for the year ended 31 December 2016*

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**Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Executive Management monitors the return on capital, which the Company defines as net operating income divided by total equity.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

**19. Financial instruments**

**Credit risk**

*Exposure to credit risk*

The Company's major classes of financial assets are receivables from related parties, contribution receivables and bank balances.

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk in respect of bank balances is limited as these are maintained with reputable local banks.

The Management believes that, as at the reporting date, there were neither past due nor impaired receivables as these are monitored on an ongoing basis by the management and considered recoverable. Accordingly, no provision was held against contribution receivables and receivables from related parties.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity to ensure as far as possible, 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 Company's reputation.

The Company does not have any derivative financial liabilities as at the reporting date.

All financial liabilities mature within one period.



**Notes to the financial statements**  
*for the year ended 31 December 2016*

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**Fair value measurement**

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The estimated fair value of financial assets and financial liabilities at the reporting date are not materially different from their carrying values.

The Company does not have any financial instruments that are measured at fair value in the statement of financial position; accordingly disclosure of fair value hierarchy is not presented.

**20. Comparative figures**

Where necessary, certain comparative figures were reclassified to conform to current year financial statements presentation.