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

**LAPA**

LOYAC ACADEMY OF
PERFORMING ARTS

**FINANCIAL STATEMENTS**
**31 December 2018**

EY
Building a better working world

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# INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF LOYAC FOR THEATRICAL PRODUCTION COMPANY (FAREAH AHMAD MOHAMMED AL SAQQAF & PARTNER) W.L.L.

## Report on the Audit of the Financial Statements

*Opinion*

We have audited the financial statements of LOYAC for Theatrical Production Company (Fareah Ahmad Mohammed Al Saqqaf & Partner) W.L.L. (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of activities and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018 and its financial performance for the year ended 31 December 2018 in accordance with International Financial Reporting Standards ("IFRS").

*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 the State of 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.

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# INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF LOYAC FOR THEATRICAL PRODUCTION COMPANY (FAREAH AHMAD MOHAMMED AL SAQQAF & PARTNER) W.L.L.

## Report on the Audit of the Financial Statements (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.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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# INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF LOYAC FOR THEATRICAL PRODUCTION COMPANY (FAREAH AHMAD MOHAMMED AL SAQQAF & PARTNER) W.L.L.

## Report on the Audit of the Financial Statements (continued)

*Auditor's Responsibilities for the Audit of the Financial Statements (continued)*
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.

## Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Company and the 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 financial statements incorporate all information that is required by Companies Law No. 1 of 2016, as amended and the executive regulations, as amended, and by the Company's Memorandum of Incorporation, 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 the executive regulations, as amended, nor of the Company's Memorandum of Incorporation, have occurred during the year ended 31 December 2018 that might have had a material effect on the business of the Company or on its financial position.

EY ERNST & YOUNG
Al Aiban, Al Osaimi & Partners

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

20 May 2019
Kuwait

LOYAC for Theatrical Production Company
(Fareah Ahmad Mohammed Al Saqqaf & Partner) W.L.L.

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

| | *Notes* | ***2018*** ***KD*** | *2017* *KD* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 3 | **4,696** | 6,831 |
| **Total non-current assets** | | **4,696** | 6,831 |
| **Current assets** | | | |
| Contributions receivable | | **40,000** | 7,346 |
| Accounts receivable and prepayments | 4 | **3,619** | 13,779 |
| Receivables from related parties | 11 | - | 39,901 |
| Cash and bank balances | 5 | **26,295** | 13,126 |
| **Total current assets** | | **69,914** | 74,152 |
| **TOTAL ASSETS** | | **74,610** | 80,983 |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Capital | 6 | **15,000** | 15,000 |
| Statutory reserve | 6 | - | 3,032 |
| Voluntary reserve | 6 | - | 3,032 |
| (Accumulated losses) Retained earnings | | **(5,011)** | 4,739 |
| **TOTAL EQUITY** | | **9,989** | 25,803 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Deferred contributions | 8 | **53,585** | 30,310 |
| Payables to a related party | 11 | **3,960** | - |
| Accounts payable and accruals | 7 | **7,076** | 24,870 |
| **Total current liabilities** | | **64,621** | 55,180 |
| **TOTAL LIABILITIES** | | **64,621** | 55,180 |
| **TOTAL EQUITY AND LIABILITIES** | | **74,610** | 80,983 |

Fareah Ahmad Al Saqqaf
*Chairperson and Managing Director*

The attached notes 1 to 15 form part of these financial statements.

LOYAC for Theatrical Production Company
(Fareah Ahmad Mohammed Al Saqqaf & Partner) W.L.L.

# STATEMENT OF ACTIVITIES AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

| | *Notes* | ***2018 KD*** | *2017 KD* |
|---|---|---|---|
| **OPERATING AND SUPPORT REVENUES** | | | |
| **Contributions** | | | |
| Corporate and individuals | 9 | **71,583** | 67,518 |
| Services and materials | 9 | **126,502** | 125,762 |
| **Total contributions** | | **198,085** | 193,280 |
| **Projects and programs** | | | |
| Contribution from projects and programs | 9 | **351,837** | 316,201 |
| Other income | 9 | **1,215** | 4,313 |
| Deferred contributions | 8 | **(53,585)** | (30,310) |
| **Total revenue from projects and programs** | | **299,467** | 290,204 |
| **Total operating and support revenues** | | **497,552** | 483,484 |
| **OPERATING EXPENDITURE** | | | |
| **Projects and programs** | | | |
| Events and programs | 10 | **(274,814)** | (283,530) |
| **Supporting services** | | | |
| Management and general | 12 | **(238,552)** | (208,352) |
| **Total operating expenditure** | | **(513,366)** | (491,882) |
| **RESULTS OF OPERATIONS FOR THE YEAR** | | **(15,814)** | (8,398) |
| **OTHER COMPREHENSIVE INCOME** | | - | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **(15,814)** | (8,398) |

The attached notes 1 to 15 form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

| | *Capital* *KD* | *Statutory reserve* *KD* | *Voluntary Reserve* *KD* | *(Accumulated losses) / Retained earnings* *KD* | *Total* *KD* |
|---|---|---|---|---|---|
| **At 1 January 2018** | 15,000 | 3,032 | 3,032 | 4,739 | 25,803 |
| Total comprehensive income for the year | - | - | - | (15,814) | (15,814) |
| Extinguishment of losses (Note 6) | - | (3,032) | (3,032) | 6,064 | - |
| **At 31 December 2018** | **15,000** | - | - | **(5,011)** | **9,989** |
| At 1 January 2017 | 15,000 | 3,032 | 3,032 | 13,137 | 34,201 |
| Total comprehensive income for the year | - | - | - | (8,398) | (8,398) |
| At 31 December 2017 | 15,000 | 3,032 | 3,032 | 4,739 | 25,803 |

LOYAC for Theatrical Production Company
(Fareah Ahmad Mohammed Al Saqqaf & Partner) W.L.L.

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

| | Notes | ***2018*** ***KD*** | *2017* *KD* |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Results of operations for the year | | **(15,814)** | (8,398) |
| *Adjustments to reconcile results of operations to net cash flows:* | | | |
| Depreciation | 3 | **4,233** | 4,982 |
| Operating deficit before changes in working capital | | **(11,581)** | (3,416) |
| *Working capital adjustments:* | | | |
| Contribution receivables | | **(32,654)** | (1,829) |
| Prepayments and other receivables | | **10,160** | (8,863) |
| Receivables from related parties | | **39,901** | 5,966 |
| Deferred contributions | | **23,275** | 1,015 |
| Payables to a related party | | **3,960** | - |
| Accounts payable and accruals | | **(17,794)** | 14,042 |
| **Net cash flows from operating activities** | | **15,267** | 6,915 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property and equipment | 3 | **(2,098)** | (4,341) |
| **Net cash flows used in investing activities** | | **(2,098)** | (4,341) |
| **NET INCREASE IN CASH AND BANK BALANCES** | | **13,169** | 2,574 |
| Cash and bank balances at 1 January | | **13,126** | 10,552 |
| **CASH AND BANK BALANCES AT 31 DECEMBER** | 5 | **26,295** | 13,126 |

The attached notes 1 to 15 form part of these financial statements.

## 1 CORPORATE INFORMATION

LOYAC for Theatrical Production Company (Fareah Ahmad Mohammed Al Saqqaf & Partner) 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 Al Murqab – Block 3 – Thunayan Al Ghanim Street– Building 14612 – 4th floor – Office #13, State of Kuwait.

The financial statements of the Company for the year ended 31 December 2018 were authorized for issue in accordance with a resolution of the partners on 5 May 2019.

## 2.1 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements have been presented in Kuwaiti Dinar ("KD"), which is also the functional currency of the Company.

The financial statements have been prepared on a historical cost basis, except for contributed services and materials that have been 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:

- *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.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

**New and amended standards and interpretations (continued)**

**IFRS 15 – *Revenue from Contracts with Customers***

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

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

**IFRS 9 - *Financial Instruments***

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

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

*a) Classification and measurement*

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

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

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

*(b) Impairment of financial assets*

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

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

**New and amended standards and interpretations (continued)**
**IFRS 9 - *Financial Instruments (continued)***

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

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

For an explanation of how the Company applies the impairment requirements of IFRS 9, refer to the policy under Note 2.4 "Impairment of financial assets".

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

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

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

| | *Original classification under IAS 39* | *New classification under IFRS 9* | *Original carrying amount under IAS 39 KD* | *Re-measurement /ECL / others KD* | *New carrying amount under IFRS 9 KD* |
|---|---|---|---|---|---|
| ***Financial assets*** | | | | | |
| Contributions receivable | Loans and receivables | Amortised cost | 7,346 | - | 7,346 |
| Accounts receivable | Loans and receivables | Amortised cost | 13,025 | - | 13,025 |
| Receivable from related parties | Loans and receivables | Amortised cost | 39,901 | - | 39,901 |
| Cash and bank balances | Loans and receivables | Amortised cost | 13,126 | - | 13,126 |
| *Total financial assets* | | | **73,398** | - | **73,398** |

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

## 2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

## 2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

*IFRS 16 – Leases (continued)*
The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The Company plans to adopt the new standard on the required effective date. However, as the management are still in the process of assessing the full impact of the application of IFRS 16 on the financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the management complete the detailed review.

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Revenue recognition policy applicable from 1 January 2018**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company 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.

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 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 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.

**Revenue recognition accounting policies applied up to 31 December 2017**
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude. The specific recognition criteria described below also be met before revenue is recognized.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Revenue recognition accounting policies applied up to 31 December 2017 (continued)**

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.

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.

**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.

**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.

**Property and equipment**

*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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Property and equipment (continued)**

*Depreciation*
Depreciation is calculated on a straight line basis of the estimated useful lives of the assets as follows:

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

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

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of activities and other comprehensive income as the expense is incurred.

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

**Impairment of non-financial assets**
The Company 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 Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or a cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount or CGU.

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

Impairment losses of continuing operations are recognised in the 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 Company 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 statement of activities and other comprehensive income.

LAPA
LOYAC ACADEMY OF PERFORMING ARTS

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

**Financial instruments accounting policies applied from 1 January 2018**

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

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

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

*Classification of financial assets*
*Financial assets at amortised cost*
Financial assets such as contribution receivables, accounts receivable, amount due from related parties, and cash and bank balances that meet the following conditions are subsequently measured at amortised cost:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

A financial asset (or where applicable a part of a financial asset or a part of a group of similar financial assets) is derecognised when:
(i) The rights to receive cash flows from the asset have expired, or
(ii) The Company has transferred the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

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

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

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

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

***Derecognition***
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments accounting policies applied up to 31 December 2017**
**Financial assets**
***Initial recognition and measurement***
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or financial assets available-for-sale, as appropriate.

All financial assets are recognised initially at fair value plus transaction costs except, in the case of financial assets recorded at fair value through profit or loss.

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

The Company's financial assets include contribution receivables, accounts receivable, receivables from related parties and bank balances and cash.

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

*Account receivables*
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.

*Cash and cash equivalents*
For the purpose of the statement of cash flows, cash and cash equivalents in the statement of financial position comprise cash at bank and on hand.

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

- The rights to receive cash flows from the asset have expired; or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company 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 Company 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 Company could be required to repay.

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a Company of financial assets is impaired. A financial asset or a Company of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**Impairment of 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 Company s 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.

**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, net of directly attributable transaction costs.

The Company's financial liabilities include account payables and accruals.

***Subsequent measurement***
Subsequent measurement of financial liabilities depends on their classification as follows:

*Accounts payable and accruals*
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company.

***Derecognition***
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of activities and other comprehensive income.

**Fair value measurement**
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 Company.

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Fair value measurement (continued)**

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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 financial statements on a recurring basis, the Company 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 Company 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.

**Employees' end of service benefits**

The Company provides end of service benefits to its all employees under the Kuwait Labor 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 Company also makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

**Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be incurred to settle the obligation. The expense relating to a provision is presented in the statement of activities and other comprehensive income net of any reimbursement.

**Contingencies**

Contingent liabilities are not recognised in the statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

**Deferred contributions**

Deferred contributions represent the excess balance of operating and supporting revenue, over expenditure incurred during the year on events and training programs. The contributions are utilised towards the related programs/ activities during the forthcoming year.

## 2.5 SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMTAES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities and disclosure of contingent liabilities at the reporting date. Actual results could differ from those estimates. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of activities and other comprehensive income.

**Estimates and assumptions**
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.

**Judgements**
The management has not made critical judgements in applying the Company's accounting policies which may have a significant effect on the amounts recognised in the financial statements.

***Classification of financial assets***

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

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

***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.

## 3 PROPERTY AND EQUIPMENT

| | *Motor vehicles KD* | *Office equipment KD* | *Furniture and fixtures KD* | *Total KD* |
|---|---|---|---|---|
| **Cost:** | | | | |
| At 1 January 2018 | 5,950 | 8,899 | 1,360 | 16,209 |
| Additions | - | 1,299 | 799 | 2,098 |
| At 31 December 2018 | 5,950 | 10,198 | 2,159 | 18,307 |
| **Depreciation:** | | | | |
| At 1 January 2018 | 3,273 | 5,489 | 616 | 9,378 |
| Depreciation | 1,193 | 2,695 | 345 | 4,233 |
| At 31 December 2018 | 4,466 | 8,184 | 961 | 13,611 |
| **Net book value:** | | | | |
| At 31 December 2018 | **1,484** | **2,014** | **1,198** | **4,696** |

## 3 PROPERTY AND EQUIPMENT (continued)

| | *Motor vehicles KD* | *Office equipment KD* | *Furniture and fixtures KD* | *Total KD* |
|---|---|---|---|---|
| Cost: | | | | |
| At 1 January 2017 | 5,950 | 4,962 | 956 | 11,868 |
| Additions | - | 3,937 | 404 | 4,341 |
| At 31 December 2017 | 5,950 | 8,899 | 1,360 | 16,209 |
| Depreciation: | | | | |
| At 1 January 2017 | 2086 | 1,943 | 367 | 4,396 |
| Depreciation | 1,187 | 3,546 | 249 | 4,982 |
| At 31 December 2017 | 3,273 | 5,489 | 616 | 9,378 |
| Net book value: | | | | |
| At 31 December 2017 | 2,677 | 3,410 | 744 | 6,831 |

No materials contributed were included within additions of property and equipment as at 31 December 2018 (2017: KD Nil).

## 4 ACCOUNTS RECEIVABLE AND PREPAYMENTS

| | ***2018 KD*** | *2017 KD* |
|---|---|---|
| Prepaid expenses | **1,082** | 754 |
| Other receivables | **2,537** | 13,025 |
| | **3,619** | 13,779 |

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

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

## 5 CASH AND BANK BALANCES

| | ***2018 KD*** | *2017 KD* |
|---|---|---|
| Bank balances | **23,930** | 12,327 |
| Cash on hand | **2,365** | 799 |
| | **26,295** | 13,126 |

## 6 EQUITY

*a) Capital*

The capital of the Company consists of 100 units (2017: 100 units) of KD 150 (2017: KD 150) each, fully paid in cash and distributed among the partners as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| **Partners** | ***Number of units*** | ***Amount KD*** | *Number of units* | *Amount KD* |
| LOYAC for Private Training and Statistical Consulting Company W.L.L. (Not-for-Profit Organisation) | **99** | **14,850** | 99 | 14,850 |
| Fareah Ahmad Mohammed Al Saqqaf | **1** | **150** | 1 | 150 |
| | **100** | **15,000** | 100 | 15,000 |

*b) Statutory reserve*

In accordance with the Companies' Law, and the Company's Memorandum of Incorporation, a minimum of 10% of the profit for the year shall be transferred to the statutory reserve based on the recommendation of the Company's management. The annual general assembly of the 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. During the current year, the partners resolved to partially extinguish accumulated losses through utilizing the full amount of statutory reserve.

*c) Voluntary reserve*

In accordance with the Companies' Law, and the Company's Memorandum of Incorporation, a maximum of 10% of the profit for the year is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the partners upon a recommendation by the management. There are no restrictions on the distribution of this reserve. During the current year, the partners resolved to partially extinguish accumulated losses through utilizing the full amount of voluntary reserve.

## 7 ACCOUNTS PAYABLE AND ACCRUALS

| | ***2018 KD*** | *2017 KD* |
|---|---|---|
| Accrued expenses | **6,692** | 24,274 |
| Other payables | **384** | 596 |
| | **7,076** | 24,870 |

## 8 DEFERRED CONTRIBUTIONS

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

| | ***2018 KD*** | *2017 KD* |
|---|---|---|
| AG Fund (L1 Lab) | - | 25,083 |
| Dawlat Al Ishiq | **34,888** | - |
| Arab Children fund | **18,697** | - |
| Creative Drama Workshop (DOW) | - | 5,227 |
| | **53,585** | 30,310 |

## 9 OPERATING AND SUPPORT REVENUE

**Disaggregated revenue information**

| *Type of goods or service* | ***Unrestricted KD*** | ***Temporarily restricted KD*** | ***2018 Total KD*** | *2017 Total KD* |
|---|---|---|---|---|
| **Contributions** | | | | |
| *Corporate and individuals* | | | | |
| Corporate contributions | **71,583** | - | **71,583** | 67,518 |
| | **71,583** | - | **71,583** | 67,518 |
| *Services and materials* | | | | |
| Contributed services of board members | **48,000** | - | **48,000** | 48,000 |
| Contributed use of building | **75,000** | - | **75,000** | 75,000 |
| Contributed use of printing press | **2,722** | - | **2,722** | 2,762 |
| Contributed use of media & facilities | **780** | - | **780** | - |
| | **126,502** | - | **126,502** | 125,762 |
| **Total contributions** | **198,085** | - | **198,085** | 193,280 |
| *Projects and programs* | | | | |
| Drama production | **27,575** | **34,888** | **62,463** | 26,508 |
| Music department | **19,915** | - | **19,915** | 20,599 |
| Dance department | **44,203** | - | **44,203** | 34,585 |
| Fine art department | **1,520** | - | **1,520** | - |
| AG Fund (L1 Lab) | - | - | - | 35,874 |
| Performances/events | **201,585** | **18,697** | **220,282** | 180,568 |
| | **294,798** | **53,585** | **348,383** | 298,134 |
| Materials contributed | **3,454** | - | **3,454** | 18,067 |
| **Contribution from projects and programs** | **298,252** | **53,585** | **351,837** | 316,201 |
| Other income | **1,215** | - | **1,215** | 4,313 |
| **Total revenue from projects and programs** | **299,467** | **53,585** | **353,052** | 320,514 |
| **Total operating and support revenue** | **497,552** | **53,585** | **551,137** | 513,794 |

| *Timing of revenue recognition* | ***Unrestricted KD*** | ***Temporarily restricted KD*** | ***2018 Total KD*** | *2017 Total KD* |
|---|---|---|---|---|
| **Contributions** | | | | |
| Corporate contributions at a point in time | **71,583** | - | **71,583** | 67,518 |
| Services and materials transferred over time | **126,502** | - | **126,502** | 125,762 |
| **Total contributions** | **198,085** | - | **198,085** | 193,280 |
| **Total revenue from projects and programs transferred over time** | **299,467** | **53,585** | **353,052** | 320,514 |
| **Total operating and support revenue** | **497,552** | **53,585** | **551,137** | 513,794 |

## 10 OPERATING EXPENDITURE – PROJECTS AND PROGRAMS

| | *Salaries* | *Students training* | *Travel and housing* | *Media* | *Printing and supplies* | *Contractual services* | *Material cost* | *Relief services* | *Others* | *Contributed services and materials* | *Total 2018* | *Total 2017* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *KD* | *KD* | *KD* | *KD* | *KD* | *KD* | *KD* | *KD* | *KD* | *KD* | *KD* | *KD* |
| Drama production | 10,517 | 1,180 | 2,512 | 883 | 1,070 | 2,874 | 3,244 | - | 6,362 | 555 | **29,197** | 25,485 |
| Music department | 17,045 | 270 | 1,355 | 74 | 184 | 620 | 555 | - | 5,122 | 449 | **25,674** | 29,424 |
| Dance department | 48,337 | 570 | 6,606 | 1,206 | 1,570 | 2,850 | 2,974 | - | 1,009 | - | **65,122** | 46,652 |
| Fine art department | 130 | 27 | 178 | 168 | 138 | - | 369 | - | 3 | - | **1,013** | - |
| AG Fund (L1 Lab) | - | - | - | - | - | - | - | - | - | - | - | 8,929 |
| Performances/events | 75,522 | 1,605 | 33,253 | 617 | 158 | 18,565 | 1,255 | 20,160 | 223 | 2,450 | **153,808** | 173,040 |
| | 151,551 | 3,652 | 43,904 | 2,948 | 3,120 | 24,909 | 8,397 | 20,160 | 12,719 | 3,454 | **274,814** | 283,530 |

## 11 RELATED PARTY DISCLOSURES

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 2018.

The following table shows the aggregate value of transactions and outstanding balances with related parties:

| **Statement of activities and other comprehensive income** | ***Parent Company KD*** | ***2018 KD*** | *2017 KD* |
|---|---|---|---|
| Contributions | **66,460** | **66,460** | 36,250 |
| Revenue from programs and events | **32,730** | **32,730** | 19,518 |
| Expenses | **(103,150)** | **(103,150)** | (37,497) |
| | **(3,960)** | **(3,960)** | 18,271 |

| **Statement of financial position**<br>*(Payables to) / receivables from related parties* | ***2018 KD*** | *2017 KD* |
|---|---|---|
| Parent Company | **(3,960)** | 18,271 |
| Key management personnel | - | 21,630 |
| | **(3,960)** | 39,901 |

Amounts owed (to) from related parties are unsecured interest-free and have no fixed terms of repayment. For the year ended 31 December 2018, the Company has not recorded any provision for expected credit losses related to amounts owed by related parties (2017: KD Nil).

## 12 MANAGEMENT AND GENERAL EXPENSES

| | ***2018 KD*** | *2017 KD* |
|---|---|---|
| Salaries and benefits | **86,752** | 66,817 |
| Rent | **80,400** | 78,750 |
| Contributed services by board members | **48,000** | 48,000 |
| Office and administrative expenses | **5,012** | 1,744 |
| Advertising and media | **2,128** | 1,050 |
| Communication costs | **1,165** | 2,178 |
| Professional fees | **1,250** | 1,000 |
| Repair and maintenance | **5,851** | 353 |
| Depreciation | **4,233** | 4,982 |
| Printing and office stationary | **3,761** | 3,412 |
| Other miscellaneous expenses | - | 66 |
| | **238,552** | 208,352 |

Included within management and general expenses is an amount of KD 126,502 (2017: KD 125,762) representing contributed services and materials.

## 13 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Company'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 Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to credit risk, liquidity risk and is not exposed to market risk as none of the Company's financial assets are listed on any stock exchange, the Company does not have any interest bearing assets or liabilities and the Company mainly deals in Kuwaiti Dinar. The risks are monitored through the Company's strategic planning process.

The Company's financial assets comprise receivables from related parties, contribution and other receivables, and bank balances. Financial liabilities comprise accounts payable and accrued expenses and payables to related parties.

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

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

**Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

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

| | ***2018*** | *2017* |
|---|---|---|
| | ***KD*** | *KD* |
| Contribution receivables | **40,000** | 7,346 |
| Bank balances | **23,930** | 12,327 |
| Amounts due from a related party | **-** | 39,901 |
| Accounts receivable (excluding prepayments) | **2,537** | 13,025 |
| | **66,467** | 72,599 |

***Contribution and other receivables***

*Comparative information under IAS 39*

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

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

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

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

## 13 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk (continued)

*Expected credit loss assessment as at 1 January 2018 and 31 December 2018*
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The Company 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 Company does not hold collateral as security.

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

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

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

***Receivables from related parties and other receivables***
As at the reporting date, the majority of the Company'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.

### Liquidity risk
Liquidity risk is the risk that the Company will be unable to meet its liabilities when 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 limits its liquidity risk by monitoring on a regular basis that sufficient funds are available to meet maturing obligations. In addition, Company maintains adequate amounts of cash reserves to meet working capital requirements.

The Company's financial liabilities are non–derivative and mature within one year.

## 14 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 Company is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Financial instruments comprise financial assets and financial liabilities.

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

## 15 CAPITAL MANAGEMENT

The Company'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.

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.