

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



**FINANCIAL STATEMENTS
31 December 2019**



**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 2019, 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 2019 and its financial performance for the year ended 31 December 2019 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.

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

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.

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 (FAEAH AHMAD MOHAMMED AL
SAQQAF & PARTNER) W.L.L. (continued)**

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 2019 that might have had a material effect on the business of the Company or on its financial position.



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

28 December 2020
Kuwait

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



STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 KD	2018 KD
ASSETS			
Non-current assets			
Furniture and equipment	4	8,668	4,696
Current assets			
Contributions receivable		-	40,000
Accounts receivable and prepayments	5	20,277	3,619
Cash and bank balances	6	7,031	26,295
		<u>27,308</u>	<u>69,914</u>
TOTAL ASSETS		<u>35,976</u>	<u>74,610</u>
EQUITY AND LIABILITIES			
EQUITY			
Capital	7	15,000	15,000
Accumulated losses		(22,619)	(5,011)
TOTAL EQUITY		<u>(7,619)</u>	<u>9,989</u>
LIABILITIES			
Current liabilities			
Deferred contributions		17,444	53,585
Payables to a related party	11	12,528	3,960
Accounts payable and accruals	8	13,623	7,076
Total current liabilities		<u>43,595</u>	<u>64,621</u>
TOTAL LIABILITIES		<u>43,595</u>	<u>64,621</u>
TOTAL EQUITY AND LIABILITIES		<u>35,976</u>	<u>74,610</u>

Fareah Ahmad Al Saqqaf
Chairperson and Managing
Director

STATEMENT OF ACTIVITIES AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Notes</i>	2019 KD	2018 KD
OPERATING AND SUPPORT REVENUES			
Contributions			
Corporate and individuals	9	46,250	71,583
Services and materials	9	170,055	129,956
Total contributions		<u>216,305</u>	<u>201,539</u>
Projects and programs			
Contribution from projects and programs	9	337,046	348,383
Other income	9	330	1,215
Deferred contributions		(17,444)	(53,585)
Total revenue from projects and programs		<u>319,932</u>	<u>296,013</u>
Total operating and support revenues		<u>536,237</u>	<u>497,552</u>
OPERATING EXPENDITURE			
Projects and programs			
Events and programs	10	(300,115)	(274,814)
Supporting services			
Management and general	12	(253,730)	(238,552)
Total operating expenditure		<u>(553,845)</u>	<u>(513,366)</u>
RESULTS FROM OPERATIONS FOR THE YEAR		<u>(17,608)</u>	<u>(15,814)</u>
OTHER COMPREHENSIVE INCOME			
		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(17,608)</u>	<u>(15,814)</u>

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



STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	<i>Capital KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Accumulated losses KD</i>	<i>Total KD</i>
As at 1 January 2019	15,000	-	-	(5,011)	9,989
Total comprehensive loss for the year	-	-	-	(17,608)	(17,608)
At 31 December 2019	15,000	-	-	(22,619)	(7,619)
As 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 7)	-	(3,032)	(3,032)	6,064	-
At 31 December 2018	15,000	-	-	(5,011)	9,989

The attached notes 1 to 16 form part of these financial statements.

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



STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	<i>Notes</i>	2019 KD	2018 KD
OPERATING ACTIVITIES			
Results from operations for the year		(17,608)	(15,814)
<i>Adjustments to reconcile results of operations to net cash flows:</i>			
Depreciation of furniture and equipment	4	<u>3,117</u>	<u>4,233</u>
Operating deficit before changes in working capital		(14,491)	(11,581)
<i>Working capital adjustments:</i>			
Contributions receivable		40,000	(32,654)
Prepayments and other receivables		(16,658)	10,160
Receivables from related parties		-	39,901
Deferred contributions		(36,141)	23,275
Payables to a related party		8,568	3,960
Accounts payable and accruals		<u>6,547</u>	<u>(17,794)</u>
Net cash flows (used in) from operating activities		(12,175)	15,267
INVESTING ACTIVITIES			
Purchase of furniture and equipment	4	<u>(7,089)</u>	<u>(2,098)</u>
Net cash flows used in investing activities		(7,089)	(2,098)
NET (DECREASE) INCREASE IN CASH AND BANK BALANCES			
Cash and bank balances at 1 January		<u>(19,264)</u>	13,169
		26,295	<u>13,126</u>
CASH AND BANK BALANCES AT 31 DECEMBER	6	7,031	<u>26,295</u>

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

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

1 CORPORATE INFORMATION

The financial statements of LOYAC for Theatrical Production Company (Fareah Ahmad Mohammed Al Saqqaf & Partner) W.L.L. ("the Company" or "LAPA") for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the partners on 19 November 2020.

The Company is a limited liability company incorporated in the State of Kuwait 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.

2 FUNDAMENTAL ACCOUNTING CONCEPT

The Company incurred negative results from operations of KD 17,608 for the year ended 31 December 2019 (2018: KD 15,814) and, as of that date, the Company's accumulated losses amounted to KD 22,619 which is in excess of its paid-up capital.

Notwithstanding the above, management does not consider that these conditions indicate the existence of a material uncertainty regarding the Company's ability to continue as going concern taking into consideration the following assumptions:

As required by Article (273) of the Companies Law, the management shall call for an extra-ordinary general assembly ("EGM") to present the losses to the partners and determine whether the situation necessitates the dissolution of the Company or take any other appropriate measures. The Parent Company provided an undertaking to provide and arrange for financial support, as necessary, to enable the Company to meet its financial obligations as they fall due in the foreseeable future.

As described above, with the continued support from the Parent Company, management has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3.1 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.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

3.1 BASIS OF PREPARATION (continued)

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.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies applied are consistent with those used in the previous year except for the changes arising from the adoption of IFRS 16 'Leases' effective from 1 January 2019.

Adoption of IFRS 16 'Leases'

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method and accordingly, the comparative information is not restated with the date of initial application of 1 January 2019. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Based on the assessment performed by the Company, the adoption of IFRS 16 did not have any material impact on the financial statements of the Company as at 1 January 2019 and 31 December 2019.

3.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.4.1 Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the 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.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4.1 Revenue recognition (continued)

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.

3.4.2 Expenditures

Expenditures are recognised as they accrue. Expenditures for conducting key programs comprise of fees paid to program sponsors and other related expenditure incurred, which are accounted for program-wise.

3.4.3 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.

3.4.4 Furniture and equipment

Recognition and measurement

Items of furniture 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 furniture and equipment is determined by comparing the proceeds from disposal with the carrying amount of the furniture 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 furniture and equipment. A change in the estimated useful life of furniture and equipment is applied at the beginning of the year of change with no retrospective effect.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Expenditure incurred to replace a component of an item of furniture 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 furniture and equipment. All other expenditure is recognised in the statement of activities and other comprehensive income as the expense is incurred.

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

3.4.5 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 indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal 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 groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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 (or cash-generating unit). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

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 asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates 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 asset 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.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4.6 Financial Instruments

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

ij Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

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

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

Financial assets at amortised cost (debt instruments)

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

The Company has not designated any financial assets as at fair value through profit or loss and financial assets at amortised cost is more relevant to the Company. The Company's financial assets at amortised cost includes accounts receivable.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4.6 Financial instruments (continued)

i) *Financial assets (continued)*

Derecognition

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

Impairment of financial assets

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

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

ii) *Financial liabilities*

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4.6 Financial instruments (continued)

ii) Financial liabilities (continued)

Financial liabilities at amortised cost

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

Accounts payable and accruals

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

Derecognition

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

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

iii) Offsetting of financial instruments

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

3.4.7 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.

3.4.8 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.

3.4.9 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.

3.4.10 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.

Contingent assets are not recognised in the statement of financial position, but are disclosed when an inflow of economic benefits is probable.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4.11 Fair value measurement

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

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

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

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.

3.4.12 Current versus non-current classification

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

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

The Company classifies all other assets as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

3.4.13 Events after the reporting period

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

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

3.5 SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES 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.

3.5.1 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments; however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

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.

3.5.2 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

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.

Going concern assessment

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the necessary resources to continue in business for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

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

As at and for the year ended 31 December 2019

4 FURNITURE AND EQUIPMENT

	<i>Motor vehicles KD</i>	<i>Office equipment KD</i>	<i>Furniture and fixtures KD</i>	<i>Total KD</i>
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
Additions	-	6,862	227	7,089
At 31 December 2019	5,950	17,060	2,386	25,396
Depreciation:				
At 1 January 2018	3,273	5,489	616	9,378
Depreciation charge for the year	1,193	2,695	345	4,233
At 31 December 2018	4,466	8,184	961	13,611
Depreciation charge for the year	1,190	1,477	450	3,117
At 31 December 2019	5,656	9,661	1,411	16,728
Net book value:				
At 31 December 2019	294	7,399	975	8,668
At 31 December 2018	1,484	2,014	1,198	4,696

No materials contributed were included within additions of furniture and equipment as at 31 December 2019 (2018: KD Nil).

5 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>2019 KD</i>	<i>2018 KD</i>
Prepaid expenses	973	1,082
Other receivables	19,304	2,537
	20,277	3,619

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

Other receivables do not contain impaired assets.

6 CASH AND BANK BALANCES

	<i>2019 KD</i>	<i>2018 KD</i>
Bank balances	5,564	23,930
Cash on hand	1,467	2,365
	7,031	26,295

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

7 EQUITY

7.1 Capital

The capital of the Company consists of 100 units (2018: 100 units) of KD 150 (2018: KD 150) each, fully paid in cash and distributed among the partners as follows:

Partners	2019		2018	
	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
	<u>100</u>	<u>15,000</u>	<u>100</u>	<u>15,000</u>

7.2 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 prior year, the partners resolved to partially extinguish accumulated losses through utilising the full amount of statutory reserve.

7.3 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 prior year, the partners resolved to partially extinguish accumulated losses through utilizing the full amount of voluntary reserve.

8 ACCOUNTS PAYABLE AND ACCRUALS

	2019 KD	2018 KD
Accrued expenses	13,497	6,692
Other payables	126	384
	<u>13,623</u>	<u>7,076</u>

Other payables are non-interest bearing and have an average term of six months.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

9 OPERATING AND SUPPORT REVENUE

Disaggregated revenue information:

<i>Timing of revenue recognition</i>	<i>Total revenue KD</i>	<i>Temporarily restricted revenue KD</i>	<i>2019 KD</i>	<i>2018 KD</i>
Contributions				
Corporate contributions at a point in time	46,250	-	46,250	71,583
Services and materials transferred over time	170,055	-	170,055	129,956
Total contributions	216,305	-	216,305	201,539
Total revenue from projects and programs transferred over time	337,376	(17,444)	319,932	296,013
Total operating and support revenue	553,681	(17,444)	536,237	497,552
<i>Type of goods or service</i>	<i>Total revenue KD</i>	<i>Temporarily restricted revenue KD</i>	<i>2019 KD</i>	<i>2018 KD</i>
Contribution				
<i>Corporate and individuals</i>				
Corporate contributions	46,250	-	46,250	71,583
	46,250	-	46,250	71,583
<i>Services and materials</i>				
Contributed services of board members	72,000	-	72,000	48,000
Contributed use of building	75,000	-	75,000	75,000
Contributed use of printing press	2,355	-	2,355	3,677
Contributed use of media & facilities	20,700	-	20,700	3,279
	170,055	-	170,055	129,956
Total contributions	216,305	-	216,305	201,539
<i>Projects and programs</i>				
Drama production	41,198	(17,444)	23,754	8,878
Music department	32,113	-	32,113	19,915
Dance department	16,789	-	16,789	44,203
Fine art department	1,875	-	1,875	1,520
Performances/events	245,071	-	245,071	220,282
Contribution from projects and programs	337,046	(17,444)	319,602	294,798
Other income	330	-	330	1,215
Total revenue from projects and programs	337,376	(17,444)	319,932	296,013
Total operating and support revenue	553,681	(17,444)	536,237	497,552

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

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

10 OPERATING EXPENDITURE – PROJECTS AND PROGRAMS

	Salaries	Students	Travel and	Media	Printing and	Contractual	Material	Others	Contributed	Total	Total
	KD	training	housing	costs	supplies	services	costs	KD	services and	2019	2018
		KD	KD	KD	KD	KD	KD	KD	materials	KD	KD
Drama production	5,319	350	5,610	438	357	860	329	49	9,220	22,532	29,197
Music department	23,961	1,120	1,183	205	62	1,611	446	72	55	28,715	25,674
Dance department	42,920	218	7,281	1,216	1,091	2,470	1,139	152	110	56,597	65,122
Fine art department	776	544	240	287	6	-	82	14	-	1,949	1,013
Performances/events	113,181	4,963	32,048	3,060	441	24,695	2,325	129	9,480	190,322	153,808
	186,157	7,195	46,362	5,206	1,957	29,636	4,321	416	18,865	300,115	274,814

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

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 2019.

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

Statement of activities and other comprehensive income	<i>Parent Company KD</i>	2019 KD	2018 KD
Contributions	14,710	14,710	66,460
Revenue from programs and events	(17,942)	(17,942)	32,730
Expenses	(10,031)	(10,031)	(103,150)
	<u>(12,528)</u>	<u>(12,528)</u>	<u>(3,960)</u>
Statement of financial position		2019	2018
<i>Amounts due (to) from related parties</i>		<i>KD</i>	<i>KD</i>
- Parent Company		(13,263)	(3,960)
- Key management personnel		735	-
		<u>(12,528)</u>	<u>(3,960)</u>

Amounts due to/from related parties are unsecured interest-free and have no fixed terms of repayment. For the year ended 31 December 2019, the Company has not recorded any provision for expected credit losses related to amounts owed by related parties (2018: KD Nil).

12 MANAGEMENT AND GENERAL EXPENSES

	2019 KD	2018 KD
Salaries and benefits	82,636	86,752
Rent	80,400	80,400
Contributed services by board members	72,000	48,000
Office and administrative expenses	2,882	5,012
Advertising and media	2,995	2,128
Communication costs	1,265	1,165
Professional fees	1,500	1,250
Repair and maintenance	4,272	5,851
Depreciation	3,118	4,233
Printing and office stationery	2,662	3,761
	<u>253,730</u>	<u>238,552</u>

Included within management and general expenses is an amount of KD 151,190 (2018: KD 126,502) representing contributed services and materials.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

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 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:

13.1 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 bank balances, contribution receivables and account 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.

	2019 KD	2018 KD
Contributions receivable	-	40,000
Bank balances	5,564	23,930
Account receivables (excluding prepayments)	19,304	2,537
	<u>24,868</u>	<u>66,467</u>

Collateral and other credit enhancements

The Company does not have any collateral or other credit enhancements against any of the financial assets at 31 December 2019.

Other receivables

Other receivables are considered to have a low risk of default and management believes that the counterparties have a strong capacity to meet contractual cash flow obligations in the near term. As a result, the impact of applying the expected credit risk model at the reporting date was immaterial.

Bank balances

Credit risk from bank balances is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies.

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

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

13 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

13.2 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 and bank balances. Financial liabilities consist of accounts payable and accruals and amounts due 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, accounts payable and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. As to amounts due to related parties which have no specified repayment date and are receivable/repayable on demand, management assessed that fair value is not less than their carrying 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.

The primary objective of the Company's capital management is to maximise the stakeholder value.

No changes were made in the objectives, policies or processes during the year ended 31 December 2019 and 31 December 2018.

16 EVENTS AFTER THE REPORTING PERIOD

On 11 March 2020, COVID-19 was declared as pandemic by the World Health Organisation and is causing disruptions to businesses and economic activities. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. COVID-19 has brought about uncertainties in the global economic environment. In light of the rapidly escalating situation, the Company has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the financial statements. The Company's business operations remain largely unaffected by the current situation and the Company has considered any impairment indicators and any significant uncertainties impacting its financial assets. Based on the assessment, the carrying value of the financial assets have been appropriately disclosed in financial statements.