Tala Island Facility Management Co.

Financial statements for the year ended 31 December 2012

BDO

Index

Management	Jameel Ali Matrook Al Matrook Ashraf Sameer Saleem Othman
Office	Building No. 1034, Road No. 5710 Block No. 257 PO Box 18286 Amwaj Islands Kingdom of Bahrain
Auditors	BDO 17th Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain

BDO

Tel : +973 1753 0077
Fax: +973 1791 9091
www.bdo.bh

17th Floor
Diplomat Commercial Office Tower
PO Box 787
Manama
Kingdom of Bahrain

Independent auditor's report to the management of Tala Island Facility Management Co.

Report on the financial statements

We have audited the accompanying financial statements of Tala Island Facility Management Co. ("the Company"), which comprise the statement of financial position as at 31 December 2012, the statement of income and expenditure, the statement of changes in accumulated funds and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive committee, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

The Company does not have adequate supporting documents to confirm the recoverability of the carrying values of the overdue fee receivables amounting to BD205,807 as at 31 December 2012. According, we are unable to determine the provision (if any) that might be required for impairment, and its corresponding impact on the operational results for the year ended 31 December 2012.

Qualified opinion

In our opinion, except for the effect of the matter referred to in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to Note 2 in the financial statements which states that although the Company has reported an excess of income over expenditure amounting to BD119,594 during the year ended 31 December 2012, the Company's net worth has been completely eroded and the accumulated deficit amounted to BD290,112 as at 31 December 2012. These factors raise substantial doubt about the Company's ability to continue to operate as a going concern without the continued financial support of the Managing Company. However, these financial statements have been prepared on a going concern basis as the Managing Company has confirmed its willingness to continue the business and provide adequate financial support to the Company, whenever considered necessary, to meet its liabilities as and when they fall due. Our opinion is not qualified in respect of this matter.

BDO

Manama, Kingdom of Bahrain
30 June 2016

BDO
C.R. 10201
PO Box 787 Kingdom of Bahrain

Tala Island Facility Management Co.
Statement of financial position as at 31 December 2012
(Expressed in Bahrain Dinars)

	Notes	2012	2011
ASSETS			
Non-current assets			
Plant and equipment	5	229	704
Current assets			
Fee receivables	6	700,190	306,063
Total assets		700,419	306,767
EQUITY AND LIABILITIES			
Capital and reserves			
Accumulated deficit		(290,112)	(349,274)
Sinking fund	7	60,432	-
		(229,680)	(349,274)
Non-current liabilities			
Employees' terminal benefits	8	4,584	2,487
Current liabilities			
Trade and other payables	9	925,515	653,554
Total equity and liabilities		700,419	306,767

These financial statements, set out on pages 4 to 17, were approved and authorised for issue and signed by the management on 30 June 2016.

Jameel Ali Matrook Al Matrook
Director

Ashraf Sameer Saleem Othman
Director

Tala Island Facility Management Co.
Statement of income and expenditure for the year ended 31 December 2012
(Expressed in Bahrain Dinars)

	Notes	2012	2011
Revenue	10	604,324	470,111
Direct costs	11	(364,250)	(345,982)
		240,074	124,129
Other income		1,784	3,326
		241,858	127,455
Expenses			
General and administrative expenses	12	(122,264)	(105,989)
Excess of income over expenditure for the year		119,594	21,466

These financial statements, set out on pages 4 to 17, were approved and authorised for issue and signed by the management on 30 June 2016.

Jameel Ali Matrook Al Matrook
Director

Ashraf Sameer Saleem Othman
Director

Tala Island Facility Management Co.
Statement of changes in accumulated funds for the year ended 31 December 2012
(Expressed in Bahrain Dinars)

	Accumulated funds	Sinking fund	Total
At 31 December 2010	(370,740)	-	(370,740)
Excess of income over expenditure for the year	21,466	-	21,466
At 31 December 2011	(349,274)	-	(349,274)
Excess of income over expenditure for the year	119,594	-	119,594
Transfer to sinking fund (Note 7)	(60,432)	60,432	-
At 31 December 2012	(290,112)	60,432	(229,680)

Tala Island Facility Management Co.
Statement of cash flows for the year ended 31 December 2012
(Expressed in Bahrain Dinars)

	Note	2012	2011
Operating activities			
Excess of income over expenditure for the year		119,594	21,466
Adjustments for:			
Depreciation	5	475	1,181
Changes in operating assets and liabilities:			
Fee receivables		(394,127)	(226,269)
Trade and other payables		271,962	203,257
Employees' terminal benefits, net		2,096	365
Net cash provided by operating activities		-	-
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents, beginning of the year		-	-
Cash and cash equivalents, end of the year		-	-

1 Organisation and activities

Tala Island Facility Management Co. ("the Company"), is operated by Tala Property Development W.L.L. ("the Managing Company"), a limited liability company registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain and operates under commercial registration number 52089 obtained on 29 October 2003.

On progressive completion of various units located within Tala Island, the Company provided facility management and related services to the residents through the Managing Company till the formation of the individual owners' association.

The principal activities of the Company are to provide facility management services to the residents of Tala Island on behalf of the owners' association for the properties located in the Tala Island.

The office of the Company is located in Amwaj Islands in the Kingdom of Bahrain.

2 Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Going concern

Although the Company has reported an excess of income over expenditure amounting to BD119,594 during the year ended 31 December 2012, the Company's net worth has been completely eroded and the accumulated deficit amounted to BD290,112 as at 31 December 2012. These factors raise substantial doubt about the Company's ability to continue to operate as a going concern without the continued financial support of the Managing Company. However, these financial statements have been prepared on a going concern basis as the Managing Company has confirmed its willingness to continue the business and provide adequate financial support to the Company, whenever considered necessary, to meet its liabilities as and when they fall due.

Basis of presentation

The financial statements have been prepared under the historical cost convention and using the going concern assumption. The financial statements have been presented in Bahrain Dinars which is the functional currency of the Company.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

Improvements/amendments to IFRS 2009/2011 cycle

Improvements/amendments to IFRS issued in 2009/2011 cycle contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Company's annual audited financial statements beginning on or after 1 January 2013 with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

2 Basis of preparation (continued)

Standards, amendments and interpretations issued and effective in 2012 but not relevant

The following new standards, amendments to existing standards and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2012 or subsequent periods, but are not relevant to the Company's operations:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IAS 12	Income Taxes	1 January 2012
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 July 2011
IFRS 7	Financial Instruments - Disclosures	1 July 2011

Standards, amendments and interpretations issued but not yet effective in 2012

The following IFRS and IFRIC interpretations issued/revised as at 1 January 2012 or subsequent periods have not been early adopted by the Company's management:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IAS 1	Presentation of Financial Statements	1 July 2012
IAS 19	Employee benefits	1 January 2013
IAS 27	Separate Financial Statements	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	1 January 2013
IAS 32	Financial Instruments - Presentation	1 January 2014
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 January 2013
IFRS 7	Financial Instruments - Disclosures	1 January 2013/ 1 January 2015
IFRS 9	Financial Instruments - Classification and Measurement	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Agreements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IFRIC 20	Stripping Costs in the Production Phase of Surface Mine	1 January 2013

There would have been no change in the operational results of the Company for the year ended 31 December 2012 had the Company early adopted any of the above standards applicable to the Company.

Early adoption of amendments or standards in 2012

The Company did not early-adopt any new or amended standards in 2012.

3 Significant accounting policies

A summary of the significant accounting policies adopted in the preparation of these financial statements is set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation. Cost includes all costs directly attributable to bringing the plant and equipment to their present location and condition for their intended use.

Depreciation is calculated on the straight-line method to write-off the cost of plant and equipment to their estimated residual values over their expected useful lives as follows:

Office equipment	3 years
Furniture and fixtures	3 years

Gains and losses on disposal of plant and equipment are determined by reference to their carrying amount and are taken into account in determining net profit.

Repairs and renewals are charged to the statement of income and expenditure when the expenditure is incurred.

The carrying values of the plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amounts plant and equipment are written-down to their recoverable amounts.

Fee receivables

Fee receivables are carried at their anticipated realisable values. An estimate is made for impaired fee receivables based on a review of all outstanding amounts at the year-end. Impaired fee receivables which are not considered recoverable are written-off when they are identified.

Trade payables

Trade payables are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Deferred income

Deferred income represents fees and commission income received in advance which are recognised as income in the period in which they arise.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation in future and the amount of the obligation can be reliably estimated.

3 Significant accounting policies (continued)

Employee benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post employment benefits

Employee benefits and entitlements to annual leave, holiday, air passage and other short-term benefits are recognised as they accrue to the employees. The Company contributes to the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain. This is a defined contribution pension plan and the Company's contributions are charged to the statement of income and expenditure in the year to which they relate. In respect of this plan, the Company has a legal obligation to pay the contributions as they fall due and no obligation exists to pay the future benefits.

The expatriate employees of the Company are paid leaving indemnity in accordance with the provisions of the Bahrain Labour Law. The Company accrues for its liability in this respect on an annual basis.

Revenue recognition

Revenue represents the contributions collected in return for providing facility management services to the residents of Tala Island on behalf of the Owners' association, which is recorded based on the agreements entered into and is accounted for on the accruals basis.

Other income is recognised on an accruals basis, unless collectability is in doubt.

4 Critical accounting judgments and key source of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

4 Critical accounting judgments and key source of estimation uncertainty (continued)

The most significant areas requiring the use of management estimates and assumptions in these financial statements relate to:

- economic useful lives of plant and equipment;
- provisions; and
- contingencies.

Economic useful lives of plant and equipment

The Company's plant and equipment are depreciated on a straight-line basis over their economic useful lives. Useful economic lives of plant and equipment are reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Company.

Provisions

The Company creates provision for impaired fee receivables to account for estimated losses resulting from the inability of customers to make the required payments. At 31 December 2012, in the opinion of the Company's management, no provision is required towards impaired fee receivables (2011: BDNil). When evaluating the adequacy of provision for impaired fee receivables, management bases its estimate on current overall economic conditions, ageing of the fee receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the provision for impaired fee receivables recorded in these financial statements.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

5 Plant and equipment

	Office equipment	Furniture and fixtures	Total
Cost			
At 31 December 2010, 2011 and 2012	6,046	354	6,400
Accumulated depreciation			
At 31 December 2010	4,253	262	4,515
Charge for the year (Note 12)	1,089	92	1,181
At 31 December 2011	5,342	354	5,696
Charge for the year (Note 12)	475	-	475
At 31 December 2012	5,817	354	6,171
Net book amount			
At 31 December 2012	229	-	229
At 31 December 2011	704	-	704

The Company operates from related party premises with no rent obligations (2011: BDNil).

6 Fee receivables

	31 December 2012	31 December 2011
Fee receivables	700,190	306,063

Fee receivables are generally on 90 to 120 days credit terms.

As at 31 December, the ageing of unimpaired fee receivables is as follows:

	31 December 2012	31 December 2011
Less than six months	197,063	113,134
More than six months	503,127	192,929

Unimpaired fee receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over fee receivables and, therefore, are all unsecured. In the opinion of the Company's management, the fair values of the fee receivables are not expected to be significantly different from their carrying values.

The Company's fee receivables are primarily denominated in Bahrain Dinars.

7 Sinking fund

In accordance with Clause 29 of the Tala Island Owners' Association Agreement, an amount equivalent to 10% of the contributions received from the Owners over a period of 10 years shall be set aside in a special fund and shall belong to the Owner's Association. Such amounts maintained shall be treated as a sinking fund and shall be earmarked to meet any renovations and emergency requirements. During the year ended 31 December 2012, an amount of BD60,432 has been transferred to the sinking fund (2011: BDNil).

8 Employees' terminal benefits

Local employees

The contributions made by the Company towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2012 amounted to BD1,753 (2011: BD1,404).

Expatriate employees

The movement in leaving indemnity liability applicable to the expatriate employees is as follows:

	31 December 2012	31 December 2011
Opening balance	2,487	2,122
Accruals for the year	2,097	1,480
Payments during the year	-	(1,115)
Closing balance	4,584	2,487
Number of staff employed by the Company	25	31

9 Trade and other payables

	31 December 2012	31 December 2011
Trade payables	26,249	42,403
Advances from customers	7,941	36,172
Accruals and other payables	8,742	8,085
Amounts due to related parties (Note 13)	882,583	566,894
	925,515	653,554

Trade payables are generally settled within 30 to 60 days of the suppliers' invoice date.

Amounts due to related parties are unsecured, non-interest bearing and have no fixed repayment terms.

As at 31 December 2012, the maturity profile of trade payables is as follows:

	Total	Less than 6 months	More than 6 months
At 31 December 2012	26,249	26,259	-
At 31 December 2011	42,403	42,403	-

10 Revenue

	Year ended 31 December 2012	Year ended 31 December 2011
Revenue Palm Phase 1FGH	126,986	92,056
Revenue Garden View Phase 4EFGH	112,296	81,090
Revenue Marina Phase 1A1B	103,719	104,826
Revenue Reef Phase 4CD	81,316	43,799
Revenue Villas Phase 1C,1D,1E,4A,4B	59,589	60,134
Revenue Coral Phase 3CDEF	55,735	30,510
Revenue Houses Phase 2A,2B,3B	29,385	29,038
Revenue Sea View Phase 3A	21,474	14,834
Revenue Sea View Phase 2C	13,824	13,824
	604,324	470,111

11 Direct costs

	Year ended 31 December 2012	Year ended 31 December 2011
Costs Garden View Phase 4EFGH	71,641	65,698
Costs Palm Phase 1FGH	53,215	52,873
Costs Marina Phase 1A1B	51,641	48,187
Costs Coral Phase 3CDEF	45,233	41,029
Costs Reef Phase 4CD	33,494	39,140
Costs Villas Phase 1C,1D,1E,4A,4B	26,435	29,103
Costs Houses Phase 2A,2B,3B	13,567	14,873
Costs Sea View Phase 3A	11,844	12,363
Costs Sea View Phase 2C	7,944	7,878
Common Areas	49,236	34,838
	364,250	345,982

12 General and administrative expenses

	Year ended 31 December 2012	Year ended 31 December 2011
Staff costs and allowances	112,495	85,098
Depreciation (Note 5)	475	1,181
Other general and administrative expenses	9,294	19,710
	122,264	105,989

13 Transactions and balances with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Company exercises significant influence, directors and executive management of the Company. The Company's transactions with related parties are authorised by the management.

The following are the transactions and balances entered into with the related parties during the year ended and as at 31 December:

	Year ended 31 December 2012	Year ended 31 December 2011
Related party transactions		
Expenses (Transactions with parties with common ownership)		
Tala Property Development W.L.L.	324,985	405,662
Ossis B.S.C. (c)	25,143	114,991
Circo Properties and Facility Management Company W.L.L.	67,300	74,012
BIW Labour Accommodation Co. W.L.L.	12,960	12,960
Bahrain Investment Wharf B.S.C (c)	64,687	-
	495,075	607,625
Amounts due to related parties (Note 9)		
Tala Property Development W.L.L. (Common ownership)	877,475	552,490
Bahrain Investment Wharf B.S.C. (c) (Common ownership)	5,108	-
Ossis B.S.C. (c) (Common ownership)	-	14,404
	882,583	566,894

14 Financial assets and liabilities and risk management (continued)

Financial assets and liabilities carried on the statement of financial position include fee receivables and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise management' value.

The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. No changes were made in the objectives, policies and processes during the years ended 31 December 2012 and 2011.

14 Financial assets and liabilities and risk management (continued)

Capital management (continued)

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, trade and other payables. Capital includes reserves attributable to the management of the Managing Company.

	31 December 2012	31 December 2011
Trade and other payables	925,515	653,554
Net debt	925,515	653,554
Accumulated deficit	(229,680)	(349,274)
Total capital	(229,680)	(349,274)
Total capital and net debt	695,835	304,280
Gearing ratio	-	-

As at 31 December 2012 and 2011, the Company's net worth has been fully eroded. Accordingly, no gearing ratio has been calculated.

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk with respect to fee receivables is limited due to the Company's large number of customers. Management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's fee receivables.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's assets and liabilities, in the opinion of the management, are not sensitive to interest rate risk.

Liquidity risk, also referred to as funding risk, is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial assets and liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity risk is managed by monitoring on a regular basis to help ensure that sufficient funds are available to meet all liabilities as they fall due.

Fair value measurement

Fair value is the amount 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.

Financial instruments not measured at fair value on recurring basis include fee receivables and trade and other payables excluding employee terminal benefits. In the opinion of the management, due to the short-term nature of these financial instruments, the fair value of these financial instruments is not significantly different from their carrying amounts as at 31 December 2012.

15 Events after reporting date

There were no events subsequent to 31 December 2012 and occurring before the date of the report that are expected to have a significant impact on these financial statements.