Tala Island Facility Management Co.

Financial statements for the
year ended 31 December 2013

BDO

Index

Tala Island Facility Management Co.
Administration and Contact details as at 31 December 2013

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

Tel : +973 1753 0077
Fax: +973 1791 5091
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 2013, 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 BD583,671 as at 31 December 2013. 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 2013.

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 2013, 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 BD164,446 during the year ended 31 December 2013, the Company's net worth has been completely eroded and the accumulated deficit amounted to BD190,178 as at 31 December 2013. 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

Tala Island Facility Management Co.
Statement of financial position as at 31 December 2013
(Expressed in Bahrain Dinars)

	Notes	2013	2012
ASSETS			
Non-current assets			
Plant and equipment	5	1,152	229
Current assets			
Fee and other receivables	6	1,027,724	700,190
Total assets		1,028,876	700,419
EQUITY AND LIABILITIES			
Capital and reserves			
Accumulated deficit		(190,178)	(290,112)
Sinking fund	7	124,944	60,432
		(65,234)	(229,680)
Non-current liabilities			
Employees' terminal benefits	8	6,193	4,584
Current liabilities			
Trade and other payables	9	1,087,917	925,515
Total equity and liabilities		1,028,876	700,419

These financial statements, set out on pages 4 to 20, 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 2013
(Expressed in Bahrain Dinars)

	Notes	2013	2012
Revenue	10	645,934	604,324
Direct costs	11	(363,502)	(364,250)
		282,432	240,074
Other income		1,018	1,784
		283,450	241,858
Expenses			
General and administrative expenses	12	(119,004)	(122,264)
Excess of income over expenditure for the year		164,446	119,594

These financial statements, set out on pages 4 to 20, 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 2013
(Expressed in Bahrain Dinars)

	Accumulated funds	Sinking fund	Total
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)
Excess of income over expenditure for the year	164,446	-	164,446
Transfer to sinking fund (Note 7)	(64,512)	64,512	-
At 31 December 2013	(190,178)	124,944	65,234

Tala Island Facility Management Co.
Statement of cash flows for the year ended 31 December 2013
(Expressed in Bahrain Dinars)

	Notes	2013	2012
Operating activities			
Excess of income over expenditure for the year		164,446	119,594
Adjustments for:			
Depreciation	5	447	475
Changes in operating assets and liabilities:			
Fee and other receivables		(327,534)	(394,127)
Trade and other payables		162,402	271,962
Employees' terminal benefits, net		1,609	2,096
Net cash provided by operating activities		1,370	-
Investing activities			
Purchase of plant and equipment	5	(1,370)	-
Net cash used in investing activities		(1,370)	-
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 BD164,446 during the year ended 31 December 2013, the Company's net worth has been completely eroded and the accumulated deficit amounted to BD190,178 as at 31 December 2013. 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 2011/2013 cycle

Improvements/amendments to IFRS issued in 2011/2013 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 effective and adopted in 2013

The following new standards, amendments to existing standards or interpretations to published standards are mandatory for the first time for the financial year beginning 1 January 2013 and have been adopted in the preparation of the financial statements:

IAS 1 - Presentation of Financial Statements

The main change requires entities to present line items for Other Comprehensive Income amounts by nature and to Company items presented in Other Comprehensive Income into two categories:

- those that could subsequently be reclassified to profit or loss (reclassification adjustments); and
- those that will not be reclassified.

In addition, a change was made to the title of the statement of comprehensive income. This is now referred to as the 'statement of profit or loss and other comprehensive income'. However, the flexibility currently in IAS 1 to use other titles will remain.

Further, the change also clarifies that a third Statement of Financial Position is not required if the effect of the retrospective application, retrospective restatement or reclassification does not have a material effect on the Statement of Financial Position at the beginning of the preceding period.

IFRS 13 - Fair Value Measurement

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs:

- Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability

IFRS 13 did not materially affect any fair value measurements of the Company's assets or liabilities, with changes being limited to presentation and disclosure, and therefore has no effect on the Company's financial position or performance.

In addition, IFRS 13 allows the Company to present fair value measurement disclosures prospectively, therefore, comparative information has not been presented in these financial statements.

2 Basis of preparation (continued)

Standards, amendments and interpretations issued and effective in 2013 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 2013 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 16	Property, Plant and Equipment	1 January 2013
IAS 19	Employee benefits	1 January 2013
IAS 27	Separate Financial Statements	1 January 2013
IAS 32	Financial Instruments - Presentation	1 January 2013
IAS 34	Interim Financial Reporting	1 January 2013
IFRS 1	First Time Adoption of International Financial Reporting Standards	
IFRS 7	Financial Instruments - Disclosures	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Agreements	1 January 2013
IFRS 12	Disclosures of Interests in Other Entities	1 January 2013
IFRIC 20	Stripping Costs in the Production Phase of Surface Mine	1 January 2013
		1 January 2013

Standards, amendments and interpretations issued but not yet effective in 2013

The following IFRS and IFRIC interpretations issued/revised as at 1 January 2013 or subsequent periods have not been early adopted by the Company's management. The Company's management intends to adopt these standards with effect from their initial application date as mentioned below:

Standard or interpretation	Title	Effective for annual periods beginning on or after
IAS 16	Property, Plant and Equipment	1 July 2014
IAS 24	Related Party Disclosures	1 July 2014
IAS 32	Financial Instruments - Presentation	1 January 2014
IAS 36	Impairment of Assets	1 January 2014
IAS 38	Intangible Assets	1 July 2014
IAS 40	Investment Property	1 July 2014
IFRS 1	First Time Adoption of International Financial Reporting Standards	
IFRS 2	Share Based Payment	1 July 2014
IFRS 3	Business Combinations	1 July 2014
IFRS 7	Financial Instruments - Disclosures	1 July 2014
IFRS 8	Operating Segments	1 January 2015
IFRS 9	Financial Instruments - Classification and Measurement	1 July 2014
IFRS 13	Fair Value Measurement	1 January 2015
IFRIC 21	Levies	1 July 2014
		1 January 2014

There would have been no change in the operational results of the Company for the year ended 31 December 2013 had the Company early adopted any of the above standards applicable to the Company.

Early adoption of amendments or standards in 2013

The Company did not early-adopt any new or amended standards in 2013.

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.

Financial assets

The Company classifies its financial assets into loans and receivables and available-. This classification depends on the purpose for which the asset is acquired.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers and also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Company's loans and receivables comprises of fee and other receivables excluding prepayments in the statement of financial position.

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.

Financial liabilities

The financial liabilities of the Company consist of trade and other payables. These financial liabilities are initially recognised at fair value and are subsequently remeasured at amortised cost using the effective interest method.

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

3 Significant accounting policies (continued)

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.

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;
- fair value measurement;
- 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.

Fair value measurement

A number of assets and liabilities included in the Company's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- Level 3: Unobservable inputs

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The financial assets and financial liabilities of the Company that either require fair value measurements or only fair value disclosures as at 31 December 2013 is shown in Note 14.

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 2013, in the opinion of the Company's management, no provision is required towards impaired fee receivables (2012: 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 2011 and 2012	6,046	354	6,400
Additions	1,370	-	1,370
At December 2013	7,416	354	7,770
Accumulated depreciation			
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
Charge for the year (Note 12)	447	-	447
At 31 December 2013	6,264	354	6,618
Net book amount			
At 31 December 2013	1,152	-	1,152
At 31 December 2012	229	-	229

The Company operates from related party premises with no rent obligations (2012: BDNil).

6 Fee and other receivables

	31 December 2013	31 December 2012
Fee receivables	1,027,224	700,190
Prepayments	500	-
	1,027,724	700,190

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 2013	31 December 2012
Less than six months	163,517	197,063
More than six months	863,707	503,127

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 and other 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 2013, an amount of BD64,512 has been transferred to the sinking fund (2012: BD60,432).

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 2013 amounted to BD1,844 (2012: BD1,753).

Expatriate employees

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

	31 December 2013	31 December 2012
Opening balance	4,584	2,487
Accruals for the year	1,960	2,097
Payments during the year	(351)	-
Closing balance	6,193	4,584
Number of staff employed by the Company	25	25

9 Trade and other payables

	31 December 2013	31 December 2012
Trade payables	33,391	26,249
Advances from customers	980	7,941
Accruals and other payables	8,372	8,742
Amounts due to related parties (Note 13)	1,045,174	882,583
	1,087,917	925,515

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 2013, the maturity profile of trade payables is as follows:

	Total	Less than 6 months	More than 6 months
At 31 December 2013	33,391	33,391	-
At 31 December 2012	26,249	26,249	-

10 Revenue

	Year ended 31 December 2013	Year ended 31 December 2012
Revenue Garden View Phase 4EFGH	139,559	112,296
Revenue Palm Phase 1FGH	128,210	126,986
Revenue Marina Phase 1A1B	104,826	103,719
Revenue Reef Phase 4CD	81,316	81,316
Revenue Coral Phase 3CDEF	65,123	55,735
Revenue Villas Phase 1C,1D,1E,4A,4B	61,057	59,589
Revenue Houses Phase 2A,2B,3B	29,385	29,385
Revenue Sea View Phase 3A	21,824	21,474
Revenue Sea View Phase 2C	13,824	13,824
Tala Leisure Centre	810	-
	645,934	604,324

11 Direct costs

	Year ended 31 December 2013	Year ended 31 December 2012
Costs Marina Phase 1A1B	66,666	51,641
Costs Garden View Phase 4EFGH	61,229	71,641
Costs Palm Phase 1FGH	51,443	53,215
Costs Coral Phase 3CDEF	41,120	45,233
Costs Reef Phase 4CD	33,211	33,494
Costs Villas Phase 1C,1D,1E,4A,4B	29,517	26,435
Costs Houses Phase 2A,2B,3B	15,094	13,567
Costs Sea View Phase 3A	11,231	11,844
Costs Sea View Phase 2C	8,454	7,944
Common Areas	45,537	49,236
	363,502	364,250

12 General and administrative expenses

	Year ended 31 December 2013	Year ended 31 December 2012
Staff costs and allowances	109,070	112,495
Depreciation (Note 5)	447	475
Other general and administrative expenses	9,487	9,294
	119,004	122,264

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 2013	Year ended 31 December 2012
Related party transactions		
Expenses (Transactions with parties with common ownership)		
Tala Property Development W.L.L.	160,896	324,985
Bahrain Investment Wharf B.S.C (c)	98,589	64,687
Circo Properties and Facility Management Company W.L.L.	69,281	67,300
BIW Labour Accommodation Co. W.L.L.	13,680	12,960
Ossis B.S.C. (c)	13,461	25,143
	355,907	495,075
Amounts due to related parties (Note 9)		
Tala Property Development W.L.L. (Common ownership)	1,038,371	877,475
Bahrain Investment Wharf B.S.C. (c) (Common ownership)	5,617	5,108
Ossis B.S.C. (c) (Common ownership)	1,186	-
	1,045,174	882,583

14 Financial assets and liabilities and risk management

Financial assets and liabilities carried on the statement of financial position include fee and other 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 2013 and 2012.

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.

14 Financial assets and liabilities and risk management (continued)

	31 December 2013	31 December 2012
Trade and other payables	1,087,917	925,515
Net debt	1,087,917	925,515
Accumulated deficit	(65,234)	(229,680)
Total capital	(65,234)	(229,680)
Total capital and net debt	1,022,683	695,835
Gearing ratio	-	-

As at 31 December 2013 and 2012, the Company's net worth has been fully eroded. Accordingly, no gearing ratio has been calculated.

Principal financial instruments

The *principal* financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Fee and other receivables; and
- Trade and other payables.

A summary of the financial instruments held by category is provided below as at 31 December 2013:

Financial assets	*Loans and receivables*
Fee and other receivables, net of repayments	1,027,224
Total financial assets	1,027,224

Financial liabilities	*Financial liabilities at amortised cost*
Trade and other payables	1,087,917
Total financial liabilities	1,087,917

A summary of the financial instruments held by category is provided below as at 31 December 2012:

Financial assets	*Loans and receivables*
Fee and other receivables	700,190
Total financial assets	700,190

Financial liabilities	*Financial liabilities at amortised cost*
Trade and other payables	925,515
Total financial liabilities	925,515

14 Financial assets and liabilities and risk management (continued)

Risk management is carried out by the Finance Department of the Company under policies approved by the Directors. The Company's Finance Department evaluates and hedges financial risks in close co-operation with the Company's operating units. The Directors provide principles for overall risk management, as well as policies covering specific areas.

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.

	At 31 December 2013	
Financial assets	*Carrying value*	*Maximum exposure*
Fee and other receivables, net of repayments	1,027,224	1,027,224
Total financial assets	1,027,224	1,027,224

	At 31 December 2012	
Financial assets	*Carrying value*	*Maximum exposure*
Fee and other receivables	700,190	700,190
Total financial assets	700,190	700,190

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 and other 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 2013.

14 Financial assets and liabilities and risk management (continued)

Fair value measurement (continued)

The following table sets out the fair value hierarchy of financial instruments measured at fair value on recurring basis along with valuation techniques and significant unobservable input used in determining the fair value measurement of financial instruments as well as the inter-relationship between observable inputs and fair value:

	Fair value at 31 December	Level of hierarchy	Valuation technique used and key inputs	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value
Financial assets and liabilities					
Fee receivables	1,027,224 (2012: BD700,190)	L3	The carrying amount of trade receivables approximates its fair values	Not applicable	Not applicable
Trade payables	33,391 (2012: BD26,249)	L3	The carrying amount of trade payables approximates its fair values	Not applicable	Not applicable

There are no transfers between levels during the year.

15 Events after reporting date

There were no events subsequent to 31 December 2013 and occurring before the date of the report that are expected to have a significant impact on these financial statements.