

Tala Island Facility Management Co.

Financial statements for the
year ended 31 December 2014

Tala Island Facility Management Co.
Financial statements for the year ended 31 December 2014

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Tala Island Facility Management Co.
Administration and Contact details as at 31 December 2014

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 17 th 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 2014, 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 BD882,170 as at 31 December 2014. 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 2014.

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 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.


Manama, Kingdom of Bahrain
30 June 2016




Tala Island Facility Management Co.
Statement of financial position as at 31 December 2014
(Expressed in Bahrain Dinars)

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
ASSETS			
Non-current assets			
Plant and equipment	5	<u>696</u>	<u>1,152</u>
Current assets			
Fee and other receivables	6	<u>1,300,094</u>	<u>1,027,724</u>
Total assets		<u><u>1,300,790</u></u>	<u><u>1,028,876</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Accumulated deficit		(149,781)	(190,178)
Sinking fund	7	190,174	124,944
Maintenance reserve	8	<u>95,220</u>	<u>-</u>
		<u>135,613</u>	<u>(65,234)</u>
Non-current liabilities			
Employees' terminal benefits	9	<u>8,544</u>	<u>6,193</u>
Current liabilities			
Trade and other payables	10	<u>1,156,633</u>	<u>1,087,917</u>
Total equity and liabilities		<u><u>1,300,790</u></u>	<u><u>1,028,876</u></u>

These financial statements, set out on pages 4 to 19, 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 2014
(Expressed in Bahrain Dinars)

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
Revenue	11	652,520	645,934
Direct costs	12	<u>(335,297)</u>	<u>(363,502)</u>
		317,223	282,432
Other income		<u>2,751</u>	<u>1,018</u>
		<u>319,974</u>	<u>283,450</u>
Expenses			
General and administrative expenses	13	<u>(119,127)</u>	<u>(119,004)</u>
Excess of income over expenditure for the year		<u>200,847</u>	<u>164,446</u>

These financial statements, set out on pages 4 to 19, 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 2014
(Expressed in Bahrain Dinars)

	<u>Accumulated funds</u>	<u>Sinking fund</u>	<u>Maintenance reserve</u>	<u>Total</u>
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)	<u>(64,512)</u>	<u>64,512</u>	<u>-</u>	<u>-</u>
At 31 December 2013	(190,178)	124,944	-	(65,234)
Excess of income over expenditure for the year	200,847	-	-	200,847
Transfer to sinking fund (Note 7)	(65,230)	65,230	-	-
Transfer to maintenance reserve (Note 8)	<u>(95,220)</u>	<u>-</u>	<u>95,220</u>	<u>-</u>
At 31 December 2014	<u>(149,781)</u>	<u>190,174</u>	<u>95,220</u>	<u>135,613</u>

Tala Island Facility Management Co.
Statement of cash flows for the year ended 31 December 2014
(Expressed in Bahrain Dinars)

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
Operating activities			
Excess of income over expenditure for the year		200,847	164,446
Adjustments for:			
Depreciation	5	456	447
Changes in operating assets and liabilities:			
Fee and other receivables		(272,370)	(327,534)
Trade and other payables		68,716	162,402
Employees' terminal benefits, net		<u>2,351</u>	<u>1,609</u>
Net cash provided by operating activities		<u>-</u>	<u>1,370</u>
Investing activities			
Purchase of plant and equipment	5	<u>-</u>	<u>(1,370)</u>
Net cash used in investing activities		<u>-</u>	<u>(1,370)</u>
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents, beginning of the year		<u>-</u>	<u>-</u>
Cash and cash equivalents, end of the year		<u><u>-</u></u>	<u><u>-</u></u>

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").

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 2010/2014 cycle

Improvements/amendments to IFRS issued in 2010/2014 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 2014 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 2014 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 2014 or subsequent periods, but are not relevant to the Company's operations:

<u>Standard or Interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 32	Financial Instruments - Presentation	1 January 2014
IAS 36	Impairment of Assets	1 January 2014
IAS 39	Financial Instruments: Recognition and Measurement	1 January 2014
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRIC 21	Levies	1 January 2014

Standards, amendments and interpretations issued but not yet effective in 2014

The following IFRS and IFRIC interpretations issued/revised as at 1 January 2014 or subsequent periods have not been early adopted by the Company's management:

<u>Standard or Interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 16	Property, Plant and Equipment	1 July 2014
IAS 19	Employee Benefits	1 July 2014
IAS 24	Related Party Disclosures	1 July 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	1 July 2014
IFRS 2	Share Based Payment	1 July 2014
IFRS 3	Business Combinations	1 July 2014
IFRS 7	Financial Instruments - Disclosures	1 January 2015
IFRS 8	Operating Segments	1 July 2014
IFRS 9	Financial Instruments - Classification and Measurement	1 January 2015
IFRS 13	Fair Value Measurement	1 July 2014
IFRS 14	Regulatory Deferral Accounts	1 January 2016

There would have been no change in the operational results of the Company for the year ended 31 December 2014 had the Company early adopted any of the above standards applicable to the Company.

Early adoption of amendments or standards in 2014

The Company did not early-adopt any new or amended standards in 2014.

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. 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 2014 is shown in Note 15.

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 2014, in the opinion of the Company's management, no provision is required towards impaired fee receivables (2013: 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.

Tala Island Facility Management Co.
Notes to the financial statements for the year ended 31 December 2014
(Expressed in Bahrain Dinars)

5 Plant and equipment

<i>Cost</i>	Office equipment	Furniture and fixtures	Total
At 31 December 2012	6,046	354	6,400
Additions	<u>1,370</u>	-	<u>1,370</u>
At December 2013 and 2014	<u>7,416</u>	<u>354</u>	<u>7,770</u>
<i>Accumulated depreciation</i>			
At 31 December 2012	5,817	354	6,171
Charge for the year (Note 13)	<u>447</u>	-	<u>447</u>
At 31 December 2013	6,264	354	6,618
Charge for the year (Note 13)	<u>456</u>	-	<u>456</u>
At December 2014	<u>6,720</u>	<u>354</u>	<u>7,074</u>
<i>Net book amount</i>			
At 31 December 2014	<u>696</u>	-	<u>696</u>
At 31 December 2013	<u>1,152</u>	-	<u>1,152</u>

The Company operates from related party premises with no rent obligations (2013: BDNil).

6 Fee and other receivables

	31 December 2014	31 December 2013
Fee receivables	1,296,494	1,027,224
Prepayments	<u>3,600</u>	<u>500</u>
	<u>1,300,094</u>	<u>1,027,724</u>

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 2014	31 December 2013
Less than six months	<u>134,635</u>	<u>163,517</u>
More than six months	<u>1,161,859</u>	<u>863,707</u>

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 2014, an amount of BD65,230 has been transferred to the sinking fund (2013: BD64,512).

8 Maintenance reserve

In accordance with the terms of the Tala Island Owners' Association Agreement, the Company is required to set aside amounts from the contributions received from the Owners, in a reserve which shall belong to the Owner's Association. Such amounts maintained shall be treated as a maintenance reserve and shall be earmarked to meet the periodic maintenance and related expenses that might be required towards the general upkeep of Tala Island. During the year ended 31 December 2014, an amount of BD95,220 has been transferred to the maintenance reserve (2013: BDNil).

9 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 2014 amounted to BD1,216 (2013: BD1,753).

Expatriate employees

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

	31 December 2014	31 December 2013
Opening balance	6,193	4,584
Accruals for the year	2,670	1,960
Payments during the year	(319)	(351)
Closing balance	<u>8,544</u>	<u>6,193</u>
Number of staff employed by the Company	<u>26</u>	<u>28</u>

10 Trade and other payables

	31 December 2014	31 December 2013
Trade payables	37,749	33,391
Advances from customers	-	980
Accruals and other payables	10,376	8,372
Amounts due to related parties (Note 14)	<u>1,108,508</u>	<u>1,045,174</u>
	<u>1,156,633</u>	<u>1,087,917</u>

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

Tala Island Facility Management Co.
Notes to the financial statements for the year ended 31 December 2014
(Expressed in Bahrain Dinars)

10 Trade and other payables (continued)

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

As at 31 December 2014, the maturity profile of trade payables is as follows:

	<u>Total</u>	<u>Less than 6 months</u>	<u>More than 6 months</u>
At 31 December 2014	<u>37,749</u>	<u>37,749</u>	<u>-</u>
At 31 December 2013	<u>33,391</u>	<u>33,391</u>	<u>-</u>

11 Revenue

	<u>Year ended 31 December 2014</u>	<u>Year ended 31 December 2013</u>
Revenue Garden View Phase 4EFGH	143,767	139,559
Revenue Palm Phase 1FGH	129,232	128,210
Revenue Marina Phase 1A1B	104,826	104,826
Revenue Reef Phase 4CD	81,316	81,316
Revenue Coral Phase 3CDEF	66,908	65,123
Revenue Villas Phase 1C, 1D, 1E, 4A, 4B	61,214	61,057
Revenue Houses Phase 2A, 2B, 3B	29,385	29,385
Revenue Sea View Phase 3A	21,824	21,824
Revenue Sea View Phase 2C	13,824	13,824
Tala Leisure Centre	<u>224</u>	<u>810</u>
	<u>652,520</u>	<u>645,934</u>

12 Direct costs

	<u>Year ended 31 December 2014</u>	<u>Year ended 31 December 2013</u>
Costs Marina Phase 1A1B	43,617	66,666
Costs Garden View Phase 4EFGH	58,977	61,229
Costs Palm Phase 1FGH	50,119	51,443
Costs Coral Phase 3CDEF	37,840	41,120
Costs Reef Phase 4CD	30,770	33,211
Costs Villas Phase 1C, 1D, 1E, 4A, 4B	27,670	29,517
Costs Houses Phase 2A, 2B, 3B	14,353	15,094
Costs Sea View Phase 3A	10,580	11,231
Costs Sea View Phase 2C	7,537	8,454
Common Areas	<u>53,834</u>	<u>45,537</u>
	<u>335,297</u>	<u>363,502</u>

Tala Island Facility Management Co.
Notes to the financial statements for the year ended 31 December 2014
(Expressed in Bahrain Dinars)

13 General and administrative expenses

	Year ended 31 December <u>2014</u>	Year ended 31 December <u>2013</u>
Staff costs and allowances	109,145	109,070
Depreciation (Note 5)	456	447
Other general and administrative expenses	<u>9,526</u>	<u>9,487</u>
	<u>119,127</u>	<u>119,004</u>

14 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 <u>2014</u>	Year ended 31 December <u>2013</u>
Related party transactions		
Expenses (Transactions with parties with common ownership)		
Tala Property Development W.L.L.	63,227	160,896
Bahrain Investment Wharf B.S.C (c)	88,727	98,589
Circo Properties and Facility Management Company W.L.L.	69,188	69,281
BIW Labour Accommodation Co. W.L.L.	14,400	13,680
Ossis B.S.C. (c)	<u>11,206</u>	<u>13,461</u>
	<u>246,748</u>	<u>355,907</u>
Amounts due to related parties (Note 10)		
Tala Property Development W.L.L. (Common ownership)	1,101,598	1,038,371
Bahrain Investment Wharf B.S.C. (c) (Common ownership)	6,910	5,617
Ossis B.S.C. (c) (Common ownership)	<u>-</u>	<u>1,186</u>
	<u>1,108,508</u>	<u>1,045,174</u>

15 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.

15 Financial assets and liabilities and risk management (continued)

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 2014 and 2013.

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 2014	31 December 2013
Trade and other payables	<u>1,156,633</u>	<u>1,087,917</u>
Net debt	<u>1,156,633</u>	<u>1,087,917</u>
Accumulated surplus/(deficit)	<u>135,613</u>	<u>(65,234)</u>
Total capital	<u>135,613</u>	<u>(65,234)</u>
Total capital and net debt	<u>1,292,246</u>	<u>1,022,683</u>
Gearing ratio	<u>89.50%</u>	<u>-</u>

As at 31 December 2014, 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 2014:

<u>Financial assets</u>	<u>Loans and receivables</u>
Fee and other receivables, net of repayments	<u>1,296,494</u>
Total financial assets	<u>1,296,494</u>
<u>Financial liabilities</u>	<u>Financial liabilities at amortised cost</u>
Trade and other payables	<u>1,156,633</u>
Total financial liabilities	<u>1,156,633</u>

15 Financial assets and liabilities and risk management (continued)

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

<u>Financial assets</u>	<u>Loans and receivables</u>
Fee and other receivables, net of repayments	1,027,224
Total financial assets	1,027,224
	<u>Financial liabilities</u> <u>at amortised cost</u>
Trade and other payables	1,087,917
Total financial liabilities	1,087,917

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.

	<u>At 31 December 2014</u>	
	<u>Carrying value</u>	<u>Maximum exposure</u>
Financial assets		
Fee and other receivables	1,296,494	1,296,494
Total financial assets	1,296,494	1,296,494
	<u>At 31 December 2013</u>	
Financial assets	<u>Carrying value</u>	<u>Maximum exposure</u>
Fee and other receivables	1,027,224	1,027,224
Total financial assets	1,027,224	1,027,224

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.

15 Financial assets and liabilities and risk management (continued)

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 2014.

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
<i>Financial assets and liabilities</i>					
Fee receivables	1,296,494 (2013: BD1,027,224)	L3	The carrying amount of trade receivables approximates its fair values	Not applicable	Not applicable
Trade payables	37,749 (2013: BD33,391)	L3	The carrying amount of trade payables approximates its fair values	Not applicable	Not applicable

There are no transfers between levels during the year.

16 Events after reporting date

There were no events subsequent to 31 December 2014 and occurring before the date of the report that are expected to have a significant impact on these financial statements.