# Tala Island Facility Management Co.

Financial statements for the
year ended 31 December 2016

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|---|---|
| **Management** | Jameel Ali Matrook Al Matrook<br>Ashraf Sameer Saleem Othman |
| **Office** | Building 1034, Road 5710<br>Block 257<br>PO Box 18286<br>Amwaj Islands<br>Kingdom of Bahrain |
| **Banker** | Ahli United Bank |
| **Auditors** | BDO<br>17th Floor<br>Diplomat Commercial Office Tower<br>PO Box 787<br>Manama<br>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.

### Qualified opinion

We have audited the financial statements of Tala Island Facility Management Co. ("the Company"), which comprise the statement of income and expenditure, the statement of changes in accumulated funds and the statement of cash flows for the year ended 31 December 2016, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph below, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year ended 31 December 2016 in accordance with International Financial Reporting Standards (IFRSs).

### 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 BD697,582 as at 31 December 2016. Accordingly, 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 2016.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Code of Ethics for Professional Accountants ("IESBA Code") issued by International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

Management is responsible for the other information. The other information comprises the information included in the Directors' report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of management and Those Charged With Governance (TCWG) for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those Charged With Governance are responsible for overseeing the Company's financial reporting process.

BDO

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

17th Floor
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Manama
Kingdom of Bahrain

# Independent auditor's report to the management of Tala Island Facility Management Co. (continued)

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with the management and Those Charged With Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO

Manama, Kingdom of Bahrain
1 June 2017

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

**Tala Island Facility Management Co.**
**Statement of financial position as at 31 December 2016**
**(Expressed in Bahrain Dinars)**

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Plant and equipment | 5 | 20,976 | 1,622 |
| **Current assets** | | | |
| Fee and other receivables | 6 | 1,048,537 | 1,426,512 |
| Cash and bank balance | 7 | 3,302 | - |
| | | 1,051,839 | 1,426,512 |
| **Total assets** | | 1,072,815 | 1,428,134 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Accumulated deficit | | (119,157) | (139,593) |
| Sinking fund | 8 | 321,381 | 255,569 |
| Maintenance reserve | 9 | 190,440 | 190,440 |
| | | 392,664 | 306,416 |
| **Non-current liabilities** | | | |
| Employees' terminal benefits | 10 | 15,689 | 12,107 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 664,462 | 1,109,611 |
| **Total equity and liabilities** | | 1,072,815 | 1,428,134 |

These financial statements, set out on pages 5 to 21, were approved and authorised for issue and signed by the management on 1 June 2017.

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 2016**
**(Expressed in Bahrain Dinars)**

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **Revenue** | | | |
| Facility management fee income | 12 | 658,117 | 653,947 |
| Leisure centre income | | 42,841 | 30,968 |
| | | 700,958 | 684,915 |
| **Direct costs** | | | |
| Facility management expenses | 13 | (308,275) | (296,587) |
| Leisure centre expenses | | (26,530) | (12,267) |
| | | (334,805) | (308,854) |
| | | 366,153 | 376,061 |
| Other income | | 3,940 | 2,545 |
| | | 370,093 | 378,606 |
| **Expenses** | | | |
| General and administrative expenses | 14 | (283,845) | (207,803) |
| **Excess of income over expenditure for the year** | | 86,248 | 170,803 |

These financial statements, set out on pages 5 to 21, were approved and authorised for issue and signed by the management on 1 June 2017.

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 2016**
**(Expressed in Bahrain Dinars)**

| | Accumulated funds | Sinking fund | Maintenance reserve | Total |
|---|---|---|---|---|
| At 31 December 2014 | (149,781) | 190,174 | 95,220 | 135,613 |
| Excess of income over expenditure for the year | 170,803 | - | - | 170,803 |
| Transfer to sinking fund (Note 8) | (65,395) | 65,395 | | - |
| Transfer to maintenance reserve (Note 9) | (95,220) | - | 95,220 | - |
| At 31 December 2015 | (139,593) | 255,569 | 190,440 | 306,416 |
| Excess of income over expenditure for the year | 86,248 | - | - | 86,248 |
| Transfer to sinking fund (Note 8) | (65,812) | 65,812 | - | - |
| At 31 December 2016 | (119,157) | 321,381 | 190,440 | 392,664 |

**Tala Island Facility Management Co.**
**Statement of cash flows for the year ended 31 December 2016**
**(Expressed in Bahrain Dinars)**

| | Note | 2016 | 2015 |
|---|---|---|---|
| **Operating activities** | | | |
| Excess of income over expenditure for the year | | 86,248 | 170,803 |
| Adjustments for: | | | |
| Depreciation | 5 | 5,260 | 828 |
| Loss on disposal of plant and equipment | | 4 | - |
| Changes in operating assets and liabilities: | | | |
| Fee and other receivables | | 377,975 | (126,418) |
| Trade and other payables | | (445,149) | (47,022) |
| Employees' terminal benefits, net | | 3,582 | 3,563 |
| Net cash provided by operating activities | | 27,920 | 1,754 |
| **Investing activities** | | | |
| Purchase of plant and equipment | 5 | (24,618) | (1,754) |
| Net cash used in investing activities | | (24,618) | (1,754) |
| **Net increase in cash and cash equivalents** | | 3,302 | - |
| Cash and cash equivalents, beginning of the year | | - | - |
| Cash and cash equivalents, end of the year | 7 | 3,302 | - |

## 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 and functional currency***

The financial statements have been prepared using going concern assumption and under the historical cost convention. The financial statements have been presented in Bahraini 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 to IFRS/IAS 2012/2014 and 2014/2016 cycle***

Improvements/amendments to IFRS/IAS issued in 2012/2014 and 2014/2016 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 2016 and subsequent periods 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 2016 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 2016 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 1 | Presentation of Financial Statements | 1 January 2016 |
| IAS 16 | Property, plant and equipment | 1 January 2016 |
| IAS 19 | Employee Benefits | 1 January 2016 |
| IAS 27 | Separate Financial Statements | 1 January 2016 |
| IAS 28 | Investments in Associates and Joint Ventures | 1 January 2016 |
| IAS 34 | Interim Financial Reporting | 1 January 2016 |
| IAS 38 | Intangible assets | 1 January 2016 |
| IAS 41 | Agriculture | 1 January 2016 |
| IFRS 5 | Non-current assets held for sale and discontinued operations | 1 January 2016 |
| IFRS 7 | Financial Instruments - Disclosures | 1 January 2016 |
| IFRS 10 | Consolidated Financial Statements | 1 January 2016 |
| IFRS 11 | Joint Arrangements | 1 January 2016 |
| IFRS 12 | Disclosure of Interests in Other Entities | 1 January 2016 |
| IFRS 14 | Regulatory Deferral Accounts | 1 January 2016 |

***Standards, amendments and interpretations issued but not yet effective in 2016***

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2016. They have not been adopted in preparing the financial statements for the year ended 31 December 2016 and are expected to affect the entity in the period of initial application. In all cases, the entity intends to apply these standards from application date as indicated in the table below.

| Standard or Interpretation | Title | Effective for annual periods beginning on or after |
|---|---|---|
| IAS 40 | Investment Properties | 1 January 2018 |
| IFRS 9 | Financial Instruments | 1 January 2018 |
| IFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| IFRS 16 | Leases | 1 January 2019 |

There would have been no change in the operational results of the Company for the year ended 31 December 2016 had the Company early adopted any of the above standards.

***Early adoption of amendments or standards in 2016***

The Company did not early-adopt any new or amended standards in 2016.

## 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 and impairment losses. 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 |
| Gym equipment | 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 the following categories: loans and receivables and cash and bank balances. This classification depends on the purpose for which the asset is acquired.

*a) 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, and cash and bank balance 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.

*b) Cash and cash equivalents*

For the purpose of statement of cash flows, cash and cash equivalents comprises of cash on hand and current account balance with a bank.

## 3 Significant accounting policies (continued)

***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.

***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.

***Operating leases***

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

## 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.

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
- contingencies; and
- going concern.

*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 2016 is shown in Note 16.

*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 2016, in the opinion of the Company's management, no provision is required towards impaired fee receivables (2015: BDNil). When evaluating the adequacy of provision for impaired fee receivables, management bases its estimate on current overall economic conditions, ageing of the trade 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.

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

*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.

*Going concern*

The management of the Company reviews the financial position on a periodical basis and assesses the requirement of any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due. In addition, the management of the Company ensures that they provide adequate financial support to fund the requirements and to ensure the going concern status of the Company.

## 5 Plant and equipment

| | Office equipment | Gym equipment | Total |
|---|---|---|---|
| ***Cost*** | | | |
| At 31 December 2014 | 7,770 | - | 7,770 |
| Additions | 1,754 | - | 1,754 |
| At December 2015 | 9,524 | - | 9,524 |
| Additions | 1,130 | 23,488 | 24,618 |
| Disposals | (1,205) | - | (1,205) |
| At December 2016 | 9,449 | 23,488 | 32,937 |
| ***Accumulated depreciation*** | | | |
| At 31 December 2014 | 7,074 | - | 7,074 |
| Charge for the year | 828 | - | 828 |
| At 31 December 2015 | 7,902 | - | 7,902 |
| Charge for the year | 996 | 4,264 | 5,260 |
| On disposals | (1,201) | - | (1,201) |
| At December 2016 | 7,697 | 4,264 | 11,961 |
| ***Net book amount*** | | | |
| At 31 December 2016 | 1,752 | 19,224 | 20,976 |
| At 31 December 2015 | 1,622 | - | 1,622 |

The Company operates from premises with monthly rent of BD2,650 (2015: BDNil).

Depreciation on plant and equipment has been charged to the statement of profit or loss and other comprehensive income as follows:

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Leisure centre expenses | 4,264 | - |
| General and administrative expenses (Note 14) | 996 | 828 |
| | 5,260 | 828 |

## 6 Fee and other receivables

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Fee receivables | 1,030,333 | 1,424,911 |
| Prepayments and other receivables | 18,204 | 1,601 |
| | 1,048,537 | 1,426,512 |

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 2016 | 31 December 2015 |
|---|---|---|
| Less than six months | 167,264 | 64,208 |
| More than six months | 863,069 | 1,360,703 |

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 Cash and bank balance

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Cash on hand | 726 | - |
| Current account balance with a bank | 2,576 | - |
| | 3,302 | - |

The current account balance with a bank is non-interest bearing.

## 8 Sinking fund

In accordance with the Bye-laws of the Tala Island Owners' Association, 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 2016, an amount of BD65,812 has been transferred to the sinking fund (2015: BD65,395).

## 9 Maintenance reserve

In accordance with the Bye-laws of the Tala Island Owners' Association, 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 2016, no amounts have been transferred to the maintenance reserve (2015: BD95,220).

## 10 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 2016 amounted to BD7,219 (2015: BD941).

### *Expatriate employees*

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

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Opening balance | 12,107 | 8,544 |
| Transferred from related party (Note 15) | 10,128 | - |
| Accruals for the year | 1,927 | 4,534 |
| Payments during the year | (8,473) | (971) |
| Closing balance | 15,689 | 12,107 |
| Number of staff employed by the Company | 17 | 33 |

## 11 Trade and other payables

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Trade payables | 58,371 | 42,470 |
| Advances from customers | 6,407 | 4,908 |
| Accruals and other payables | 28,857 | 11,659 |
| Amounts due to related parties (Note 15) | 570,827 | 1,050,574 |
| | 664,462 | 1,109,611 |

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 2016, the maturity profile of trade payables is as follows:

| | Total | Less than 6 months | More than 6 months |
|---|---|---|---|
| At 31 December 2016 | 58,371 | 58,371 | - |
| At 31 December 2015 | 42,470 | 42,470 | - |

## 12 Facility management fee income

| | Year ended 31 December 2016 | Year ended 31 December 2015 |
|---|---|---|
| Revenue Garden View Phase 4EFGH | 144,218 | 144,219 |
| Revenue Palm Phase 1FGH | 129,589 | 129,592 |
| Revenue Marina Phase 1A1B | 104,826 | 104,826 |
| Revenue Reef Phase 4CD | 81,316 | 81,316 |
| Revenue Coral Phase 3CDEF | 67,747 | 67,747 |
| Revenue Villas Phase 1C,1D,1E,4A,4B | 61,214 | 61,214 |
| 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 |
| Revenue Retail Center | 4,174 | - |
| | 658,117 | 653,947 |

## 13 Facility management expenses

| | Year ended 31 December 2016 | Year ended 31 December 2015 |
|---|---|---|
| Costs Garden View Phase 4EFGH | 43,781 | 50,369 |
| Costs Palm Phase 1FGH | 38,245 | 40,470 |
| Costs Marina Phase 1A1B | 39,246 | 38,366 |
| Costs Coral Phase 3CDEF | 27,592 | 30,019 |
| Costs Reef Phase 4CD | 23,284 | 27,083 |
| Costs Villas Phase 1C,1D,1E,4A,4B | 13,344 | 18,823 |
| Costs Houses Phase 2A,2B,3B | 6,991 | 9,596 |
| Costs Sea View Phase 3A | 8,610 | 8,842 |
| Costs Sea View Phase 2C | 7,275 | 6,463 |
| Costs Retail Center | 876 | - |
| Common Areas | 99,031 | 66,556 |
| | 308,275 | 296,587 |

## 14 General and administrative expenses

| | Year ended 31 December 2016 | Year ended 31 December 2015 |
|---|---|---|
| Staff costs and allowances | 201,862 | 192,782 |
| Depreciation (Note 5) | 996 | 828 |
| Other general and administrative expenses | 80,987 | 14,193 |
| | 283,845 | 207,803 |

## 15 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.

## 15 Transactions and balances with related parties (continued)

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 2016 | Year ended 31 December 2015 |
|---|---|---|
| **Related party transactions** | | |
| Expenses (Transactions with parties with common ownership) | | |
| Amwaj Property Development B.S.C (c) | 55,107 | - |
| BIW Labour Accommodation Co. W.L.L. | 4,800 | 14,400 |
| Bahrain Investment Wharf W.L.L | - | 77,518 |
| Circo Properties and Facility Management Company W.L.L. | - | 17,085 |
| Ossis B.S.C. (c) | - | 18,175 |
| | 59,907 | 127,178 |
| ***Amounts due to related parties (Note 11)*** | | |
| Tala Property Development W.L.L. (Common ownership) | 566,474 | 1,046,377 |
| Amwaj Property Development B.S.C (c) | 4,353 | - |
| Bahrain Investment Wharf B.S.C. (c) (Common ownership) | - | 4,197 |
| | 570,827 | 1,050,574 |

## 16 Financial assets and liabilities and risk management

**Financial assets and liabilities** carried on the statement of financial position include fee and other receivables excluding prepayments, cash and bank balance and trade and other payables excluding employees' benefits. 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 2016 and 2015.

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 less cash and bank balance. Capital includes reserves attributable to the management of the Managing Company.

## 16 Financial assets and liabilities and risk management (continued)

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Trade and other payables | 664,462 | 1,109,611 |
| Less: cash and bank balance | (3,302) | - |
| Net debt | 661,160 | 1,109,611 |
| Accumulated surplus | 392,664 | 306,416 |
| Total capital | 392,664 | 306,416 |
| Total capital and net debt | 1,053,824 | 1,416,027 |
| Gearing ratio | 62.74% | 78.36% |

***Principal financial instruments***

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

- Fee and other receivables excluding prepayments;
- Cash and bank balances; and
- Trade and other payables excluding employees' benefits.

A summary of the financial instruments held by category is provided below as at 31 December 2016:

| ***Financial assets*** | ***Loans and receivables*** |
|---|---|
| Fee and other receivables excluding prepayments | 1,030,333 |
| Cash and bank balance | 3,302 |
| Total financial assets | 1,033,635 |

| ***Financial liabilities*** | ***Financial liabilities at amortised cost*** |
|---|---|
| Trade and other payables excluding employees' benefits | 664,462 |

A summary of the financial instruments held by category is provided below as at 31 December 2015:

| ***Financial assets*** | ***Loans and receivables*** |
|---|---|
| Fee and other receivables excluding prepayments | 1,424,911 |

| ***Financial liabilities*** | ***Financial liabilities at amortised cost*** |
|---|---|
| Trade and other payables excluding employees' benefits | 1,109,611 |

## 16 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 diversified tenant base. Management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's fee receivables.

| | At 31 December 2016 | |
|---|---|---|
| ***Financial assets*** | ***Carrying value*** | ***Maximum exposure*** |
| Cash and bank balance | 3,302 | 2,576 |
| Fee and other receivables excluding prepayments | 1,048,537 | 1,048,537 |
| Total financial assets | 1,051,839 | 1,051,113 |

| | At 31 December 2015 | |
|---|---|---|
| ***Financial assets*** | ***Carrying value*** | ***Carrying value*** |
| Fee and other receivables excluding prepayments | 1,426,512 | 1,424,911 |

**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 excluding prepayments and trade and other payables excluding employees' 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 2016.

## 16 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 | 1,030,333 (2015: BD1,424,911) | L3 | The carrying amount of trade receivables approximates its fair values | Not applicable | Not applicable |
| Trade payables | 58,371 (2015: BD42,470) | L3 | The carrying amount of trade payables approximates its fair values | Not applicable | Not applicable |

There are no transfers between levels during the year.

## 17 Events after reporting date

There were no events subsequent to 31 December 2016 and occurring before the date of the report that are expected to have a significant impact on these financial statements.