

Tala Island Facility Management Co.

Financial statements for the period from
1 January 2007 (date of formation)
to 31 December 2009

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31 December 2009

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Tala Island Facility Management Co.
Administration and contact details as at 31 December 2009

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 shareholders 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 at 31 December 2009, the statement of income and expenditure, the statement of changes in accumulated funds and the statement of cash flows for the period from 1 January 2007 (date of formation) to 31 December 2009, 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

We draw attention to Note 7 to the financial statements which explains that the Company has not complied with the provisions of Clause 29 of the Tala Island Owners' Association Agreement which requires the Company to set aside amounts towards the sinking fund from the contributions received. No amounts have been transferred to the sinking fund during the period ended 31 December 2009.

Qualified opinion

In our opinion, except for the effects 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 2009, and of its financial performance and its cash flows for the period from 1 January 2007 (date of formation) to 31 December 2009 in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to Note 2 in the financial statements which states that the Company has reported an excess of expenditure over income amounting to 113,775 during the period from 1 January 2007 (date of formation) to 31 December 2009. Further, the Company's net worth has been completely eroded and the accumulated deficit amounted to BD113,775 as at 31 December 2009. 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.



Manama, Kingdom of Bahrain
30 June 2016



Tala Island Facility Management Co.
Statement of financial position as at 31 December 2009
(Expressed in Bahrain Dinars)

	<u>Notes</u>	<u>2009</u>
ASSETS		
Non-current assets		
Plant and equipment	5	<u>2,451</u>
Current assets		
Fee and other receivables	6	<u>205,178</u>
Total assets		<u>207,629</u>
EQUITY AND LIABILITIES		
Capital and reserves		
Accumulated deficit		<u>(113,775)</u>
Non-current liabilities		
Employees' terminal benefits	8	<u>884</u>
Current liabilities		
Trade and other payables	9	<u>320,520</u>
Total equity and liabilities		<u>207,629</u>

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



Jameel Ali Matrook Al Matrook
Director




Ashraf Sameer Saleem Othman
Director

Tala Island Facility Management Co.
 Statement of income and expenditure for the period from 1 January 2007 (date of formation) to
 31 December 2009
 (Expressed in Bahrain Dinars)

	Notes	Period from 1 January 2007 to 31 December 2009
Revenue	10	347,296
Direct costs	11	<u>(302,272)</u>
Gross profit		45,024
Other income		<u>257</u>
		<u>45,281</u>
Expenses		
Staff costs		(139,612)
General and administrative expenses		(16,793)
Depreciation	5	<u>(2,651)</u>
		<u>(159,056)</u>
Excess of expenditure over income for the period		<u>(113,775)</u>

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



 Jameel Ali Matrook Al Matrook
 Director



 Ashraf Sameer Saleem Othman
 Director

Tala Island Facility Management Co.
Statement of changes in accumulated funds for the period from 1 January 2007 (date of
formation) to 31 December 2009
(Expressed in Bahrain Dinars)

	<u>Accumulated funds</u>
Excess of expenditure over income for the period and as at 31 December 2009	<u>(113,775)</u>

Tala Island Facility Management Co.
Statement of cash flows for the period from 1 January 2007 (date of formation) to
31 December 2009
(Expressed in Bahrain Dinars)

	<u>Notes</u>	Period from 1 January 2007 to 31 December <u>2009</u>
Operating activities		
Excess of expenditure over income for the period		(113,775)
Adjustment for:		
Depreciation	5	2,651
Changes in operating assets and liabilities:		
Fee and other receivables		(205,178)
Trade and other payables		320,520
Employees' terminal benefits, net		<u>884</u>
Net cash provided by operating activities		<u>5,102</u>
Investing activities		
Purchase of plant and equipment	5	<u>(5,102)</u>
Net cash used in investing activities		<u>(5,102)</u>
Net movement in cash and cash equivalents		.
Cash and cash equivalents, beginning of the period		<u>.</u>
Cash and cash equivalents, end of the period		<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").

Going concern

The Company has reported an excess of expenditure over income amounting to BD113,775 during the period ended 31 December 2009. Further, the Company's net worth has been completely eroded and the accumulated deficit amounted to BD113,775 as at 31 December 2009. 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 judgment in the process of applying the Company's accounting policies.

Standards, amendments and interpretations effective and adopted in 2009

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 2009 and have been adopted in the preparation of the financial statements:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 1	Presentation of Financial Statements	1 January 2009

2 Basis of preparation (continued)

Standards, amendments and interpretations effective and adopted in 2009 (continued)

IAS 1 (revised), 'Presentation of Financial Statements' effective 1 January 2009: The revisions in the standard recommends new terminologies to be used for balance sheet and cash flow statement such as statement of financial position and statement of cash flows, respectively. The revision in the standard also prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in shareholders' equity, requiring 'non-owner changes in shareholders' equity to be presented separately from owners changes in shareholders' equity. All 'non-owner changes in shareholders' equity are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of income and expenditure) or two statements (the statement of income and expenditure and the statement of comprehensive income and expenditure).

The Company has elected to present one statement: a statement of income and expenditure. These financial statements have been prepared under the revised disclosure requirements.

Standards, amendments and interpretations effective in 2009 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 2009, 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 23	Borrowing Costs	1 January 2009
IAS 32	Financial Instruments: Presentation'	1 January 2009
IFRS 2	Share-based Payment (revised)	1 January 2009
IFRS 8	Operating Segments	1 January 2009
IFRIC 15	Agreement for the Construction of Real Estate	1 January 2009

Standards, amendments and interpretations issued but not yet effective in 2009

The following IFRS and IFRIC interpretations issued/revised as at 1 January 2009 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 27	Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity	1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement	1 July 2009
IFRS 3	Business Combinations	1 July 2009
IFRS 7	Financial Instruments: Disclosures	1 July 2009
IFRIC 17	Distributions of Non-Cash Assets to Owners	1 July 2009
IFRIC 18	Transfers of Assets from Customers	1 July 2009

There would have been no change in the operational results of the Company for the period ended 31 December 2009 had the Company early adopted any of the above standards applicable to the Company.

Early adoption of amendments or standards in 2009

The Company did not early-adopt any new or amended standards in 2009.

3 Significant accounting policies

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

Plant and equipment

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

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

Office equipment	3 years
Furniture and fixtures	3 years

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

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

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

Fee receivables

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

Trade payables

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

Deferred income

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

Provisions

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

3 Significant accounting policies (continued)

Employee benefits

Short-term benefits

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

Post employment benefits

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

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

Revenue recognition

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

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

4 Critical accounting judgments and key source of estimation uncertainty

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

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

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

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

Economic useful lives of plant and equipment

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

Provisions

The Company creates provision for impaired fee receivables to account for estimated losses resulting from the inability of customers to make the required payments. At 31 December 2009, in the opinion of the Company's management, no provision is required towards impaired fee receivables. 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 period from 1 January 2007 (date of formation) to
31 December 2009
(Expressed in Bahrain Dinars)

5 Plant and equipment	<u>Furniture and fixtures</u>	<u>Office equipment</u>	<u>Total</u>
<i>Cost</i>			
Additions during the period and at 31 December 2009	<u>355</u>	<u>4,747</u>	<u>5,102</u>
<i>Accumulated depreciation</i>			
Charge for the period and at 31 December 2009	<u>144</u>	<u>2,507</u>	<u>2,651</u>
<i>Net book amount</i>			
At 31 December 2009	<u>211</u>	<u>2,240</u>	<u>2,451</u>

6 Fee and other receivables	<u>31 December 2009</u>
Fee receivables	167,809
Other receivables	34
Amounts due from a related party (Note 12)	<u>37,335</u>
	<u>205,178</u>

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

Amounts due from a related party are unsecured, bear no interest and have no fixed repayment terms.

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

	<u>Total</u>	<u>Less than 6 months</u>	<u>More than 6 months</u>
At 31 December 2009	<u>167,809</u>	<u>1,475</u>	<u>166,334</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. No deductions have been made as of 31 December 2009 and no amount has been transferred to the sinking fund during the period ended 31 December 2009.

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 period from 1 January 2007 (date of formation) to 31 December 2009 amounted to BD763.

Expatriate employees

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

	31 December <u>2009</u>
Accruals during the period and at 31 December 2009	<u>884</u>
Number of staff employed by the Company	<u>31</u>

9 Trade and other payables

	31 December <u>2009</u>
Trade payables	20,259
Deferred income	297,183
Other payables	<u>3,078</u>
	<u>320,520</u>

Trade payables are normally settled within 90 days of the suppliers' invoice date.

As at 31 December, 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 2009	<u>20,259</u>	<u>20,259</u>	<u>-</u>

Tala Island Facility Management Co.
Notes to the financial statements for the period from 1 January 2007 (date of formation) to
31 December 2009
(Expressed in Bahrain Dinars)

10 Revenue

	Period from 1 January 2007 to 31 December 2009
Revenue Marina Phase 1A1B	116,827
Revenue Palm Phase 1FGH	65,113
Revenue Villas Phase 1C,1D,1E,4A,4B	46,478
Revenue Reef Phase 4CD	39,058
Revenue Houses Phase 2A,2B,3B	24,262
Revenue Garden View Phase 4EFGH	19,277
Revenue Sea View Phase 2C	8,419
Revenue Coral Phase 3CDEF	15,756
Revenue Sea View Phase 3A	<u>12,106</u>
	<u>347,296</u>

11 Direct costs

	Period from 1 January 2007 to 31 December 2009
Costs Marina Phase 1A1B	80,327
Costs Palm Phase 1FGH	59,519
Costs Reef Phase 4CD	32,675
Costs Villas Phase 1C,1D,1E,4A,4B	14,032
Costs Coral Phase 3CDEF	13,322
Costs Sea View Phase 2C	11,632
Costs Garden View Phase 4EFGH	10,396
Costs Sea View Phase 3A	9,571
Costs Houses Phase 2A,2B,3B	6,931
Common areas	<u>63,867</u>
	<u>302,272</u>

12 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 period ended and as at 31 December:

	Period ended 31 December <u>2009</u>
Related party transactions	
Expenses (Transactions with parties with common ownership)	
Tala Property Development W.L.L.	<u>42,835</u>
<i>Amounts due from a related party (Note 6)</i>	
Tala Property Development W.L.L. (Common ownership)	<u>37,335</u>

13 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 value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies and processes during the period ended 31 December 2009.

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 only. Capital includes reserves attributable to the management of the Managing Company.

13 Financial assets and liabilities and risk management (continued)

	31 December <u>2009</u>
Trade and other payables	<u>320,520</u>
Net debt	<u>320,520</u>
Accumulated deficit	<u>(113,775)</u>
Total capital	<u>(113,775)</u>
Total capital and net debt	<u>206,745</u>
Gearing ratio	<u>-</u>

As at 31 December 2009, the Company's net worth has been fully eroded. Accordingly, no gearing ratio has been calculated.

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

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

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

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

Fair value measurement

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments not measured at fair value on recurring basis include fee 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 2009.

14 Events after reporting date

There were no events subsequent to 31 December 2009 and occurring before the date of the report that are expected to have a significant impact on these financial statements.

15 Comparative figures

Comparative figures in the statement of financial position, statement of income and expenditure, statement of changes in accumulated funds, statement of cash flows and related notes has not been presented in these financial statements, being the first reporting period of the Company.

