Tala Island Owners' Association

Financial statements for the year ended 31 December 2018

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Tala Island Owners' Association
Administration and Contact details as at 31 December 2018

Registration No.	Registered with the Ministry of Justice and Social Affairs under registration number 2017056350 obtained on 27 July 2017

Members of the Board	Shawki Abdullah Abdul Hussein Khalaf	-	Chairman
	Qais Faisal Saleh Al Masqati	-	Vice-Chairman
	Iqbal Muhammad Ibrahim Jasem Shehab	-	Member
	Hassan Abdul Hussein Abdullah Dhaif	-	Member
	Yulia Makarenko	-	Member
	Anthony James Tesar	-	Member
	Nadia M. Al Sayed	-	Member
	Feras Mohammed Hesham Aljalad	-	Member
	Melvyn James Dabbs	-	Member

Association Manager	Tala Island Facility Management W.L.L.
Office	Building 1034, Road 5710 Block 257 PO Box 18286 Amwaj Islands Kingdom of Bahrain
Banker	Ahli United Bank
Auditors	BDO 17th Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain

Independent auditor's report to the management of Tala Island Owners' Association

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of Tala Island Owners' Association ("the Association"), which comprise the statement of financial position as at 31 December 2018, 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 notes to the financial statements, including a summary of significant accounting policies. In our opinion, except for the effect of the matter described in the *basis for qualified opinion* section of the report, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for qualified opinion

The Association has not adopted, nor performed an impact assessment with respect to the implementation of IFRS 9 - "Financial Instruments", though this accounting standard is mandatory for the accounting periods beginning on or after 1 January 2018. In the absence of impact assessment relating to this standard, we are unable to quantify the impact on these financial statements for the year ended 31 December 2018 including the relevant disclosures and revision to the accounting policies as required on the adoption of this standard.

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 Association 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 qualified opinion.

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 Association'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 Association or to cease operations, or have no realistic alternative but to do so.

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

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.

Independent auditor's report to the management of Tala Island Owners' Association (continued)

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)
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 Association'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 Association'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 Association 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.

Manama, Kingdom of Bahrain
September 2019

Tala Island Owners' Association
Statement of financial position as at 31 December 2018
(Expressed in Bahrain Dinars)

	Notes	2018	2017
ASSETS			
Non-current assets			
Plant and equipment	5	15,588	20,215
Current assets			
Fee and other receivables	6	816,280	931,113
Cash and bank balance	7	158,147	51,208
		974,427	982,321
Total assets		990,015	1,002,536
EQUITY AND LIABILITIES			
Capital and reserves			
Accumulated deficit		(39,003)	(75,461)
Sinking fund	8	385,773	354,768
Maintenance reserve	9	137,100	140,500
		483,870	419,807
Non-current liabilities			
Employees' terminal benefits	10	34	715
Current liabilities			
Trade and other payables	11	506,111	582,014
Total equity and liabilities		990,015	1,002,536

These financial statements were approved, authorised for issue by the Association and signed on their behalf by:

Shawki Abdullah Abdul Hussein Khalaf
Chairman

Qais Faisal Saleh Al Masqati
Vice-Chairman

Tala Island Owners' Association
Statement of income and expenditure for the year ended 31 December 2018
(Expressed in Bahrain Dinars)

	Notes	2018	2017
Revenue			
Facility management fee income	12	611,692	628,386
Leisure centre income		40,300	40,393
		651,992	668,779
Direct costs			
Facility management expenses	13	(301,583)	(339,320)
Leisure centre expenses		(36,104)	(31,662)
		(337,687)	(370,982)
		314,305	297,797
Other income	14	17,793	12,923
		332,098	310,720
Expenses			
General and administrative expenses	15	(264,635)	(233,637)
Excess of income over expenditure for the year		67,463	77,083

These financial statements were approved, authorised for issue by the Association and signed on their behalf by:

Shawki Abdullah Abdul Hussein Khalaf
Chairman

Qais Faisal Saleh Al Masqati
Vice-Chairman

Tala Island Owners' Association
Statement of changes in accumulated funds for the year ended 31 December 2018
(Expressed in Bahrain Dinars)

	Accumulated funds	Sinking fund	Maintenance reserve	Total
At 31 December 2016	(119,157)	321,381	190,440	392,664
Excess of income over expenditure for the year	77,083	-	-	77,083
Utilisation of maintenance reserve (Note 9)	-	-	(49,940)	(49,940)
Transfer to sinking fund (Note 8)	(33,387)	33,387	-	-
At 31 December 2017	(75,461)	354,768	140,500	419,807
Utilisation of maintenance reserve (Note 9)			(3,400)	(3,400)
Excess of income over expenditure for the year	67,463	-	-	67,463
Transfer to sinking fund (Note 8)	(31,005)	31,005	-	-
At 31c December 2018	(39,003)	385,773	137,100	483,870

Tala Island Owners' Association
Statement of cash flows for the year ended 31 December 2018
(Expressed in Bahrain Dinars)

	Notes	2018	2017
Operating activities			
Excess of income over expenditure for the year		67,463	77,083
Adjustments for:			
Depreciation	5	6,712	4,528
Changes in operating assets and liabilities:			
Fee and other receivables		114,833	117,424
Trade and other payables		(79,303)	(148,077)
Employees' terminal benefits, net		(681)	715
Net cash provided by operating activities		109,024	51,673
Investing activities			
Purchase of plant and equipment	5	(2,085)	(3,767)
Net cash used in investing activities		(2,085)	(3,767)
Net increase in cash and cash equivalents		106,939	47,906
Cash and cash equivalents, beginning of the year		51,208	3,302
Cash and cash equivalents, end of the year	7	158,147	51,208

Non-cash transactions:

The non-cash transactions relating to the transfer of the employees' terminal benefits to a third party during the year ended 31 December 2017 have been excluded from the statement of cash flows as being non-cash transactions.

1 Organisation and activities

Tala Island Owners' Association ("the Association"), is registered with the Ministry of Justice and Social Affairs under registration number 2017056350 obtained on 27 July 2017 and incorporated in accordance with Article 826 and Article 832 of the Civil Code issued under Decree Law 19 of 2001 and Order No. 9 of 2004.

Upon completion of the registration, the Association has appointed Tala Island Facility Management W.L.L. ("the Managing Company") to provide facility management and related services to the residents on behalf of the Association for the properties located in the Tala Island ("the Island").

The objectives of the Association include regulating the relations between the Owners, supervising, operating, maintaining and conducting sustainable development of the common parts in the Island, obliging all members to pay the fees for maintenance and managing the common facilities intended for the use and benefit of the Owners.

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

These financial statements, set out on pages 5 to 22, were approved and authorised for issue by the Association on September 2019.

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"), 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 Association.

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 Association's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to these financial statements.

Improvements/amendments to IFRS/IAS

Improvements/amendments to IFRS issued in 2014/2016 and 2015/2017 cycles 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 Association's annual audited financial statements beginning on or after 1 January 2018 and subsequent periods with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

Standards, amendments and interpretations effective and adopted in 2018

The following new standards, amendments and interpretations issued by the IASB are effective for the first time for periods beginning on or after 1 January 2018 and have been adopted in the preparation of these financial statements:

2 Basis of preparation (continued)

Standards, amendments and interpretations effective and adopted in 2018 (continued)

Standard or interpretation	Title	Effective for annual periods beginning on or after
IFRS 15	Revenue from contracts with customers	1 January 2018

IFRS 15 – "Revenue from Contracts with Customers"

IFRS 15 supersedes IAS 11- Construction Contracts, IAS 18 - Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The adoption of IFRS 15 did not have any significant impact on the Association's financial position and results of operations for the year ended 31 December 2018 nor on the opening balance of retained earnings.

Standards, improvements, amendments and interpretations issued and effective but not relevant in 2018

The following new other standards, amendments to existing standards and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2018 or subsequent periods, but are not relevant to the Association's operations:

Standard or interpretation	Title	Effective for annual periods beginning on or after
IAS 28	Investments in Associates and Joint Ventures	1 January 2018
IAS 40	Investment property	1 January 2018
IFRS 1	First-time adoption of International Financial Reporting Standards	1 January 2018
IFRS 2	Share-based payment	1 January 2018
IFRS 4	Insurance contracts	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018

The Association has not adopted IFRS 9, though this accounting standard is relevant to its operations and mandatory for accounting periods beginning on or after 1 January 2018.

2 Basis of preparation (continued)

Standards, amendments and interpretations issued but not yet effective in 2018

The following new accounting standards, interpretations and amendments have been issued, but are not mandatory and hence, have not been early adopted by the Association in preparing the financial statements for the year ended 31 December 2018. The Association 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 12	Income taxes	1 January 2019
IAS 19	Employee benefits	1 January 2019
IAS 23	Borrowing costs	1 January 2019
IAS 28	Investments in Associates and Joint Ventures	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
IFRS 11	Joint arrangements	1 January 2019
IFRS 16	Leases	1 January 2019
IFRS 3	Business combinations	1 January 2019
IFRS 9	Financial instruments	1 January 2019
IFRS 17	Insurance contracts	1 January 2021

There would have been no change in the financial position and operational results of the Association for the year ended 31 December 2018 had the Association early adopted any of the above standards applicable to the Association. However, the effects of IFRS 16 are being assessed, as this new standard may have a significant effect on the Association's future financial statements.

IFRS 16 - "Leases"

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for the Association's operating leases. As at the reporting date, the Association has non-cancellable operating lease commitments. However, the Association has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Association's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Association does not intend to adopt the standard before its effective date. The Association is working towards implementation of IFRS 16 and intends to adopt this standard from 1 January 2019 and therefore will only recognise leases on balance sheet as at 1 January 2019. At 31 December 2018, operating lease commitments under existing accounting standard IAS 17 amounted to BD95,400 which may be different on adoption of IFRS 16 for the year ended 31 December 2019.

Early adoption of amendments or standards in 2018

The Association did not early-adopt any new or amended standards in 2018.

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, except for IFRS 15 which has been adopted during the year ended 31 December 2018 (Note 2).

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	5 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 Association classifies its financial assets into loans and receivables. This classification depends on the purpose for which the asset is acquired.

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 Association's loans and receivables comprises of fee and other receivables excluding prepayments, and cash and bank balance in the statement of financial position.

a) 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.

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 Association consist of trade and other payables. These financial liabilities are initially recognised at fair value and are subsequently remeasured at amortized 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 recognized when the Association 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 Association 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 Association 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 Association's contributions are charged to the statement of income and expenditure in the year to which they relate. In respect of this plan, the Association 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 Association are paid leaving indemnity in accordance with the provisions of the Bahrain Labor Law. The Association accrues for its liability in this respect on an annual basis.

Revenue recognition

Performance obligation and timing of revenue recognition

Revenue represents the contributions and incomes collected in return for providing facility management and other services to the residents of Tala Island on behalf of the Owner's Association, which is recorded based on the approved budget and is accounted for on the accrual basis.

Determining the transaction price

The Association's contribution revenue is derived from approved budget and therefore the amount of revenue to be earned from each owner is determined by reference to those fixed rates of contribution in the approved budget. The transaction price with regard to other services provided to the homeowners are determined with reference to fixed price lists.

3 Significant accounting policies (continued)

Revenue (continued)

Allocating amounts to performance obligations

The Association's contribution revenue is derived from fixed rates of contribution in the budget and therefore the amount of revenue to be earned from each owner is determined by reference to those fixed rates of contribution. For each of the apartment, house and villa there is a fixed rate per square meter. Therefore, there is no judgment involved in allocating the price to each unit.

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 income and expenditure 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 Association'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 relate to:

- economic useful lives of plant and equipment;
- fair value measurement;
- revenue recognition;
- provisions;
- contingencies; and
- going concern

Economic useful lives of plant and equipment

The Association's plant and equipment are depreciated on a straight-line basis over their economic useful lives. Economic useful 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 Association.

Fair value measurement

The Association determines the fair value of financial instruments that are not quoted, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In this regards, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

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

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

Fair value measurement (continued)

The fair value measurement of the Association'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
Level 3: Unobservable inputs (i.e. not derived from market data).

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 and transfers of items between levels are recognised in the period they occur.

The financial assets and financial liabilities of the Association that either require fair value measurements or only fair value disclosures as at 31 December 2018 is shown in Note 16.

Revenue recognition

The Association exercises judgment in determining whether a revenue transaction is recognized at a point in time or over time taking into consideration all of the relevant facts and circumstances when applying each step of the model to approved budget.

Provisions

The Association 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 2018, in the opinion of the Association's management, no provision is required towards impaired fee receivables (2017: 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.

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 Association reviews the financial position on annual basis and assesses the requirement of any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities. In addition, the Owners of the apartments, houses and villas ensure that they provide adequate financial support to fund the requirements of the Association to ensure the going concern status of the Association.

5 Plant and equipment

	Office equipment	Gym equipment	Total
Cost			
At December 2016	9,449	23,488	32,937
Additions	1,130	2,637	3,767
At December 2017	10,579	26,125	36,704
Additions	2,085	-	2,085
At December 2018	12,664	26,125	38,789
Accumulated depreciation			
At 31 December 2016	7,697	4,264	11,961
Charge for the year	1,275	3,253	4,528
At December 2017	8,972	7,517	16,489
Charge for the year	1,490	5,222	6,712
At December 2018	10,462	12,739	23,201
Net book amount			
At 31 December 2018	2,202	13,386	15,588
At 31 December 2017	1,607	18,608	20,215

The Association operates from premises with monthly rent of BD2,650 (2017: BD2,650).

Depreciation on plant and equipment has been charged to the statement of income and expenditure as follows:

	31 December 2018	31 December 2017
Leisure center expenses	5,222	3,253
General and administrative expenses (Note 15)	1,490	1,275
	6,712	4,528

6 Fee and other receivables

	31 December 2018	31 December 2017
Fee receivables	772,979	918,157
Prepayments and other receivables	43,301	12,956
	816,280	931,113

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

6 Fee and other receivables (continued)

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

	31 December 2018	31 December 2017
Less than six months	251,026	291,591
More than six months	521,953	626,566

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

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

7 Cash and bank balance

	31 December 2018	31 December 2017
Cash on hand	1,312	2,715
Current account balance with a bank	156,835	48,493
	158,147	51,208

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

The Association's current account balance, though registered in the name of a third party, is held on behalf, and for the beneficial interest, of the Association.

8 Sinking fund

In accordance with the Bye-laws of the Tala Island Owners' Association, an amount equivalent to 10% of the budgeted expenditure of the direct and indirect costs excluding the operational costs in accordance with Article 46.2 of the Bye-laws is to be set aside in a special fund and shall belong to the Owner's Association. Such amounts maintained are to be treated as a sinking fund and shall be earmarked to meet any renovations and emergency requirements. During the year ended 31 December 2018, an amount of BD31,005 has been transferred to the sinking fund (2017: BD33,387).

9 Maintenance reserve

In accordance with the Bye-laws of the Tala Island Owners' Association, the Association 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 2018, no amount (2017: BD49,940) has been utilised from the reserve towards meeting the periodic maintenance expenditure. No amounts have been transferred to the maintenance reserve during the year ended 31 December 2018 (2017: BDNil).

10 Employees' terminal benefits

Local employees

The Association did not employ any Bahraini Nationals during the year ended 31 December 2018. Accordingly no contribution has been made towards the pension scheme for Bahraini Nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2018 (2017: BDNil).

Expatriate employees

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

	31 December 2018	31 December 2017
Opening balance	715	15,689
Transferred from/(to) a third party	-	(15,359)
Accruals for the year	187	385
Payments during the year	(868)	-
Closing balance	34	715
Number of staff employed by the Association	1	2

11 Trade and other payables

	31 December 2018	31 December 2017
Trade payables	143,624	104,430
Advances from customers	6,984	6,152
Accruals and other payables	355,503	471,432
	506,111	582,014

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

As at 31 December 2018, the maturity profile of trade payables is as follows:

	Total	Less than 6 months	More than 6 months
At 31 December 2018	143,624	143,624	-
At 31 December 2017	104,430	69,690	34,740

12 Facility management fee income

	31 December Year ended 2018	31 December Year ended 2017
Revenue Garden View Phase 4EFGH	126,486	128,668
Revenue Palm Phase 1FGH	111,674	113,615
Revenue Marina Phase 1A1B	98,368	99,986
Revenue Reef Phase 4CD	70,063	71,306
Revenue Villas Phase 1C,1D,1E,4A,4B	68,208	69,966
Revenue Coral Phase 3CDEF	65,626	68,803
Revenue Houses Phase 2A,2B,3B	32,737	33,584
Revenue Sea View Phase 3A	20,484	22,165
Revenue Sea View Phase 2C	13,395	15,523
Revenue Retail Centre	4,651	4,770
	611,692	628,386

13 Facility management expenses

	Year ended 31 December 2018	Year ended 31 December 2017
Common Areas	158,979	177,363
Costs Garden View Phase 4EFGH	33,448	34,136
Costs Marina Phase 1A1B	28,686	34,174
Costs Palm Phase 1FGH	28,135	33,902
Costs Coral Phase 3CDEF	21,606	23,955
Costs Reef Phase 4CD	18,535	17,994
Costs Sea View Phase 3A	6,029	7,041
Costs Sea View Phase 2C	5,658	5,074
Costs Villas Phase 1C,1D,1E,4A,4B	368	3,354
Costs Houses Phase 2A,2B,3B	139	2,134
Costs Retail Centre	-	193
	301,583	339,320

14 Other income

	Year ended 31 December 2018	Year ended 31 December 2017
Rental income	14,160	9,930
Other miscellaneous income	3,633	2,993
	17,793	12,923

15 General and administrative expenses

	Year ended 31 December 2018	Year ended 31 December 2017
Management supervision fee	192,000	24,000
Rent expenses	31,800	31,800
Depreciation on plant and equipment (Note 5)	6,712	1,275
Staff costs and allowances	-	139,169
Other general and administrative expenses	34,123	37,393
	264,635	233,637

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 Association's capital management is to ensure that it maintains a healthy capital ratio in order to support its activities and maximize management's value.

The Association 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 2018 and 2017.

The Association monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Association includes within net debt, trade and other payables less cash and bank balance. Capital includes reserves attributable to the members of the Association.

	31 December 2018	31 December 2017
Trade and other payables	506,111	582,014
Less: cash and bank balance	(158,147)	(51,208)
Net debt	347,964	530,806
Accumulated surplus	483,870	419,807
Total capital and net debt	831,834	950,613
Gearing ratio	41.83%	55.84%

16 Financial assets and liabilities and risk management (continued)

Principal financial instruments

The *principal* financial instruments used by the Association, 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 2018:

Financial assets	*Loans and receivables*
Fee and other receivables excluding prepayments	811,213
Cash and bank balance	158,147
Total financial assets	969,360

Financial liabilities	*At amortized cost*
Trade and other payables excluding employees' benefits	506,077

A summary of the financial instruments held by category is provided below as at 31 December 2017:

Financial assets	*Loans and receivables*
Fee and other receivables excluding prepayments	923,213
Cash and bank balance	51,208
Total financial assets	974,421

Financial liabilities	*At amortized cost*
Trade and other payables excluding employees' benefits	581,408

Risk management is carried out by the Finance Department of the Association under policies approved by the Directors. The Association's Finance Department evaluates and hedges financial risks in close co-operation with the Association'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 Association's large number of customers. Management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Association's fee receivables.

16 Financial assets and liabilities and risk management (continued)

Credit risk (continued)

	At 31 December 2018	
Financial assets	*Carrying value*	*Maximum exposure*
Cash and bank balance	158,147	156,835
Fee and other receivables excluding prepayments	811,213	811,213
Total financial assets	969,360	968,048

	At 31 December 2017	
Financial assets	*Carrying value*	*Maximum exposure*
Cash and bank balance	51,208	48,493
Fee and other receivables excluding prepayments	923,213	923,213
Total financial assets	974,421	971,706

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Association'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, cash and bank balance 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 2018 and 2017.

17 Events after reporting date

There were no events subsequent to 31 December 2018 and occurring before the date of the report that are expected to have a significant impact on these financial statements.