

Tala Island Owners' Association

Financial statements for the
year ended 31 December 2021

Tala Island Owners' Association
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Tala Island Owners' Association
Administration and Contact details as at 31 December 2021

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 (resigned effective 18 January 2021) Iqbal Muhammad Ibrahim Jasem Shehab - Member (resigned effective 28 March 2021) Hasan Dhaif - Member Yulia Makarenko - Member Anthony James Tesar - Member (resigned effective 10 January 2021) Nadia M. Al Sayed - Member Feras Mohammed Hesham Aljalad - 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 17 th Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain

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

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 2021, 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 the notes to the financial statements, including a summary of significant accounting policies. In our opinion, except for the effects of the matters 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 2021, 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 2019. In the absence of impact assessment relating to this standard, we are unable to quantify the impact on these financial statements for the years till ended 31 December 2021 including the relevant disclosures and revision to the accounting policies as required on the adoption of this standard.

Further, the Association has not adopted, nor performed an impact assessment with respect to the implementation of IFRS 16 - "*Leases*", though this accounting standard is mandatory for the accounting periods beginning on or after 1 January 2020. In the absence of an impact assessment relating to the standard, we are unable to quantify the impact on these financial statements for the years till ended 31 December 2021 including the relevant disclosures and revision to the accounting policies as required on adoption of this accounting 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 audit 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.

Independent auditor's report to the management of Tala Island Owners' Association (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 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
5 October 2022




See Auditor's Report dated 5/10/22
Signed by BDO, CR No. 10201-04
Partner: Samson Kattuvattil
Reg. No. 239
Signature: 

Tala Island Owners' Association
Statement of financial position as at 31 December 2021
(Expressed in Bahrain Dinars)

	<u>Notes</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
ASSETS			
Non-current assets			
Plant and equipment	5	<u>2,057</u>	<u>4,131</u>
Current assets			
Fee and other receivables	6	800,291	712,763
Cash and bank balance	7	<u>240,400</u>	<u>255,642</u>
		<u>1,040,691</u>	<u>968,405</u>
Total assets		<u>1,042,748</u>	<u>972,536</u>
EQUITY AND LIABILITIES			
Reserves			
Accumulated deficit		(41,133)	(41,133)
Sinking fund	8	425,190	400,520
Maintenance reserve	9	<u>57,934</u>	<u>101,723</u>
		<u>441,991</u>	<u>461,110</u>
Non-current liabilities			
Employees' terminal benefits		<u>57</u>	<u>-</u>
Current liabilities			
Trade and other payables	11	<u>600,700</u>	<u>511,426</u>
Total equity and liabilities		<u>1,042,748</u>	<u>972,536</u>

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



Shawki Abdullah Abdul Hussein Khalaf
Chairman



Hasan Dhaif
Board Member

Tala Island Owners' Association
Statement of income and expenditure for the year ended 31 December 2021
(Expressed in Bahrain Dinars)

	<u>Notes</u>	Year ended 31 December <u>2021</u>	Year ended 31 December <u>2020</u>
Revenue			
Facility management fee income	12	682,927	638,249
Leisure centre income		<u>28,003</u>	<u>25,470</u>
		<u>710,930</u>	<u>663,719</u>
Direct costs			
Facility management expenses	13	(403,461)	(387,649)
Leisure centre expenses		<u>(25,194)</u>	<u>(24,820)</u>
		<u>(428,655)</u>	<u>(412,469)</u>
Other income			
	14	282,275	251,250
		<u>19,006</u>	<u>22,769</u>
		<u>301,281</u>	<u>274,019</u>
Expenses			
General and administrative expenses	15	(276,611)	(261,072)
Excess of income over expenditure for the year		<u>24,670</u>	<u>12,947</u>

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



Shawki Abdullah Abdul Hussein Khalaf
 Chairman



Hasan Dhaif
 Board Member

Tala Island Owners' Association
Statement of changes in accumulated funds for the year ended 31 December 2021
(Expressed in Bahrain Dinars)

	<u>Accumulated funds</u>	<u>Sinking fund</u>	<u>Maintenance reserve</u>	<u>Total</u>
At 31 December 2019	(35,710)	411,150	101,723	477,163
Utilisation of sinking fund (Note 8)	-	(29,000)	-	(29,000)
Excess of income over expenditure for the year	12,947	-	-	12,947
Transferred to sinking fund (Note 8)	<u>(18,370)</u>	<u>18,370</u>	-	-
At 31 December 2020	(41,133)	400,520	101,723	461,110
Utilisation of maintenance reserve (Note 9)	-	-	(43,789)	(43,789)
Excess of income over expenditure for the year	24,670	-	-	24,670
Transferred to sinking fund (Note 8)	<u>(24,670)</u>	<u>24,670</u>	-	-
At 31 December 2021	<u>(41,133)</u>	<u>425,190</u>	<u>57,934</u>	<u>441,991</u>

Tala Island Owners' Association
Statement of cash flows for the year ended 31 December 2021
(Expressed in Bahrain Dinars)

	<u>Notes</u>	<u>Year ended 31 December 2021</u>	<u>Year ended 31 December 2020</u>
Operating activities			
Excess of income over expenditure for the year		24,670	12,947
Adjustments for:			
Depreciation	5	3,924	6,536
Changes in operating assets and liabilities:			
Fee and other receivables		(87,528)	53,252
Trade and other payables		89,274	81,932
Employees' terminal benefits, net		<u>57</u>	<u>-</u>
Net cash provided by operating activities		<u>30,397</u>	<u>154,667</u>
Investing activities			
Purchase of plant and equipment	5	<u>(1,850)</u>	<u>(432)</u>
Net cash used in investing activities		<u>(1,850)</u>	<u>(432)</u>
Financing activities			
Utilisation of maintenance reserve		(43,789)	-
Utilisation of sinking fund		<u>-</u>	<u>(29,000)</u>
Net cash used in investing activities		<u>(43,789)</u>	<u>(29,000)</u>
Net (decrease)/increase in cash and cash equivalents		(15,242)	125,235
Cash and cash equivalents, beginning of the year		<u>255,642</u>	<u>130,407</u>
Cash and cash equivalents, end of the year	7	<u>240,400</u>	<u>255,642</u>

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 21, were approved and authorised for issue by the Association on 5 October 2022.

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 and functional currency

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 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/IAS contained numerous amendments to IFRS/IAS 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 future accounting period with earlier adoption.

2 Basis of preparation (continued)

Standards, amendments and interpretations effective and adopted in 2021

None of the amendments to standards that were made effective in 2021 had any significant effect on these financial statements.

Standards, amendments and interpretations issued and effective in 2021 but not relevant

The following new amendments to existing standard and interpretation to published standard is mandatory for accounting year beginning on or after 1 January 2021 or subsequent years, but is not relevant to the Company's operations:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 32, IFRS 4,7,9 and 16	Interest rate benchmark reform - IBOR 'phase 2'	1 January 2021
IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021

Standards, amendments and interpretations issued but not yet effective in 2021

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2021. They have not been adopted in preparing the financial statements for the year ended 31 December 2021 and will or may have an effect on the entity's future financial statements. In all cases, the entity intends to apply these standards from application date as indicated in the table below:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 3	Reference to the conceptual framework	1 January 2022
IAS 16	Property, plant and equipment - proceeds before intended use	1 January 2022
IAS 37	Onerous contracts - cost of fulfilling a contract	1 January 2022
IAS 1	Disclosure of accounting policies	1 January 2023
IAS 1	Classification of liabilities as current or non-current	1 January 2023
IAS 8	Definition of accounting estimates	1 January 2023
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IFRS 17	Amendments to IFRS 17	1 January 2023

Early adoption of amendments or standards in 2021

The Company did not early-adopt any new or amended standards in 2021. There would have been no change in the operational results of the Company for the year ended 31 December 2021 had the Company early adopted any of the above standards applicable to the Company.

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	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 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 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 apartments, houses and villas there is a fixed rate per square meter. Therefore, there is no judgement 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 are initially recorded at fair value and subsequently recognised at amortised cost.

Revenue recognition

The Association exercises judgment in determining whether a revenue transaction is recognised 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 2021, in the opinion of the Association's management, no provision is required towards impaired fee receivables (2020: 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.

Tala Island Owners' Association
Notes to the financial statements for the year ended 31 December 2021
(Expressed in Bahrain Dinars)

5 Plant and equipment

	<u>Office equipment</u>	<u>Gym equipment</u>	<u>Total</u>
Cost			
At 31 December 2019	14,265	26,125	40,390
Additions	<u>432</u>	<u>-</u>	<u>432</u>
At 31 December 2020	14,697	26,125	40,822
Additions	<u>1,850</u>	<u>-</u>	<u>1,850</u>
At 31 December 2021	<u>16,547</u>	<u>26,125</u>	<u>42,672</u>
Accumulated depreciation			
At 31 December 2019	12,189	17,966	30,155
Charge for the year	<u>1,299</u>	<u>5,237</u>	<u>6,536</u>
At 31 December 2020	13,488	23,203	36,691
Charge for the year	<u>1,288</u>	<u>2,636</u>	<u>3,924</u>
At 31 December 2021	<u>14,776</u>	<u>25,839</u>	<u>40,615</u>
Net book amount			
At 31 December 2021	<u>1,771</u>	<u>286</u>	<u>2,057</u>
At 31 December 2020	<u>1,209</u>	<u>2,922</u>	<u>4,131</u>

The Association operates from premises with monthly rent of BD2,650 (2020: BD2,650).

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

	<u>31 December 2021</u>	<u>31 December 2020</u>
Leisure center expenses	2,636	5,237
General and administrative expenses (Note 15)	<u>1,288</u>	<u>1,299</u>
	<u>3,924</u>	<u>6,536</u>

6 Fee and other receivables

	<u>31 December 2021</u>	<u>31 December 2020</u>
Fee receivables	798,538	693,644
Prepayments and other receivables	<u>1,753</u>	<u>19,119</u>
	<u>800,291</u>	<u>712,763</u>

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

Tala Island Owners' Association
Notes to the financial statements for the year ended 31 December 2021
(Expressed in Bahrain Dinars)

6 Fee and other receivables (continued)

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

	<u>31 December 2021</u>	<u>31 December 2020</u>
Less than six months	268,033	204,749
More than six months	<u>530,505</u>	<u>488,895</u>
	<u>798,538</u>	<u>693,644</u>

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

	<u>31 December 2021</u>	<u>31 December 2020</u>
Cash on hand	888	1,128
Current account balances with a bank	<u>239,512</u>	<u>254,514</u>
	<u>240,400</u>	<u>255,642</u>

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

One of the Association's current account balances, though registered in the name of the Association's Manager, 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 2021, an amount of BD24,670 has been transferred to the sinking fund (2020: BD18,370). During the year ended 31 December 2021, BDNil has been utilized from the sinking fund (2020: BD29,000).

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 2021, BD43,789 (2020: BDNil) 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 2021 (2020: BDNil).

Tala Island Owners' Association
Notes to the financial statements for the year ended 31 December 2021
(Expressed in Bahrain Dinars)

10 Employees' terminal benefits

Local employees

The contributions made by the Association towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2021 amounted to BD671 (2020: BD413).

Expatriate employees

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

	<u>31 December 2021</u>	<u>31 December 2020</u>
Accruals during the year	<u>57</u>	-
Closing balance	<u>57</u>	<u>-</u>

11 Trade and other payables

	<u>31 December 2021</u>	<u>31 December 2020</u>
Trade payables	218,844	160,078
Advances from customers	2,863	4,591
Accruals and other payables	<u>378,993</u>	<u>346,757</u>
	<u>600,700</u>	<u>511,426</u>

Trade payables are generally settled within 30 to 60 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 2021	<u>218,844</u>	<u>218,844</u>	<u>-</u>
At 31 December 2020	<u>160,078</u>	<u>160,078</u>	<u>-</u>

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12 Facility management fee income

	Year ended 31 December 2021	Year ended 31 December 2020
Revenue Garden View Phase 4EFGH	141,979	133,107
Revenue Palm Phase 1FGH	123,633	115,642
Revenue Marina Phase 1A1B	106,432	103,208
Revenue Reef Phase 4CD	77,582	72,546
Revenue Villas Phase 1C,1D,1E,4A,4B	80,448	71,706
Revenue Coral Phase 3CDEF	71,927	67,747
Revenue Houses Phase 2A,2B,3B	38,610	34,424
Revenue Sea View Phase 3A	22,165	21,155
Revenue Sea View Phase 2C	14,665	13,824
Revenue Retail Centre	5,486	4,890
	<u>682,927</u>	<u>638,249</u>

13 Facility management expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Common Areas	265,081	245,209
Costs Garden View Phase 4EFGH	33,498	35,063
Costs Marina Phase 1A1B	26,443	29,733
Costs Palm Phase 1FGH	27,249	28,366
Costs Coral Phase 3CDEF	22,091	21,307
Costs Reef Phase 4CD	17,191	16,405
Costs Sea View Phase 3A	5,918	6,777
Costs Sea View Phase 2C	4,421	4,516
Costs Villas Phase 1C,1D,1E,4A,4B	1,026	77
Costs Houses Phase 2A,2B,3B	489	196
Retail Centre	54	-
	<u>403,461</u>	<u>387,649</u>

14 Other income

	Year ended 31 December 2021	Year ended 31 December 2020
Rental income	16,800	16,800
Other miscellaneous income	2,206	5,969
	<u>19,006</u>	<u>22,769</u>

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15 General and administrative expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Management supervision fee	197,760	192,638
Rent expenses	31,800	31,800
Depreciation on plant and equipment (Note 5)	1,288	1,299
Other general and administrative expenses	<u>45,763</u>	<u>35,335</u>
	<u>276,611</u>	<u>261,072</u>

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 2021 and 2020.

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 net of accumulated deficits attributable to the members of the Association.

	31 December 2021	31 December 2020
Trade and other payables	600,700	511,426
Less: cash and bank balance	<u>(240,400)</u>	<u>(255,642)</u>
Net debt	<u>360,300</u>	<u>255,784</u>
Accumulated surplus	<u>441,991</u>	<u>461,110</u>
Total capital and net debt	<u>802,291</u>	<u>716,894</u>
Gearing ratio	<u>44.91%</u>	<u>35.68%</u>

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 2021:

<u>Financial assets</u>	<u>Loans and receivables</u>
Fee and other receivables excluding prepayments	800,251
Cash and bank balance	<u>240,400</u>
Total financial assets	<u>1,040,651</u>
<u>Financial liabilities</u>	<u>At amortised cost</u>
Trade and other payables excluding employees' benefits	<u>600,700</u>

A summary of the financial instruments held by category is provided below as at 31 December 2020:

<u>Financial assets</u>	<u>Loans and receivables</u>
Fee and other receivables excluding prepayments	704,704
Cash and bank balance	<u>255,642</u>
Total financial assets	<u>960,346</u>
<u>Financial liabilities</u>	<u>At amortised cost</u>
Trade and other payables excluding employees' benefits	<u>511,426</u>

Risk management is carried out by the Finance Department of the Association under policies approved by the Members. The Association's Finance Department evaluates and hedges financial risks in close co-operation with the Association's operating units. The Members 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)

<i>Financial assets</i>	At 31 December 2021	
	<u>Carrying value</u>	<u>Maximum exposure</u>
Cash and bank balance	240,400	239,512
Fee and other receivables excluding prepayments	<u>800,251</u>	<u>800,251</u>
Total financial assets	<u>1,040,651</u>	<u>1,039,763</u>
	At 31 December 2020	
<i>Financial assets</i>	<u>Carrying value</u>	<u>Maximum exposure</u>
Cash and bank balance	255,642	254,514
Fee and other receivables excluding prepayments	<u>704,704</u>	<u>704,704</u>
Total financial assets	<u>960,346</u>	<u>959,218</u>

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 2021 and 2020.

17 Events after reporting date

There were no events subsequent to 31 December 2021 and occurring before the date of the report that are expected to have a significant impact on these financial statements.