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Financial statements and independent auditors' report
Tala Island Owners' Association
For the year ended 31 December 2022

Contents

General information

Establishment Number		78353001 obtained on 9 August 2017	
Board of Directors	:	Shawki Abdulla Khalaf	Chairman
		Hassan Dhaif (up to 22 January 2023)	Member
		Yulia Makarenko	Member
		Feras Mohammed Hesham Al Jalad	Member
		Nadia Al Sayed	Member
Association Manager	:	Tala Island Facility Management W.L.L.	
Registered office	:	Building 1034 Road 5710, Block 257 PO Box 18286 Amwaj Islands Kingdom of Bahrain	
Banker	:	Ahli United Bank	
Auditors	:	Grant Thornton – Abdulaal P.O. Box 11175 12th Floor, Al Nakheel Tower Seef District, Kingdom of Bahrain	

Directors' report

The Board of Directors of Tala Island Owners' Association (the "Association") has great pleasure in presenting the annual report and the audited financial statements of the Association for the year ended 31 December 2022.

Principal activities

The Association is engaged in real estate activities with own or leased property.

Financial highlights

The total income of the Association for the year ended 31 December 2022 is BD762,088 as compared to previous year's income of BD729,936. The Association has reported an excess of income over expenditure of BD28,532 for the year ended 31 December 2022 as compared to an excess of income over expenditure of BD24,670 in the year 2021.

Directors

The following served as the Directors of the Association during the year ended 31 December 2022:

Shawki Abdulla Abdul Hussein Khalaf	-	Chairman
Hassan Dhaif	-	Member (upto 22 January 2023)
Yulia Makarenko	-	Member
Feras Mohammed Hesham Al Jalad	-	Member
Nadia Al Sayed	-	Member

Auditors

The financial statements have been audited by Grant Thornton - Abdulaal who have expressed their willingness and considered themselves eligible for re-appointment.

The Directors take this opportunity to place on record their sincere appreciation to the staff for their loyalty and dedication, which has greatly helped to maintain the reputation and results of the Association.

On behalf of the Board of Directors

Shawki Abdulla Abdul Hussein Khalaf
Chairman

Yulia Makarenko
Member

20 August 2023
Manama, Kingdom of Bahrain

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Independent auditors' report

To the Board of Directors 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 2022, and the statements of comprehensive income, changes in equity and cash flows for the year ended 31 December 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at 31 December 2022, 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

We were not provided with individual party-wise ageing for the fees receivables amounting to BD870,681 for verification. There were no other audit procedures that we could perform to satisfy ourselves for recovery and accuracy of these balances to ascertain the requirements of recognition of expected credit losses in accordance with IFRS 9.

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

Other Matter

The financial statements of the Association for the year ended 31 December 2021 were audited by another auditor who expressed a qualified opinion on those financial statements on 5 October 2022.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

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Auditors' 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 auditors' 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 skepticism 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 the Directors.

- Conclude on the appropriateness of the Board of Directors' 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 auditors' 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 auditors' 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 Board of Directors 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.

Grant Thornton

Partner Registration No. 198
20 August 2023
Manama, Kingdom of Bahrain

Statement of changes in equity

	Sinking funds	Maintenance reserves	Accumulated deficit	Total
	BD	BD	BD	BD
At 1 January 2021	400,520	101,723	(41,133)	461,110
Utilization of maintenance reserve (Note 11)	-	(43,789)	-	(43,789)
Excess of income over expenditure for the year	-	-	24,670	24,670
Transferred to sinking fund (Note 10)	24,670	-	(24,670)	-
At 31 December 2021	**425,190**	**57,934**	**(41,133)**	**441,991**
At 1 January 2022	425,190	57,934	(41,133)	441,991
Excess of income over expenditure for the year	-	-	28,532	28,532
Transferred to sinking fund (Note 10)	28,532	-	(28,532)	-
At 31 December 2022	**453,722**	**57,934**	**(41,133)**	**470,523**

The accounting policies and the notes from pages 9 to 23 form an integral part of these financial statements.

Statement of cash flows

	Year ended 31 December 2022	Year ended 31 December 2021
	BD	BD
Operating activities		
Excess of income over expenditure	28,532	24,670
Adjustments for:		
Depreciation of plant and equipment	1,366	3,924
Depreciation on right-of-use asset	29,896	-
Finance costs on lease liability	2,799	-
Operating income before working capital changes	62,593	28,594
Changes in operating assets and liabilities:		
Change in fees and other receivables	(88,246)	(87,528)
Change in accounts and other payables	28,797	89,274
Payment of employees' terminal benefits	90	57
Net cash generated from operating activities	**3,234**	**30,397**
Investing activities		
Purchase of plant and equipment	(1,910)	(1,850)
Net cash used in investing activities	**(1,910)**	**(1,850)**
Financing activities		
Change in maintenance reserves	-	(43,789)
Repayment of lease liability	(21,051)	-
Finance cost paid	(2,799)	-
Net cash used in financing activities	**(23,850)**	**(43,789)**
Net change in cash and cash equivalents	(22,526)	(15,242)
Cash and cash equivalents, beginning of year	240,400	255,642
Cash and cash equivalents, end of year	**217,874**	**240,400**
Comprises:		
Cash in hand	1,047	889
Bank balance	216,827	239,513
	217,874	**240,402**

Non-cash transactions: During the year, non-cash transactions of recognition of right-of-use assets and lease liabilities in the amount of BD59,792 have not been included in the statement of cash flows.

The accounting policies and the notes from pages 9 to 24 form an integral part of these financial statements.

Notes to the financial statements
31 December 2022

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.

The Association has appointed Tala Island Facility Management W.L.L. ("the Managing Association") 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 at Amwaj Islands in the Kingdom of Bahrain.

2. Significant accounting policies

2.1 Basis of preparation

The Association's financial statements have been prepared on the basis of historical cost. The Association's financial statements are presented in Bahrain Dinar. All values are rounded to the nearest Bahrain Dinar.

2.2 Statement of compliance and going concern assumption

The financial statements of the Association have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in conformity with the Bahrain Commercial Companies Law. They have been prepared under the assumption that the Association operates on a going concern basis.

2.3 New or revised Standards or Interpretations

New Standards adopted as at 1 January 2022

Some accounting pronouncements which have become effective from 1 January 2022 and have therefore been adopted do not have a significant impact on the Association's financial results or position.

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Association

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Association.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments to Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Association's financial statements.

2.4 Plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of the plant and equipment includes the cost of bringing them to their present location and condition. The cost of replacing part of an item of plant and equipment is recognised in carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Association and its cost can be measured reliably. All other cost are recognised in the statement of comprehensive income as expenditure incurred.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of plant and equipment. The estimated useful lives of plant and equipment for the depreciation purpose are as follows:

Computers	3 years
Equipment	3 years
Furniture and fixtures	3 years
Gym equipment	5 years
Plant and machinery	3 years

Gains or losses arising on the disposal of plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the statement of comprehensive income within 'other income' or 'other expenses'.

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

2.5 Leased assets

The Association as a lessee

The Association makes the use of leasing arrangements principally for the provision of the office premises. The rental contracts for office premises are typically negotiated for terms of 2 years. All the leases are negotiated on an individual basis and contain a wide variety of different terms and conditions such as purchase options and escalation clauses.

The Association assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Some lease contracts contain both lease and non-lease components. These non-lease components are usually associated with facilities management services at offices. The Association has elected to not separate its leases for offices into lease and non-lease components and instead accounts for these contracts as a single lease component.

Measurement and recognition of leases as a lease

At lease commencement date, the Association recognises a right-of-use assets and a lease liability in its statement of financial position. The right-of-use assets are measured at cost, which is made up of the initial measurement of the lease liabilities, any initial direct costs incurred by the Association, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Association depreciates the right-of-use assets are on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Association also assesses the right-of-use assets for impairment when such indicators exist.

At the commencement date, the Association measures the lease liabilities at the present value of the lease payments unpaid at that date, discounted using the Association's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease. The incremental borrowing rate is the estimated rate that the Association would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Association.

Lease payments included in the measurement of the lease liabilities are made up of fixed payments (including in substance fixed).

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liabilities.

The lease liabilities are reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Association's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liabilities are reflected as an adjustment to the carrying amount of the right-of-use assets. The exception being when the carrying amount of the right-of-use assets have been reduced to zero then any excess is recognised in profit or loss.

The remeasurement of the lease liabilities are dealt with by a reduction in the carrying amount of the right-of-use asset to reflect the full or partial termination of the lease for lease modifications that reduce the scope of the lease. Any gain or loss relating to the partial or full termination of the leases recognised in profit or loss. The right-of-use assets are adjusted for all other lease modifications.

The Association has elected to account for short-term leases and leases of low-value assets using the practical expedients. These leases relate to shop at staff accommodation. Instead of recognising a right-of-use assets and lease liabilities are, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The Association as a lessor

As a lessor the Association classifies its leases as either operating or finance leases.

An Association assessed whether it transfers substantially all the risks and rewards of ownership. Those assets that do not transfer substantially all the risks and rewards are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue due to its operating nature.

2.6 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise of cash in hand and bank balance.

2.7 Provisions

Provisions are recognised by considering an obligation of the Association as on date resulting from past events, and where it is probable that such obligation will result in outflow of economic resources and amount can be reliably estimated.

2.8 Employees' terminal benefits

Employees' terminal benefits and entitlements to annual leave, holiday, air passage and other short-term benefits are recognized as they accrue to the employees. The Association contributes to the pension scheme for Bahraini nationals administered by the General Organisation for Social Insurance in the Kingdom of Bahrain. The Association's share of contribution to this funded scheme which is defined contribution scheme under IAS-19 - Employees benefit, is recognised as an expense in the statement of comprehensive income.

The expatriate employees of the Association are paid leaving indemnity in accordance with the provisions of the Bahrain Labour Law for private sector 2012, based on length of service and final salary. Provision for this, which is unfunded and represents a defined benefit plan under IAS-19 has been made by calculating the notional liability had all employees left at the reporting date. The provision is classified as a non-current liability in the statement of financial position.

2.9 Revenue recognition

Revenue arises mainly from services.

To determine whether to recognise revenue, the Association follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Association often enters into transactions involving a range of the Association's products and services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Association satisfies performance obligations by transferring the promised goods or services to its customers.

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

2.10 Other income

Other income is recognised on an accrual basis or when the Association's right to receive payment is established.

Rental income is recognized on a straight-line basis over term of lease. Rental income is recognized in the period in which it is related.

2.11 Operating expenses

Operating expenses are recognised in the statement of comprehensive income upon utilisation of the service or as incurred.

2.12 Equity and reserves

Equity comprises of sinking fund, maintenance reserves and accumulated deficit.

Accumulated deficits include all current and prior period profits.

2.13 Financial instruments

Recognition and derecognition

Financial assets and liabilities are recognized when the Association becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

a. Financial assets

Classification and initial measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs, except for those traade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

• amortised cost,
• fair value through profit or loss (FVTPL), or
• fair value through other comprehensive income (FVOCI).

In the periods presented the Association does not have any financial assets categorised as FVTPL.

The classification is determined by both:

• the entity's business model for managing the financial asset, and
• the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of accounts receivables which is presented separately in the statement of comprehensive income.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions:

• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Association's cash and cash equivalents and fees and other receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

Recognition of credit losses is no longer dependent on the Association first identifying a credit loss event. Instead, the Association considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

• financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
• financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Fees receivables

The Association makes use of a simplified approach in accounting for fees receivables and records the loss allowance as 12 month expected credit loss and lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Association uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Association assess impairment of fees receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 17(d) for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

b. Classification and measurement of financial liabilities

The Association's financial liabilities include accounts and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Association designated a financial liability at fair value through profit or loss, if any. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at fair value through profit or loss, which.

are carried subsequently at fair value with gains or losses recognised in profit or loss. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

2.14 Contingencies

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

2.15 Significant management judgement in applying accounting policies and estimation uncertainty.

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

a. Significant management judgments

During the year, there were no judgements made by management in applying the accounting policies of the Association that had a significant effect on the financial statements.

b. Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives and residual values of depreciable assets. Management reviews its estimate of the useful lives and residual values of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and environmental regulations that can make polluting assets to be depreciated more quickly.

Leases – determination of the appropriate discount rate to measure lease liabilities.
The Association enters into leases with third-party landlords and as a consequence the rate implicit in the relevant lease is not readily determinable. Therefore, the Association uses its incremental borrowing rate as the discount rate for determining its lease liabilities at the lease commencement date. The incremental borrowing rate is the rate of interest that the Association would have to pay to borrow over similar terms which requires estimations when no observable rates are available. The Association consults with its main bankers to determine what interest rate they would expect to charge the Association to borrow money to purchase a similar asset to that which is being leased. These rates are, where necessary, then adjusted to reflect the credit worthiness of the entity entering into the lease and the specific condition of the underlying leased asset. The estimated incremental borrowing rate is higher than the parent association for leases entered into by its subsidiary undertakings.

3. Plant and equipment

	Computers	Equipment	Furniture and fixtures	Gym equipment	Plant and machinery	2022 Total	2021 Total
	BD	BD	BD	BD	BD	BD	BD
Cost							
At 1 January	6,200	7,500	355	26,125	2,491	42,671	40,822
Additions	1,731	179	-	-	-	1,910	1,850
At 31 December	**7,931**	**7,679**	**355**	**26,125**	**2,491**	**44,581**	**42,672**
Accumulated depreciation							
At 1 January	5,545	6,389	355	25,839	2,486	40,614	36,691
Charge for the year	583	524	-	259	-	1,366	3,924
At 31 December	**6,128**	**6,913**	**355**	**26,098**	**2,486**	**41,980**	**40,615**
Net book value							
At 31 December 2022	**1,803**	**766**	**-**	**27**	**5**	**2,601**	**-**
At 31 December 2021	**655**	**1,111**	**-**	**286**	**5**	**-**	**2,057**

4. Right-of-use asset

	Office premises 2022
	BD
Gross carrying amount	
Additions and at 31 December	**59,792**
Accumulated depreciation	
Charge for the year and at 31 December	**29,896**
Net carrying amount	
At 31 December 2022	**29,896**

5. Fees and other receivables

	2022	2021
	BD	BD
Fees receivables	870,681	798,538
Other receivables	2,183	193
Financial assets	**872,864**	**798,731**
Non-financial assets		
Advance to suppliers	15,673	1,560
	888,537	**800,291**

All amounts are short term. The carrying value of fees and other receivables is considered to be a reasonable approximate of fair value.

6. Cash and cash equivalents

	2022 BD	2021 BD
Cash in hand	1,047	888
Bank balances	216,827	239,512
	217,874	**240,400**

There are no restrictions on bank balances at the time of approval of the financial statements.

7. Accounts and other payables

	2022 BD	2021 BD
Accounts payables	331,438	303,404
Accruals and other payables	286,610	286,610
Mailbox deposits	6,972	6,932
Advance from customers	3,142	2,863
Duties and taxes payables	1,056	447
Leave salary and air passage	279	444
	629,497	**600,700**

The carrying values of accounts and other payables are considered to be a reasonable approximate of fair value at the financial position date.

8. Lease liability

Lease liability are presented in the statement of financial position as follows:

	2022 BD
Current	38,741
Non-current	-
	38,741

The Association has leases for the office premises. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use assets and lease liabilities are. Variable lease payments which do not depend on an index, or a rate are excluded from the initial measurement of the lease liabilities are and asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Association to sublet the asset to another party, the right-of-use assets can only be used by the Association. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Association is prohibited from selling or pledging the underlying leased assets as security. For leases over the staff accommodation buildings the Association must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

Further, the Association must insure items of right-of-use assets and incur maintenance fees on such items in accordance with the lease contracts.
The table below describes the nature of the Association's leasing activities by type of right-of-use assets recognised on the statement of financial position:

Right-of-use assets	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of leases with termination options
Office premises	2	1 years	1 years	1	-

Future minimum lease payments at 31 December were as follows:

	Minimum lease payment due Within 1 year
	BD
31 December 2022	
Lease payments	39,750
Finance charges	(1,009)
Net present values	**38,741**

9. Employees' terminal benefits

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

	2022	2021
	BD	BD
At 1 January	57	-
Amounts provided for the year	90	57
At 31 December	**147**	**57**

The number of expatriates employed by the Association at 31 December 2022 was 2 (2021: 2).

10. Sinking fund

In accordance with the Article 46.2 of the Memorandum and Article of Association of the Association, an amount equivalent to 10% of the budgeted expenditure of the direct and indirect costs excluding the operational costs 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 2022, an amount of BD28,532 (2021: BD24,670) has been transferred to the sinking fund.

11. Maintenance reserve

In accordance with the Article 19.2 of the Memorandum and Article of Association of the Association, based on the Board approval, it 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 2022, BDNil (2021: BD43,789) has been utilised from the reserve towards meeting the periodic maintenance expenditure.

12. Facility management fees income

	2022 BD	2021 BD
Revenue Garden View Phase 4E,4F,4G,4H	146,431	141,979
Revenue Palm Phase 1F,1G,1H	127,570	123,633
Revenue Marina Phase 1A,1B	109,656	106,432
Revenue Villas Phase 1C,1D,1E,4A,4B	87,059	80,448
Revenue Reef Phase 4C,4D	80,051	77,582
Revenue Coral Phase 3C,3D,3E,3F	73,979	71,927
Revenue Houses Phase 2A,2B,3B	40,300	38,610
Revenue Sea View Phase 3A	22,838	22,165
Revenue Sea View Phase 2C	15,094	14,665
Revenue Retail Centre	5,724	5,486
	708,702	**682,927**

13. Tala leisure centre income

	2022 BD	2021 BD
TLC membership income - monthly Basis	18,794	12,803
TLC rental income – Restaurant	8,472	8,472
TLC membership income - annual Basis	6,624	6,728
	33,890	**28,003**

14. Other income

	2022 BD	2021 BD
Rental income	16,800	16,800
Other income	2,534	2,086
Kayak lease income	120	120
Kayak rental income	42	-
	19,496	**19,006**

15. Direct costs

	2022 BD	2021 BD
Repairs and maintenance	170,525	165,200
Service charges	104,953	89,344
Electricity and water charges	86,572	102,088
Office expenses	59,204	43,907
Insurance	10,832	10,515
Telephone charges	5,824	6,601
Miscellaneous expenses	1,938	351
	439,848	**418,006**

16. General and administrative expenses

	2022 BD	2021 BD
Miscellaneous expenses	51,366	45,753
Rent expenses	-	31,800
	51,366	**77,553**

17. Management supervision fee

	2022 BD	2021 BD
Management supervision fee	**197,760**	**197,760**

18. Financial assets and liabilities and risk management

The Association's principal financial instruments comprise of cash and cash equivalents, fees and other receivables and account and other payables.

The Association does not actively engage in the handing of financial assets for speculative purpose nor does it write option.

The main risks arising from the Association's financial instruments are interest rate cash flow risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and approves policies for managing each of these risks, which are summarized below:

a. Interest rate risk

The Association's policy is to minimize interest rate risk exposures on long-term financing. The Association is not exposed to the risk for changes in market interest rates since the Association does not have any interest-bearing financial assets or liabilities.

b. Liquidity risk

Liquidity risk is the risk arising from the Association not being able to meet its obligation. The Association's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents.

The following table shows the maturity profile of financial liabilities as at 31 December 2022:

Particular	**Due within 1 year**
	BD
Account and other payables	**626,076**

The following table shows the maturity profile of financial liabilities as at 31 December 2021:

Particular	**Due within 1 year**
	BD
Account and other payables	**597,393**

The maturity profile of lease liabilities is separately disclosed in Note 8 to the financial statements

c. Foreign currency risk

The Association's primary exposure to the risk in changes in foreign currency relates to the transactional currency exposures. Such exposure arises when the transaction is denominated in currencies other than the functional currency of the operating unit or the counterparty.

The currency risk on foreign currencies is actively monitored by the Management. The Association's transactions are predominantly in Bahrain Dinars.

d. Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Association. The Association is exposed to credit risk from financial assets including bank balances and fees and other receivables.

The table below shows the gross maximum exposure to the Association's credit risk, without considering the effects of collateral and credit enhancements as at 31 December:

	2022	**2021**
	BD	BD
Fees and other receivables	872,864	800,291
Bank balances	216,827	239,513
	1,089,691	**1,039,804**

Credit risk management

The credit risk is managed on a group basis based on the Association's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks and deposits with banks are managed by dealing with major reputable financial institutions.

The Association policy is to deal only with recognized, creditworthy counterparties. It is the Association's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. A regular annual review and evaluation of these accounts are carried out to assess the credit standing of the customers.

Security

Fees receivables consist of a large number of customers in various industries. The Association does not hold any security on the fees receivable balances except for new customers where post dated cheques are obtained.

Fees receivables

The Association applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all fees receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the fees receivables have been assessed on a specific basis.

The expected loss rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Association has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

19. Capital management policies and procedures

The primary objective of the Association's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize Owner's value.

Equity comprises of sinking fund, maintenance reserves and accumulated deficit and is measured at BD470,523 as at 31 December 2022 (2021: BD441,991)

20. Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization.

21. Comparative figures

Comparative figures of the previous year have been reclassified/rearranged wherever necessary to conform with the presentation in the current year's financial statements.