Grant Thornton
Abdulaal

An instinct for growth™

Grant Thornton
Abdulaal

Financial statements and independent auditors' report

Zawia 2 Owners Association

For the year ended 31 January 2015

Contents

General information

Establishment' number	:	78312501 obtained on 25 February 2015	
Board of Directors	:	Khalid Al Bastaki	- Chairman
		Abulaziz Noor	- Vice Chairman
		Waleed Al Alwai	- Director
		Renata Stec	- Director
		Adel Dawood	- Director
		Adel Awadi	- Director
		Rehan Ahmed	- Director
Registered office	:	Building 2040 Road 5717, Block 257 Amwaj, Kingdom of Bahrain	
Banker	:	Bank of Bahrain and Kuwait	
Auditors	:	Grant Thornton - Abdulaal P.O. Box 11175 12th Floor, Al Nakheel Tower Seef District, Kingdom of Bahrain	

Grant Thornton
Abdulaal

Independent auditors' report

Grant Thornton - Abdulaal
PO Box: 11175
12th Floor, Al Nakheel Tower
Seef District, Kingdom of Bahrain

T (+973) 17 500188
F (+973) 17 500199
www.gtbahrain.com
C.R. No : 38883

To the Board of Directors
Zawia 2 Owners Association

Report on the Financial Statements
We have audited the accompanying financial statements of **Zawia 2 Owners Association** (the "**Association**") which comprise the statement of financial position as at 31 January 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements
Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at 31 January 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton

Partner's Registration No. 131
10 June 2015
Manama, Kingdom of Bahrain

Statement of financial position

	Notes	31 January 2015 BD
Assets		
Non-current assets		
Plant and equipment	3	**8,504**
Current assets		
Accounts and other receivables	4	29,541
Cash and cash equivalents	5	18,081
		47,622
Total assets		**56,126**
Equity and Liabilities		
Equity		
Accumulated fund		**27,126**
Liabilities		
Current liabilities		
Accruals and other payables	6	29,000
Total liabilities		**29,000**
Total equity and liabilities		**56,126**

These financial statements were approved by the Board of Directors on 10 June 2015 and signed on its behalf by:

Khalid Al Bastaki
Chairman

Abulaziz Noor
Vice Chairman

The accounting policies and the notes from pages 7 to 15 form an integral part of these financial statements.

Statement of comprehensive income

	Notes	Year ended 31 January 2015
		BD
Income		
Service income	7	**174,190**
Expenditure		
General and administrative expenses	8	(146,400)
Depreciation	3	(664)
		(147,064)
Excess of income over expenditure for the year transferred to accumulated fund		**27,126**

These financial statements were approved by the Board of Directors on 10 June 2015 and signed on its behalf by:

Khalid Al Bastaki
Chairman

Abulaziz Noor
Vice Chairman

The accounting policies and the notes from pages 7 to 15 form an integral part of these financial statements.

Statement of changes in equity

	Accumulated fund
	BD
Excess of income over expenditure for the year	27,126
At 31 January 2015	**27,126**

The accounting policies and the notes from pages 7 to 15 form an integral part of these financial statements.

Statement of cash flows

	Year ended 31 January 2015
	BD
Operating activities	
Excess of income over expenditure for the year	27,126
Adjustments for:	-
Depreciation	664
Operating profit before working capital changes	27,790
Changes in operating assets and liabilities:	
Change in accounts and other receivables	(29,541)
Change in accruals and other payables	29,000
Net cash from operating activities	**27,249**
Investing activities	
Purchase of plant and equipment	(9,168)
Net cash used in investing activities	**(9,168)**
Net change in cash and cash equivalents	18,081
Cash and cash equivalents, beginning of the year	-
Cash and cash equivalents, end of the year	**18,081**
Comprise:	
Cash in hand	13,505
Bank balances	4,576
	18,081

The accounting policies and the notes from pages 7 to 15 form an integral part of these financial statements.

Notes to the financial statements
31 January 2015

1. Organisation and activities

Zawia 2 Owners Association (the "Association ") is a non-for profit organisation registered in the Kingdom of Bahrain under registration number 78312501 obtained on 25 February 2015.

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

The Association's registered office is situated in the Kingdom of Bahrain.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

2.2 Statement of compliance

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).

2.3 New and revised standards that are effective for annual periods beginning on or after 1 February 2014

A number of new and revised standards are effective for annual periods beginning on or after 1 February 2014. Information on these new standards is presented below:

IAS 32, "Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)" (effective for annual periods beginning on or after 1 January 2014); and

IAS 36, "Recoverable amount disclosures for non-financial assets (Amendments to IAS 36)" (effective for annual periods beginning on or after 1 January 2014).

Management does not expect the above standards to have a material effect on the Company's financial position and results of its operations.

2.4 Standards effective and not relevant to the Association

Certain other new standards and interpretations have been issued but are not relevant to the Association and have no material effect on the Association's financial position and its results of operation.

- IFRS 10, IFRS 12 and IAS 27, "Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)" (effective for annual periods beginning on or after 1 January 2014);

- IAS 39, "Novation of derivatives and continuation of hedge accounting (Amendments to IAS 39)" (effective for annual periods beginning on or after 1 January 2014); and

- IFRIC 21, "Levies" (effective for annual periods beginning on or after 1 January 2014).

2.5 Standards and interpretations not yet effective

Certain other new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Association.

- IFRS 9, "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018);

- IFRS 10 and IAS 28, "Sale of Contribution of Assets between an Investor and its Associate or Joint Venture (Proposed amendments to IFRS 10 and IAS 28)" (effective for annual periods beginning on or after 1 January 2016);

- IFRS 11, "Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)" (effective from annual periods beginning on or after 1 January 2016);

- IFRS 14, "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016);

- IFRS 15, "Revenue from Contracts with Customers" (effective from annual periods beginning on or after 1 January 2017);

- IAS 16 and IAS 38, "Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)" (effective from annual periods beginning on or after 1 January 2016);

- IAS 16 and IAS 41, "Agriculture: Bearer Plants (Proposed amendments to IAS 16 and IAS 41)" (effective from annual periods beginning on or after 1 January 2016);

- IAS 19, "Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)" (effective from annual periods beginning on or after 1 July 2014);

- IAS 27, "Equity Method in Separate Financial Statements (Proposed amendments to IAS 27)" (effective from annual periods beginning on or after 1 January 2016);

- Annual improvements 2010-2012 and 2011-2013 cycles (effective from annual periods beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

  IFRS 1 – First-time Adoption of International Financial Reporting Standards; IFRS 2 – Share-based Payment; IFRS 3 – Business Combinations; IFRS 8 – Operating Segments; IFRS 13 – Fair Value Measurement; IAS 16 'Property, Plant and Equipment'; IAS 38 – Intangible Assets; IAS 24 – Related Party Disclosures; IAS 38 – Intangible Assets and IAS 40 – Investment Property; and

- Annual improvements 2012-2014 cycle (effective from annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

  IFRS 4 – Non-current Assets Held for Sale and Discontinued Operations; IFRS 7 – Financial Instruments: Disclosures; IAS 19 – Employee Benefits and IAS 34 – Interim Financial Reporting.

Management does not expect the above standards to have a material effect on the Association's financial position and results of its operations.

2.6 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 costs 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:

Building , pool and office equipment	5 years
Landscaping	5 years
Furniture and fixtures	5 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.

2.7 Impairment of assets

The carrying amounts of the Association's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised when the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is higher of an asset's fair value less costs to sell and value in use. All impairment losses are recognised in the statement of comprehensive income. Impairment losses are reversed only if there is an indication that the impairment loss no longer exist and there has been a change in the estimates used to determine the recoverable amount.

2.8 Cash and cash equivalents

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

2.9 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.

2.10 Revenue recognition

Revenue consists of service charges to the Association and is recognised on accrual basis.

2.11 Other income

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

2.12 Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

Financial assets and liabilities are measured subsequently as described below:

a. Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Association's cash and cash equivalents, and accounts and other receivables all into this category of financial instruments.

b. Financial liabilities

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in the statement of comprehensive income. The Association's financial liabilities include accruals and other payables.

2.13 Significant accounting judgments and estimates

The Association's financial statements prepared under IFRS require the Association to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Future events may occur which may cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the Association's financial statements as they become reasonably determinable.

a. Use of estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of depreciable assets. Management reviews the useful lives of depreciable assets at each reporting date. At 31 January 2015, management assesses that the useful lives represent the expected utility of the assets to the Association. The carrying amounts are analysed in Note 3. Actual results, however, may vary due to technical obsolescence.

3. Plant and equipment

	Building, pool and office equipment	Furniture and fixtures	Landscaping	2015 Total
	BD	BD	BD	BD
Cost				
Additions and at 31 January	**5,679**	**744**	**2,745**	**9,168**
Accumulated depreciation				
Additions and at 31 January	**435**	**43**	**186**	**664**
Net book value				
At 31 January 2015	**5,244**	**701**	**2,559**	**8,504**

4. Accounts and other receivables

	2015
	BD
Accounts receivables	29,054
Prepayments	487
	29,541

All amounts are short term. The net carrying value of accounts and other receivables are considered a reasonable approximate of fair value at the financial position date. The age of accounts and other receivables past due but not impaired is disclosed in Note 10e.

5. Cash and cash equivalents

	2015
	BD
Cash in hand	13,505
Bank balance	4,576
	18,081

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

Bank account is in the name of two Directors and held for beneficial interest of the Association.

6. Accruals and other payables

	2015
	BD
Accruals and other payables	28,517
Advances	483
	29,000

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

Accruals in the amount of BD14,644 which is payable to a service provider is under litigation.

7. Service income

	2015 BD
Service income	153,084
Chillers income	19,981
Others	1,125
	174,190

8. General and administrative expenses

	2015 BD
Electricity charges	68,720
Building maintenance expenses	51,050
Repair and maintenance	12,128
Legal and professional charges	11,627
Insurance	1,363
Other expenses	1,512
	146,400

9. Related parties transactions

The Association's related parties include its Directors, key management, their close relatives and businesses under their control. The Association's transactions with related parties are in the ordinary course of business. The balances with related parties at financial position date have been disclosed in the financial statements.

10. Financial assets and liabilities and risk management

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

The Association does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The main risks arising from the Association's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and approves the 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 interest bearing financial assets and financial liabilities.

b. Liquidity risk

Liquidity risk is the risk arising from the Association not being able to meet its obligations. 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 tables show the maturity profile of financial liabilities as at 31 January 2015:

Particulars	Due within 1 year
	BD
Accruals and other payables	**28,517**

c. Foreign currency risk

The Association's primary exposure to the risk of 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 Board of Directors. 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 trades only with recognized, creditworthy third parties.

The table below shows the gross maximum exposure to the Association's credit risk, without considering the effects of collateral, credit enhancements and other credit risk mitigation techniques at period end:

	2015
	BD
Accounts and other receivables	29,054
Bank balances	4,576
	33,630

e. Credit quality per class of financial asset

The Association continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls.

Where available at reasonable cost, external credit ratings and/or reports other counterparties are obtained and used. The Association's policy is to deal only with creditworthy counterparties.

The Association's management considers that all the above financial assets that are past due but not impaired for each of the reporting dates under review are of good credit quality.

The table below shows the age analysis of the Association's financial assets as at 31 January 2015.

Particulars	**Neither past due nor impaired**
	BD
Accounts and other receivables	29,054
Bank balances	4,576
	33,630

11. Capital management policy

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

The Association monitors capital using capital to overall financing ratio, which is capital divided by overall financing.

	2015
	BD
Accumulated fund	27,126
Less: Cash and cash equivalents	(18,081)
Capital	**9,045**
Accumulated fund	27,126
Overall financing	**27,126**
Capital to overall financing ratio	**0.33**

12. Post-reporting date events

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

13. Comparative figures

No comparative figures have been presented in these financial statements as these are the first financial statements since the incorporation of the Association.