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Financial statements and independent auditors' report  
**Zawia 2 Owners Association**  
For the year ended 31 January 2016

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## 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 Al 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

## Independent auditors' report

To the Board of Directors  
Zawia 2 Owners Association

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

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### 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 2016, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.




Partner's Registration No. 30  
26 May 2016  
Manama, Kingdom of Bahrain

## Statement of financial position

	Notes	31 January 2016 BD	31 January 2015 BD
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipment	3	16,981	8,504
<b>Current assets</b>			
Accounts and other receivables	4	51,790	29,541
Cash and cash equivalents	5	12,331	18,081
		<b>64,121</b>	<b>47,622</b>
<b>Total assets</b>		<b>81,102</b>	<b>56,126</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Accumulated fund		53,454	27,126
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accruals and other payables	6	27,648	29,000
<b>Total liabilities</b>		<b>27,648</b>	<b>29,000</b>
<b>Total equity and liabilities</b>		<b>81,102</b>	<b>56,126</b>

These financial statements were approved by the Board of Directors on 26 May 2016 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 2016 BD	Year ended 31 January 2015 BD
<b>Income</b>			
Service income	7	174,320	174,190
Other Income	8	10,514	-
		<b>184,834</b>	<b>174,190</b>
<b>Expenditure</b>			
General and administrative expenses	9	(155,241)	(146,400)
Depreciation	3	(3,265)	(664)
		<b>(158,506)</b>	<b>(147,064)</b>
<b>Excess of income over expenditure for the year transferred to accumulated fund</b>		<b>26,328</b>	<b>27,126</b>

These financial statements were approved by the Board of Directors on 26 May 2016 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

	<b>Accumulated fund</b>
	<u>BD</u>
Excess of income over expenditure for the year	<u>27,126</u>
<b>At 31 January 2015</b>	<b><u>27,126</u></b>
At 1 February 2015	27,126
Excess of income over expenditure for the year	<u>26,328</u>
<b>At 31 January 2016</b>	<b><u>53,454</u></b>

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 2016	Year ended 31 January 2015
	BD	BD
<b>Operating activities</b>		
Excess of income over expenditure for the year	26,328	27,126
Adjustments for:	-	-
Depreciation	3,265	664
Operating profit before working capital changes	29,593	27,790
Changes in operating assets and liabilities:		
Change in accounts and other receivables	(22,249)	(29,541)
Change in accruals and other payables	(1,352)	29,000
Net cash from operating activities	<b>5,992</b>	<b>27,249</b>
<b>Investing activities</b>		
Purchase of plant and equipment	(11,742)	(9,168)
Net cash used in investing activities	<b>(11,742)</b>	<b>(9,168)</b>
<b>Net change in cash and cash equivalents</b>	<b>(5,750)</b>	<b>18,081</b>
Cash and cash equivalents, beginning of the year	18,081	-
<b>Cash and cash equivalents, end of the year</b>	<b>12,331</b>	<b>18,081</b>
Comprises:		
Cash in hand	8,965	13,505
Bank balances	3,366	4,576
	<b>12,331</b>	<b>18,081</b>

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 2016

## 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 Standards and amendments not yet effective

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

- IAS 1, “Disclosure Initiative (Amendments to IAS 1)” (effective from annual periods beginning on or after 1 January 2016);
- IFRS 9, “Financial Instruments” (effective for annual periods beginning on or after 1 January 2018); and
- IFRS 15, “Revenue from Contracts with Customers” (effective from annual periods beginning on or after 1 January 2018).

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

*Notes to the financial statements for the year ended 31 January 2016*

**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 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
Furniture and fixtures	5 years
Landscaping	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.

**2.5 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.

**2.6 Cash and cash equivalents**

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

*Notes to the financial statements for the year ended 31 January 2016*

**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 Revenue recognition**

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

**2.9 Other income**

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

**2.10 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, 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.

*Notes to the financial statements for the year ended 31 January 2016*

**2.11 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 2016, 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.

*Notes to the financial statements for the year ended 31 January 2016*

## 3. Plant and equipment

	Building, pool and office equipment	Furniture and fixtures	Landscaping	2016 Total	2015 Total
	BD	BD	BD	BD	BD
<b>Cost</b>					
At 1 February	5,679	744	2,745	9,168	-
Additions	11,442	300	-	11,742	9,168
At 31 January	<b>17,121</b>	<b>1,044</b>	<b>2,745</b>	<b>20,910</b>	<b>9,168</b>
<b>Accumulated depreciation</b>					
At 1 February	435	43	186	664	-
Charge for the year	2,517	199	549	3,265	664
At 31 January	<b>2,952</b>	<b>242</b>	<b>735</b>	<b>3,929</b>	<b>664</b>
<b>Net book value</b>					
At 31 January 2016	<b>14,169</b>	<b>802</b>	<b>2,010</b>	<b>16,981</b>	-
At 31 January 2015	<b>5,244</b>	<b>701</b>	<b>2,559</b>	-	<b>8,504</b>

## 4. Accounts and other receivables

	2016 BD	2015 BD
Accounts receivables	46,468	29,054
Advances to suppliers	4,835	-
Prepayments	487	487
	<b>51,790</b>	<b>29,541</b>

Accounts receivables include BD13,165 which is outstanding for more than 1 year, out of which BD12,139 is under litigation. However, management is of opinion that these receivables are fully recoverable and hence no provision has been made in these financial statements.

All amounts are short term. The net carrying value of accounts and other receivables are considered to be 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 11e.

## 5. Cash and cash equivalents

	2016 BD	2015 BD
Cash in hand	8,965	13,505
Bank balances	3,366	4,576
	<b>12,331</b>	<b>18,081</b>

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

Bank account with Bank of Bahrain and Kuwait in the amount of BD1,286 is in the name of two Directors and held for beneficial interest of the Association.

*Notes to the financial statements for the year ended 31 January 2016*

## 6. Accruals and other payables

	2016 BD	2015 BD
Accruals and other payables	25,677	28,517
Advances	1,971	483
	<u>27,648</u>	<u>29,000</u>

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

## 7. Service income

	2016 BD	2015 BD
Service income	153,084	153,084
Chillers income	20,366	19,981
Others	870	1,125
	<u>174,320</u>	<u>174,190</u>

## 8. Other income

	2016 BD
Rental income	<u>10,514</u>

Other income represents the rental income for the space given on rent to Nuetel Communications.

## 9. General and administrative expenses

	2016 BD	2015 BD
Electricity charges	76,683	68,720
Building maintenance expenses	58,172	51,050
Repair and maintenance	13,788	12,128
Legal and professional charges	3,613	11,627
Insurance	1,850	1,363
Miscellaneous expenses	1,135	1,512
	<u>155,241</u>	<u>146,400</u>

## 10. 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.

*Notes to the financial statements for the year ended 31 January 2016***11. 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 2016:

<b>Particulars</b>	<b>Due within 1 year BD</b>
Accruals and other payables	<b>25,677</b>

The following tables show the maturity profile of financial liabilities as at 31 January 2015:

<b>Particulars</b>	<b>Due within 1 year BD</b>
Accruals and other payables	<b>28,517</b>

**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.



*Notes to the financial statements for the year ended 31 January 2016***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:

	2016 BD	2015 BD
Accounts and other receivables	46,468	29,054
Bank balances	3,366	4,576
	<b>49,834</b>	<b>33,630</b>

**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 incorporate 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 2016:

Particulars	Neither past due nor impaired	Past due but not impaired more than 1 year	Total
	BD	BD	
Trade and other receivables	33,303	13,165	46,468
Bank balances	3,366	-	3,366
	<b>36,669</b>	<b>13,165</b>	<b>49,834</b>

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
	<b>33,630</b>

## 12. 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.

	2016 BD	2015 BD
Accumulated fund	53,454	27,126
Less: Cash and cash equivalents	(12,331)	(18,081)
Capital	<u>41,123</u>	<u>9,045</u>
Accumulated fund	<u>53,454</u>	<u>27,126</u>
Overall financing	<u>53,454</u>	<u>27,126</u>
Capital to overall financing ratio	0.77	0.33

## 13. Post-reporting date events

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

## 14. Comparative figures

Comparative figures for the previous year have been reclassified/re-arranged wherever necessary to conform to the presentation in the current year's financial statements.