Grant Thornton
Abdulaal

Financial statements and independent auditors' report
Zawia 2 Owners Association
For the year ended 31 January 2020

Contents

General information

Association' number	:	78312501 obtained on 25 February 2015
Board of Directors	:	Khalid Al Bastaki - Chairman Addi Ahmed Mustafa - Director Sahar Adelzadeh - Director Ali Jaleel Mohsen Sultani - Owner Association Manager Renata Stec - Secretary Adel Dawood - Treasurer
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

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Abdulaal

Independent auditors' report

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To the Board of Directors
Zawia 2 Owners Association

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Zawia 2 Owners Association** (the "**Association**"), which comprise the statement of financial position as at 31 January 2020, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at 31 January 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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 opinion.

Other Information

The Board of Directors is responsible for the other information. The other information obtained at the date of this auditors' report is the Directors' report set out on page 2.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

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 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 the Board of 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's Registration No. 198
28 February 2021
Manama, Kingdom of Bahrain

Statement of financial position

	Notes	31 January 2020	31 January 2019
		BD	BD
Assets			
Non-current assets			
Plant and equipment	3	**47,007**	**67,506**
Current assets			
Accounts and other receivables	4	111,569	68,756
Cash and cash equivalents	5	33,761	19,696
		145,330	**88,452**
Total assets		**192,337**	**155,958**
Equity and liabilities			
Equity			
Accumulated fund		**166,812**	**114,078**
Liabilities			
Current liabilities			
Accruals and other payables	6	**25,525**	**41,880**
Total equity and liabilities		**192,337**	**155,958**

These financial statements were approved by the Board of Directors on 28 February 2021 and signed on its behalf by:

Khalid Al Bastaki
Chairman

Ali Soltani
General Manager

The accounting policies and the notes from pages 10 to 19 form an integral part of these financial statements.

Statement of comprehensive income

	Notes	Year ended 31 January 2020	Year ended 31 January 2019
		BD	BD
Income			
Service income	7	219,805	201,711
Other Income	8	58,398	7,920
		278,203	**209,631**
Expenditure			
General and administrative expenses	9	(203,701)	(181,800)
Depreciation	3	(21,768)	(20,220)
		(225,469)	**(202,020)**
Excess of income over expenditure for the year transferred to accumulated funds		**52,734**	**7,611**

These financial statements were approved by the Board of Directors on 28 February 2021 and signed on its behalf by:

Khalid Al Bastaki
Chairman

Ali Soltani
General Manager

The accounting policies and the notes from pages 10 to 19 form an integral part of these financial statements.

Statement of changes in equity

	Accumulated fund BD
At 1 February 2018	106,467
Excess of income over expenditure for the year	7,611
At 31 January 2019	**114,078**
At 1 February 2019	114,078
Excess of income over expenditure for the year	52,734
At 31 January 2020	**166,812**

The accounting policies and the notes from pages 10 to 19 form an integral part of these financial statements.

Statement of cash flows

	Year ended 31 January 2020	Year ended 31 January 2019
	BD	BD
Operating activities		
Excess of income over expenditure for the year	52,734	7,611
Adjustments for:		
Depreciation	21,768	20,220
Operating profit before working capital changes	74,502	27,831
Changes in operating assets and liabilities:		
Change in accounts and other receivables	(42,813)	2,049
Change in accruals and other payables	(16,355)	15,637
Net cash from operating activities	**15,334**	**45,517**
Investing activities		
Purchase of plant and equipment	(1,269)	(40,382)
Net cash used in investing activities	**(1,269)**	**(40,382)**
Net change in cash and cash equivalents	14,065	5,135
Cash and cash equivalents, beginning of year	19,696	14,561
Cash and cash equivalents, end of year	**33,761**	**19,696**
Comprises:		
Cash in hand	5,301	7,802
Bank balances	28,460	11,894
	33,761	**19,696**

The accounting policies and the notes from pages 10 to 19 form an integral part of these financial statements.

Notes to the financial statements
31 January 2020

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 and under the 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 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). 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 February 2019

Several new Standards and amendments to existing Standards, and Interpretations have been published by the IASB which have become effective this year but have not been disclosed as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

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

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and 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 Company.

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 and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company'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 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 following useful lives are applied:

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 asset's 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.

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 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 (where applicable), except for those accounts receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15.

Financial assets are classified into the following categories:

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

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

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 (and are not designated as FVTPL):

• 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, accounts and other receivables, fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, accounts receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

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.

Accounts receivables

The Association makes use of a simplified approach in accounting for accounts receivables and records the loss allowance as 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 accounts 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 12(d) for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

b. Financial liabilities

Classification and measurement of financial liabilities

The Association 's financial liabilities include accruals 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.

2.11 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 Divisions 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 of depreciable assets. Management reviews the useful lives of depreciable assets at each reporting date. At 31 January 2020, 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

	Equipment	Furniture and fixtures	Landscaping	2020 Total	2019 Total
	BD	BD	BD	BD	BD
Cost					
At 1 February	105,402	3,068	2,745	111,215	70,833
Additions	1,269	-	-	1,269	40,382
At 31 January	**106,671**	**3,068**	**2,745**	**112,484**	**111,215**
Accumulated depreciation					
At 1 February	40,252	1,075	2,382	43,709	23,489
Charge for the year	20,834	571	363	21,768	20,220
At 31 January	**61,086**	**1,646**	**2,745**	**65,477**	**43,709**
Net book value					
At 31 January 2020	**45,585**	**1,422**	-	**47,007**	-
At 31 January 2019	**65,150**	**1,993**	**363**	-	**67,506**

4. Accounts and other receivables

	2020	**2019**
	BD	BD
Accounts receivables	101,579	67,551
Other receivables	9,421	660
Financial assets	**111,000**	**68,211**
Prepayments	569	545
Non-financial assets	**569**	**545**
	111,569	**68,756**

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

All of the Association's accounts and other receivables in the comparative periods have been reviewed for indicators of impairment. The impaired accounts and other receivables are mostly due from customers in the market that are experiencing financial difficulties.

Note 12(d) includes disclosure relating to the credit risk exposure and risk analysis relating to allowance for expected credit losses. Both current and comparative impairment apply the IFRS 9 expected credit loss model.

5. Cash and cash equivalents

	2020 BD	2019 BD
Cash in hand	5,301	7,802
Bank balances	28,460	11,894
	33,761	**19,696**

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 BD155 (2019: BD155) is in the name of two Directors and held for beneficial interest of the Association.

6. Accruals and other payables

	2020 BD	2019 BD
Accruals and other payables	25,525	40,507
Advances from customers	-	1,373
	25,525	**41,880**

All amounts are short term. The carrying values of accruals and other payables are considered to be a reasonable approximation of fair values.

7. Service income

	2020 BD	2019 BD
Service income	201,292	185,146
Chillers income	17,673	16,190
Others	840	375
	219,805	**201,711**

8. Other income

	2020 BD	2019 BD
Compensation awarded	48,821	-
Rental income	8,580	7,920
Legal fees claimed from owners	876	-
Miscellaneous income	121	-
	58,398	**7,920**

During the year, the Association won a case against developer and the court has awarded BD48,821 to the Association.

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

9. General and administrative expenses

	2020 BD	2019 BD
Electricity charges	115,767	102,330
Building maintenance expenses	59,068	58,500
Repairs and maintenance	19,236	15,326
Legal and professional charges	6,996	2,650
Insurance	1,814	1,750
Miscellaneous expenses	820	1,244
	203,701	**181,800**

10. Contingent liabilities

At 31 January 2020, there is contingent liability which the Company may require to pay annual fee of BD39,035 to Central Owners Association (COA) for the year ended 1 February 2019 to 31 January 2020 which will be collected from each owner based upon their flat size. However, it is currently under a legal proceeding and the legal outcome is uncertain.

11. Related party 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.

12. 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 cash flow 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 table shows the maturity profile of financial liabilities as at 31 January 2020:

Particulars	Due within 1 year
	BD
Accruals and other payables	25,525

The following table shows the maturity profile of financial liabilities as at 31 January 2019:

Particulars	Due within 1 year
	BD
Accruals and other payables	40,507

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. It is the Association's policy that customers who wish to trade on credit terms are subject to credit verification procedures. All regular annual review and evaluation of these accounts are carried out to assess the credit standing of the customers.

Accounts and other receivables

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

On the above basis the expected credit loss for account and other receivables as at 31 January 2020 and 1 February 2019 was not material to financial statements.

13. Capital management policy and procedures

The Association 's capital management objectives are:

• to ensure the Association's ability to continue as a going concern, and
• to provide an adequate return to the Association by pricing products and services in a way that reflects the level of risk involved in providing those goods and services.

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

The amounts managed as capital by the Association for the reporting periods are summarised as follows:

	2020 BD	2019 BD
Accumulated fund	166,812	114,078
Less: Cash and cash equivalents	(33,761)	(19,696)
Capital	**133,051**	**94,382**
Accumulated fund	166,812	114,078
Overall financing	**166,812**	**114,078**
Capital to overall financing ratio	**0.80**	**0.83**

14. Post-reporting date events

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

15. 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.