

**Amwaj Islands Central Owners
Association**

Financial statements for the
year ended 31 December 2020

**Amwaj Islands Central Owners Association
Financial statements for the year ended 31 December 2020**

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Amwaj Islands Central Owners Association
Administration and contact details as at 31 December 2020

| | |
|----------------------------|---|
| Registration number | 78405101 |
| Board of Directors | Jameel-Al-Matrook - Chairman Abdulaziz Buhajeeh - Vice Chairman Mohammad I Nouri - Board Secretary Abdulla Nooruddin - Treasurer Hussein Kazerooni - Director Mohammed Abbas Haji - Director Yousif Khalaf - Director |
| Registered office | Flat No. 5 Building 103, Road 59 Amwaj 259 Kingdom of Bahrain |
| Banker | Bank of Bahrain and Kuwait |
| Auditors | BDO 17 th Floor Diplomat Commercial Offices Tower PO Box 787 Manama Kingdom of Bahrain |

**Amwaj Islands Central Owners Association
Management's report for the year ended 31 December 2020**

We have pleasure in submitting our report and the audited financial statements of Amwaj Islands Central Owners Association ("the Association") for the year ended 31 December 2020.

Principal activities

The principal activities of the Association are is to manage the Island that is it enabled a Central Home Owners Association to be formed which allows residents and owners alike to have a say in how various areas are managed, helps grow their investments, and protects their current properties.

The results for the year are set out on pages 6 and 7 of the financial statements.

Representation and audit

The Asscoaition's activities for the year ended 31 December 2020 have been conducted in accordance with the relevant statutes of the Kingdom of Bahrain.

The Association has maintained proper and complete accounting records and these, together with all other information and explanations, have been made freely available to the auditors.

The management proposes to reappoint BDO as the external auditors of the Association for the next financial year, who has expressed their willingness to continue in office.

Signed on behalf of the Board:



Jameel-Al-Matrook
Chairman



Abdulla Nooruddin
Treasurer

Independent auditor's report to the Board of Directors of Amwaj Islands Central Owners Association

Opinion

We have audited the financial statements of Amwaj Islands Central Owners Association ("the Association"), which comprise the statement of financial position as at 31 December 2020, the statement of income and expenditure, the statement of changes in fund and the statement of 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 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Code of Ethics for Professional Accountants ("IESBA Code") issued by International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the management's report but does not include the financial statements and our auditor's report thereon. 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, 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 management and Those Charged With Governance ("TCWG") for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Those Charged With Governance are responsible for overseeing the Association's financial reporting process.

Independent auditor's report to the Board of Directors of Amwaj Islands Central Owners Association (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management and Those Charged With Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Manama, Kingdom of Bahrain
3 February 2021



See Auditor's Report dated 03/02/21
Signed by BDO, CR No. 10201-04
Partner: Samson Kattuvattil
Reg. No. 239
Signature: 

Amwaj Islands Central Owners Association
Statement of financial position as at 31 December 2020
(Expressed in Bahrain Dinars)

| | <u>Notes</u> | <u>31 December</u> <u>2020</u> |
|------------------------------------|--------------|-----------------------------------|
| ASSETS | | |
| Current assets | | |
| Members' and other receivables | 5 | 1,479,850 |
| Cash and cash equivalents | 6 | <u>66,171</u> |
| Total assets | | <u>1,546,021</u> |
| FUNDS AND LIABILITIES | | |
| Funds and reserves | | |
| Improvement project fund | 7(a) | 113,400 |
| Contingency fund | 7(b) | 136,000 |
| Reserve fund | 7(c) | 180,000 |
| Accumulated fund | 7(d) | <u>45,557</u> |
| | | <u>474,957</u> |
| Current liabilities | | |
| Trade and other payables | 8 | <u>1,071,064</u> |
| Total funds and liabilities | | <u>1,546,021</u> |

These financial statements, were approved and authorised for issue and signed by the Board of Directors.



Jameel-Al-Matrook
Chairman




Abdulla Nooruddin
Treasurer

Amwaj Islands Central Owners Association
Statement of income and expenditure for the year ended 31 December 2020
(Expressed in Bahrain Dinars)

| | <u>Notes</u> | <u>Year ended 31 December 2020</u> |
|---|--------------|--|
| Revenue, net | 9 | 1,837,011 |
| Operational expenses | 10 | <u>(1,363,124)</u> |
| Surplus from operations | | 473,887 |
| Other income | 11 | <u>1,070</u> |
| Excess of income over expenditure for the year | | <u>474,957</u> |

These financial statements, were approved and authorised for issue and signed by the Board of Directors.



Jameel-Al-Matrook
Chairman



Abdulla Nooruddin
Treasurer

Amwaj Islands Central Owners Association
Statement of changes in fund for the year ended 31 December 2020
(Expressed in Bahrain Dinars)

| | <u>Improvement project fund</u> | <u>Contingency fund</u> | <u>Reserve fund</u> | <u>Accumulated fund</u> | <u>Total</u> |
|---|-------------------------------------|-----------------------------|-------------------------|-----------------------------|----------------|
| Excess of income over expenditure for the year | - | - | - | 474,957 | 474,957 |
| Transferred for the year | <u>113,400</u> | <u>136,000</u> | <u>180,000</u> | <u>(429,400)</u> | <u>-</u> |
| At 31 December 2020 | <u>113,400</u> | <u>136,000</u> | <u>180,000</u> | <u>45,557</u> | <u>474,957</u> |

Amwaj Islands Central Owners Association
Statement of cash flows for the year ended 31 December 2020
(Expressed in Bahrain Dinars)

| | <u>Note</u> | <u>Year ended 31 December 2020</u> |
|--|-------------|--|
| Operating activities | | |
| Excess of income over expenditure for the year | | 474,957 |
| Changes in assets and liabilities: | | |
| Members' and other receivables | | (1,479,850) |
| Trade and other payables | | <u>1,071,064</u> |
| Net cash provided by operating activities | | <u>66,771</u> |
| Net increase in cash and cash equivalents | | 66,171 |
| Cash and cash equivalents, beginning of the year | | <u>-</u> |
| Cash and cash equivalents, end of the year | 6 | <u><u>66,171</u></u> |

1 Organisation and activities

Amwaj Islands Central Owners Association (“the Association”) is registered with Information and Government Authority, registration number 7840510.

The article of associations are based in principle on the Real Estate Regulatory Authority’s Resolution no.7 of 2018 regulating owners’ associations and joint properties, which came into effect on 26 September 2018 which are encompassed within Law No. (27), “promulgating The Real Estate Sector Regulation Law” which came into effect on 1 March 2018 the contents of which apply in principle Amwaj Islands Central Owners’ Association.

The article of association have been established to relate specifically to Amwaj islands and the Amwaj Islands Central Owners’ Association and they are to be read in conjunction with other related documents pertaining to and regulating home owners associations.

The principal activities of the Association is to manage the Island that is it enabled a Central Home Owners Association to be formed which allows residents and owners alike to have a say in how various areas are managed, helps grow their investments, and protects their current properties. The six man made islands are each unique, offering a truly enviable lifestyle for residents, with a choice of outstanding homes by the water, a vibrant and growing community and a relaxing, easy way of life.

The registered office of the Association is Flat 5, Building 103, Road 59, Amwaj 257, Kingdom of Bahrain.

These financial statements, set out on pages 6 to 20, were approved and authorised for issue and signed by the Board of Directors on 3 February 2021.

2 Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as promulgated by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of presentation and functional currency

The financial statements have been prepared using the going concern assumption and under the historical cost convention. The financial statements have been presented in Bahrain Dinars which is the functional currency of the Association.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Association’s accounting policies.

Improvements/amendments to IFRS/IAS

Improvements/amendments to IFRS/IAS contained numerous amendments to IFRS/IAS that the IASB considers non-urgent but necessary. ‘Improvements to IFRS’ comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Association’s future accounting period with earlier adoption.

2 Basis of preparation (continued)

Standards, amendments and interpretations issued and effective in 2020 but not relevant

The following new amendments to existing standard and interpretation to published standard is mandatory for accounting year beginning on or after 1 January 2020 or subsequent years, but is not relevant to the Association's operations:

| <u>Standard or interpretation</u> | <u>Title</u> | <u>Effective for annual periods beginning on or after</u> |
|-----------------------------------|---|---|
| IAS 1 | Presentation of financial statements | 1 January 2020 |
| IAS 8 | Accounting policies, changes in accounting estimates and Errors | 1 January 2020 |
| IAS 39 | Financial instruments: recognition and measurements | 1 January 2020 |
| IFRS 3 | Business combinations | 1 January 2020 |
| IFRS 7 | Financial instruments: Disclosures | 1 January 2020 |
| IFRS 9 | Financial instruments | 1 January 2020 |
| IFRS 16 | COVID-19-Related Rent Concessions | 1 June 2020 |

Standards, amendments and interpretations issued but not yet effective in 2020

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial period ended 31 December 2020. They have not been adopted in preparing the financial statements for the for the year ended 31 December 2020 and will or may have an effect on the Association's future financial statements. In all cases, the entity intends to apply these standards from application date as indicated in the table below:

| <u>Standard or interpretation</u> | <u>Title</u> | <u>Effective for annual periods beginning on or after</u> |
|-----------------------------------|--|---|
| IAS 39 | Financial instruments: recognition and measurements | 1 January 2021 |
| IFRS 4 | Insurance Contracts | 1 January 2021 |
| IFRS 7 | Financial instruments: Disclosures | 1 January 2021 |
| IFRS 9 | Financial instruments | 1 January 2021 |
| IFRS 16 | Leases | 1 January 2021 |
| IAS 16 | Property, Plant and Equipment – Proceeds before Intended Use | 1 January 2022 |
| IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| IFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| IAS 1 | Classification of Liabilities as Current or Non-Current | 1 January 2023 |
| IFRS 17 | Insurance contracts | 1 January 2023 |

Early adoption of amendments or standards in 2020

The Association did not early-adopt any new or amended standards in 2020. There would have been no change in the operational results of the Association for the year ended 31 December 2020 had the Association early adopted any of the above standards applicable to the Association.

3 Significant accounting policies (continued)

A summary of the significant accounting policies adopted in the preparation of these financial statements is set out below. These policies have been consistently applied to all the years presented.

Financial assets

The Association classifies its financial assets in to amortized cost category, depending on the purpose for which assets was acquired. The Association's accounting policy for each category of financial asset is as follows:

Amortised cost

Financial assets at amortised cost

Financial assets carried at amortised cost are initially recognised at fair value plus transaction cost that are directly attributable to their acquisition or issue and subsequently carried at amortised cost using the effective interest rate method less, provision for impairment. Categories of financial assets measured at amortised cost are given below:

Members' and other receivables

Members' and other receivables (excluding prepayments) are carried at their anticipated realisable values. An estimate is made for impaired members' and other receivables based on a review of all outstanding amounts at the year-end. Impaired trade receivables are written-off during the year in which they are identified.

Cash and cash equivalent

Cash and cash equivalent are recorded at amortised cost in the financial statements less expected credit loss. Cash and cash equivalent comprise current account balance with bank.

Impairment of financial assets

The Association recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The Association applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Association is required to record an allowance for expected losses for all loans and other debt type financial assets not held at FVTPL. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset. The financial assets at amortised cost consist of trade receivables and cash and cash equivalents.

3 Significant accounting policies

Financial liabilities

The financial liabilities of the Association consist of trade and other payables. These financial liabilities are initially recognised at fair value and are subsequently re-measured at amortised cost using the effective interest method.

Trade and other payables

Trade and other payables are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

The Association recognises provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events and a reasonable estimate of the obligation can be made.

Revenue recognition

Revenue primarily consists of service charges, ID cards fee, building plan processing fee and advertising fee. Revenue from service charges, ID cards fee, building processing fee and advertising fee is recognized over the time, as the customer simultaneously receives and consumes the benefit of the performance obligation.

Determining the transaction price

The Association's contribution revenue is derived from approved budget and therefore the amount of revenue to be earned from each owner is determined by reference to those fixed rates of contribution in the approved budget. The transaction price with regard to other services provided to the homeowners are determined with reference to fixed price lists.

Allocating amounts to performance obligations

The Association's contribution revenue is derived from fixed rates of contribution in the budget and therefore the amount of revenue to be earned from each owner is determined by reference to those fixed rates of contribution. For each of the apartments, houses and villas there is a fixed rate per square meter. Therefore, there is no judgement involved in allocating the price to each unit.

Other revenues earned by the Company are recognised on the accruals basis or when the Association's right to receive payment is established.

Foreign currency transactions

Balances of monetary assets and liabilities denominated in foreign currencies of specific amounts are translated using rates of exchange prevailing at the date of the statement of financial position. Gains and losses arising on the settlement of foreign currency transactions, and unrealised gains and losses resulting from the translation to Bahraini Dinar of foreign currency denominated monetary balances are recorded in the statement of profit or loss and other comprehensive income. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4 Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires the Association's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of incomes and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions in these financial statements relate to:

- fair value measurement;
- impairment of assets;
- revenue recognition;
- going concern; and
- contingencies.

Fair value measurement

A number of assets and liabilities included in the financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Association's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item and transfers of items between levels are recognised in the period they occur.

The financial assets and liabilities of the Association are initially recorded at fair value and subsequently re-measured at amortised cost while those which require fair value re-measurement are disclosed in Note 13.

Impairment of assets

The Association creates provision for impaired members' and other receivables to account for estimated losses resulting from the inability of customers to make the required payments. At 31 December 2020, in the opinion of the Association's management, no provision is required for impaired members' and other receivables. When evaluating the adequacy of an allowance for impaired members' and other receivables management bases its estimate on current overall economic conditions, ageing of the accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for impaired accounts receivables recorded in the financial statements.

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Revenue recognition

The Association exercises judgment in determining whether a revenue transaction is recognised at a point in time or over time taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

Going concern

The management of the Association review the financial position on a periodical basis and assesses the requirement of any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due. In addition, the members of the Association ensure that they provide adequate financial support to fund the requirements of the Association to ensure the going concern status of the Association.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

5 Members' and other receivables

| | 31 December 2020 |
|-------------------------|---------------------|
| Receivable from members | 1,473,355 |
| Other receivables | <u>6,495</u> |
| | <u>1,479,850</u> |

The ageing of members fee receivables are as follows:

| <u>31 December 2020</u> | <u>0-30 days</u> | <u>31-90 days</u> | <u>91-120 days</u> | <u>121-210 days</u> | <u>Total</u> |
|-------------------------|------------------|-------------------|--------------------|---------------------|------------------|
| Receivable from members | <u>3,533</u> | <u>1,250</u> | <u>112</u> | <u>1,468,460</u> | <u>1,473,355</u> |

Members' and other receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Association to obtain collateral over members' and other receivables and are, therefore all, unsecured.

The Association's members' and other receivables are primarily denominated in Bahrain Dinars.

In the opinion of the Board of Directors, the fair values of the members' and other receivables approximate to their carrying values.

Amwaj Islands Central Owners Association
Notes to the financial statements for the year ended 31 December 2020
(Expressed in Bahrain Dinars)

6 Cash and cash equivalents

| | 31 December 2020 |
|--|---------------------|
| Bank of Bahrain and Kuwait - Revenue account | 22,621 |
| Bank of Bahrain and Kuwait - Expense account | 7,676 |
| Bank of Bahrain and Kuwait - Reserve account | <u>35,874</u> |
| | <u>66,171</u> |

The current account balances with banks are non-interest bearing.

7 Members' fund and reserves

a) Improvement project fund

As per the approved budget at Board meeting of the Amwaj Islands Central Owners Association, an amount of BD113,400 of excess of income over expenditure for the year shall be set aside for improvement project fund towards AMI system for the Smart water meter.

b) Contingency fund

As per the approved budget at Board meeting of the Amwaj Islands Central Owners Association, an amount of BD136,000 of excess of income over expenditure for the year shall be set aside for contingency fund towards any emergency maintenance not covered in the association budget.

c) Reserve fund

In accordance with the Bye-laws of the Amwaj Islands Central Owners Association, an amount of BD180,000 of excess of income over expenditure for the year shall be set aside for reserve fund and shall belong to the 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 Amwaj Island.

The reserve fund value shall be based on 10 year requirements for operation and maintenance and shall be equivalent of not less than the maximum one year budget within the 10 year period. It shall be collected over the period of 10 years. The Central Owner Association shall conduct every five (5) years a study to identify maintenance activities to be funded from the reserve fund over the next five (5) years.

d) Accumulated fund

Accumulated fund represents the accumulated surpluses of income over expenditure.

Amwaj Islands Central Owners Association
Notes to the financial statements for the year ended 31 December 2020
(Expressed in Bahrain Dinars)

8 Trade and other payables

| | 31 December 2020 |
|--|---------------------|
| Trade creditors | 1,043,767 |
| Advance from members | 3,711 |
| Amounts due to related parties (Note 12) | 17,500 |
| Other payables | <u>6,086</u> |
| | <u>1,071,064</u> |

In the opinion of the Association's management, the fair values of the trade and other payables approximates to their carrying values.

9 Revenue

| | Year ended 31 December 2020 |
|------------------------------|-----------------------------------|
| Service charges | 1,833,528 |
| ID collections | 13,694 |
| Building plan processing fee | 13,159 |
| Advertisement fee | 6,875 |
| Others | 1,952 |
| Less: Discount | <u>(32,197)</u> |
| | <u>1,837,011</u> |

10 Operating expenses

| | Year ended 31 December 2020 |
|-----------------------------------|-----------------------------------|
| Utilities | 582,385 |
| Administration | 397,705 |
| Maintenance and service contracts | 302,260 |
| General fee and insurance | 53,918 |
| Directors' fee | 17,500 |
| Others | <u>9,356</u> |
| | <u>1,363,124</u> |

Amwaj Islands Central Owners Association
Notes to the financial statements for the year ended 31 December 2020
(Expressed in Bahrain Dinars)

11 Other income

Year ended
31 December
2020

| | |
|-----------------|--------------|
| Insurance claim | <u>1,070</u> |
|-----------------|--------------|

12 Transactions and balances with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the Board of Directors, key management personnel and their close family members and such other companies over which the Association, Board of Directors, key management personnel and their close family members can exercise significant influence or can be significantly influenced by those parties. Transactions with the related parties are authorised by the management and are on arm's length basis.

A summary of related parties' transactions is as follow:

| <u>Related parties</u> | <u>Nature of relationship</u> | <u>Transactions</u> | <u>Year ended 31 December 2020</u> |
|------------------------|-------------------------------|---------------------|------------------------------------|
| Jameel-Al-Matrook | Chairman | Board Director Fee | 2,500 |
| AbdulAziz buhejeeh | Vice Chairman | Board Director Fee | 2,500 |
| Abdulla Nooruddin | Treasurer | Board Director Fee | 2,500 |
| Hussain kazerooni | Director | Board Director Fee | 2,500 |
| Mohammad Abbas Hajji | Director | Board Director Fee | 2,500 |
| Mohammed Nouri | Director | Board Director Fee | 2,500 |
| Yusef Khalaf | Director | Board Director Fee | 2,500 |

A summary of the amounts due to related parties is as follows:

| <u>Related parties</u> | <u>Nature of relationship</u> | <u>Transactions</u> | <u>31 December 2020</u> |
|------------------------|-------------------------------|---------------------|-------------------------|
| Jameel-Al-Matrook | Chairman | Board Director Fee | 2,500 |
| AbdulAziz buhejeeh | Vice Chairman | Board Director Fee | 2,500 |
| Abdulla Nooruddin | Treasurer | Board Director Fee | 2,500 |
| Hussain kazerooni | Director | Board Director Fee | 2,500 |
| Mohammad Abbas Hajji | Director | Board Director Fee | 2,500 |
| Mohammed Nouri | Director | Board Director Fee | 2,500 |
| Yusef Khalaf | Director | Board Director Fee | <u>2,500</u> |
| | | | <u>17,500</u> |

13 Financial assets and liabilities and risk management

Financial assets and liabilities carried on the statement of financial position include cash and cash equivalents, members' and other receivables and trade and other payables. The specific recognition methods adopted are disclosed in the individual policy statements associated with each item.

Capital management

The primary objective of the Association's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise benefits from the Association.

The Association manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies and processes during the year ended 31 December 2020.

The Association monitors capital using a gearing ratio, which is net debt divided by total members' fund plus net debt. The Association includes within net debt, other payables less cash and cash equivalents. Capital comprise of fund and reserves.

| | 31 December 2020 |
|-------------------------------------|---------------------|
| Trade and other payables | 1,071,064 |
| Less: cash and cash equivalents | <u>(66,171)</u> |
| Net surplus | <u>1,004,893</u> |
| Total fund | <u>474,957</u> |
| Total members' fund and net surplus | <u>1,479,850</u> |
| Gearing ratio | <u>67.91%</u> |

Risk management is carried out by the Finance Department of the Association under policies approved by the Board of Directors. The Association's Finance Department evaluates and hedges financial risks in close co-operation with the Association's management. The Board of Directors provides principles for overall risk management, as well as policies covering specific areas.

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from cash and cash equivalents and credit exposures to customers, including outstanding receivables. For banks and financial institutions only independent related parties with good ratings are accepted. While cash and cash equivalents is also subject to the impairment requirements of IFRS 9, the identified impairment loss is immaterial. The risk management policy relating to trade and other receivables is provided in Note 5.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. In the opinion of the management the Association, assets and liabilities are not sensitive to profit rate risk.

Currency rate risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Association is not exposed to any foreign currency exposure.

13 Financial assets and liabilities and risk management (continued)

Liquidity risk, also referred to as funding risk, is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial assets and liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity risk is managed by monitoring on a regular basis to help ensure that sufficient funds are available to meet all liabilities as they fall due.

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments not measured at fair value on recurring basis include cash and cash equivalents, members' and other receivables and trade and other payables. In the opinion of the management, due to short-term nature of these financial instruments, the fair value of these financial instruments is not significantly different from their carrying amounts as at 31 December 2020.

14 Subsequent events

There were no significant events subsequent to 31 December 2020 and occurring before the date of this report that had an impact on these financial statements.

15 Comparative figures

Comparative figures have not been presented to the statement of financial position, statement of income and expenditure, statement of changes in funds, statement of cash flows and related notes to the financial statements, as these are the first financial statements of the Association.