Terna Contracting WLL

FINANCIAL STATEMENTS

31 DECEMBER 2019

FINANCIAL STATEMENTS
For the year ended 31 December 2019

CONTENTS

GENERAL INFORMATION

Commercial registration	68262-1
Registered Office	Building 418, Road 3207, Block 332 Mahooz Kingdom of Bahrain
Chairman & Director	Mr. Sofoklis Sarantellis
Directors	Mr. Konstantinos Iliadis *(Vice Chairman)* Mr. Dimitrios Alexandros Xoudis (Managing Director) Mr. Dimitrios Salamanos Mr. Georgios Stratigos
Bankers	Bank of Bahrain and Kuwait HSBC Bank Middle East
Auditors	KPMG Fakhro

REPORT OF THE BOARD OF DIRECTORS
As at 31 December 2019 Bahraini Dinars

In accordance with Article 286 of the Commercial Companies Law, on behalf of the board of directors, we have pleasure in presenting the audited financial statements of Terna Contracting WLL (the "Company") for the year ended 31 December 2019 as set out on pages 5 to 34.

Financial highlights	2019	2018 (restated)
Revenue	**9,896,578**	11,361,140
Gross loss	**(904,966)**	(716,785)
Loss for the year	**(2,214,198)**	(1,341,555)
Total assets	**10,509,821**	14,755,793
Total equity	**109,333**	2,323,531

Representations and audit

The Company's activities for the year as at 31 December 2019 have been conducted in accordance with the Commercial Companies Law and other relevant statutes of the Kingdom of Bahrain.

There have been no events subsequent to 31 December 2019, except as described in note 23 to the financial statements, which would in any way invalidate the financial statements as set out on pages 5 to 34.

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

On behalf of the board of directors:

Dimitrios Alexandros Xoudis
Managing Director

Dimitrios Salamanos
Director

27 May 2020

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Audit
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Kingdom of Bahrain

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CR No. 6220

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Terna Contracting WLL
Manama, Kingdom of Bahrain

Report on the audit of the financial statements

Opinion
We have audited the accompanying financial statements of Terna Contracting WLL (the "Company"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, 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 *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company 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.

Emphasis of matter – going concern
We draw attention to note 1 to the financial statements which describes that the Company incurred a net loss of BD 2,214,198 (2018: BD 1,341,555) during the year ended 31 December 2019 and, as of that date, the Company had accumulated losses of BD 4,841,593 (2018: BD 2,627,395). Further, as discussed in note 23, the Company's business and operations has been severely affected by the Coronavirus outbreak (COVID-19) due to restrictions and measures taken by the government to combat the outbreak. As the outbreak continues to evolve it is difficult at the juncture, to predict the full extent and duration of its business and economic impact. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company is reliant on support from its shareholders who have confirmed that they intend to continue its operations in the foreseeable future. Our opinion is not modified in this matter.

Emphasis of matter- restatement
Our opinion on the 31 December 2018 financial statements dated 22 March 2019 was qualified because the Company recognised BD 2.7 million of revenue as a result of a claim the Company has made against a customer for prolongation and variation costs (note 21) and this amount have not been recorded in accordance with IFRS 15 - Revenue from contracts with customers. The Company has restated its 31 December 2018 financial statements and reversed the previously recognised revenue and related contract assets. As part of our audit, we have audited the adjustments described in note 24 that were applied to restate the corresponding figures. In our opinion, such adjustments are appropriate and have been properly applied.

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 report of the board of directors set out on page 1.

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 IFRS, and for such internal control as the board of directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Tema Contracting WLL
Manama, Kingdom of Bahrain

In preparing the financial statements, the board of directors is responsible for assessing the Company'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 intend to liquidate the Company 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 director'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 Company'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 Company 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.

Report on other regulatory requirements

As required by the Commercial Companies Law, we report that:

a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
b) the financial information contained in the report of the board of directors is consistent with the financial statements;
c) except for the accumulated losses exceeding 50% of the share capital as at the reporting date, we are not aware of any violations during the year of the Commercial Companies Law, or the terms of the Company's memorandum of association that would have had a material adverse effect on the business of the Company or on its financial position; and
d) satisfactory explanations and information have been provided to us by management in response to all our requests.

KPMG

KPMG Fakhro
Partner Registration No. 136
27 May 2020

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

Bahraini Dinars

	Note	**31 December 2019**	31 December 2018 (restated)	At 1 January 2018 (restated)
ASSETS				
Non-current assets				
Property and equipment	5	74,973	286,868	625,604
Right-of-use assets	6	287,245	-	-
Intangible assets		504	1,853	2,000
Retention receivable		178,536	471,842	3,461,198
Total non-current assets		**541,258**	760,563	4,088,802
Current assets				
Inventories	7	156,133	195,174	256,467
Contract assets	8	2,519,189	5,576,395	5,622,111
Contract and other receivables	9	5,524,929	6,852,509	2,102,563
Due from related parties	10 b)	-	42,691	213,113
Cash and cash equivalents	11	1,768,312	1,328,461	1,235,603
Total current assets		**9,968,563**	13,995,230	9,429,857
Total assets		**10,509,821**	14,755,793	13,518,659
EQUITY AND LIABILITIES				
Equity				
Share capital		4,500,000	4,500,000	2,000,000
Investment contribution from shareholders		-	-	2,500,000
Statutory reserve		450,926	450,926	450,926
Accumulated losses		(4,841,593)	(2,627,395)	(1,285,840)
Total equity (page 7)		**109,333**	2,323,531	3,665,086
Non-current liabilities				
Provision for employees' leaving indemnities	12	454,903	649,236	604,553
Non-current lease liability	13	152,213	-	-
Non-current portion of retention payable		33,703	112,358	631,879
Non-current portion of term loans	14	-	58,343	158,339
Total non-current liabilities		**640,819**	819,937	1,394,771
Current liabilities				
Bank overdraft	11	9,002	824,837	689,336
Current lease liability	13	141,549	-	-
Current portion of term loans	14	58,343	99,996	195,203
Trade and other payables	15	4,451,286	6,982,547	5,936,510
Due to related parties	10 c)	5,099,489	3,704,945	1,637,753
Total current liabilities		**9,759,669**	11,612,325	8,458,802
Total liabilities		**10,400,488**	12,432,262	9,853,573
Total equity and liabilities		**10,509,821**	14,755,793	13,518,659

The financial statements were approved by the Board of Directors on 27 May 2020 and signed on its behalf by:

Dimitrios Alexandros Xoudis
Managing Director

Dimitrios Salamanos
Director

The accompanying notes 1 to 25 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019 Bahraini Dinars

	Note	2019	2018
Contract revenue		9,896,578	11,361,140
Direct costs	16	(10,801,544)	(12,077,925)
Gross loss		**(904,966)**	(716,785)
Other income	17	2,312,053	1,409,530
Impairment allowance for contract assets	8	(1,900,000)	(1,469)
Foreign exchange loss, net		(39,435)	(1,421)
General and administrative expenses	18	(1,646,487)	(1,829,119)
Finance costs	19	(152,160)	(99,354)
Gain on disposal of property and equipment		117,085	5,000
Bad debts		(288)	(50,765)
Other expenses		-	(57,172)
Loss for the year		**(2,214,198)**	(1,341,555)
Other comprehensive income		-	-
Total comprehensive income for the year		**(2,214,198)**	(1,341,555)

Dimitrios Alexandros Xoudis
Managing Director

Dimitrios Salamanos
Director

The accompanying notes 1 to 25 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

Bahraini Dinars

2019	Share capital	Statutory reserve	Accumulated losses	Total
At 1 January 2019 (restated)	4,500,000	450,926	(2,627,395)	2,323,531
Total comprehensive income for the year (page 6)	-	-	(2,214,198)	(2,214,198)
At 31 December 2019	**4,500,000**	**450,926**	**(4,841,593)**	**109,333**

2018	Share capital	Investment contribution from shareholders	Statutory reserve	Accumulated losses	Total (restated)
At 1 January 2018 - as previously stated	2,000,000	2,500,000	450,926	1,433,184	6,384,110
Adjustment for prior period errors (refer to note 24)	-	-	-	(2,719,024)	(2,719,024)
At 1 January 2018 - balance as restated	2,000,000	2,500,000	450,926	(1,285,840)	3,665,086
Total comprehensive income for the year (page 6)	-	-	-	(1,341,555)	(1,341,555)
Additional share capital introduced	2,500,000	(2,500,000)	-	-	-
At 31 December 18 (restated)	4,500,000	-	450,926	(2,627,395)	2,323,531

The accompanying notes 1 to 25 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019 — Bahraini Dinars

	Note	2019	2018
OPERATING ACTIVITIES			
Loss for the year (page 6)		**(2,214,198)**	(1,341,555)
Adjustments for non-cash items:			
Depreciation		395,431	380,551
Amortisation of intangible assets		3,616	1,665
Gain on disposal of property and equipment		(117,085)	(5,000)
Impairment loss on contract assets	8	1,900,000	-
Bad debts		288	52,234
Provision for leaving indemnity	12	138,602	162,271
Foreign exchange loss		(39,435)	(8,461)
Finance costs		40,359	77,644
Operating profit / (loss) before working capital changes		**107,578**	(680,651)
Working capital changes:			
Retention receivables		293,306	2,989,356
Inventories		39,041	61,293
Contract assets		1,157,206	29,945
Contract and other receivables		1,327,580	(4,800,697)
Retention payables		(78,655)	(519,521)
Employees end of service paid	12	(332,934)	(117,588)
Trade and other payables		(2,531,261)	1,061,134
Interest paid on bank overdrafts		(30,695)	(61,750)
Net cash used in operating activities		**(48,834)**	(2,038,479)
INVESTING ACTIVITIES			
Acquisition of property and equipment	5	(169,209)	(45,318)
Acquisition of intangible assets		(2,268)	(1,517)
Proceeds from disposal of property and equipment		249,911	8,502
Net cash from / (used in) investing activities		**78,434**	(38,333)
FINANCING ACTIVITES			
Repayment of term loan	14	(99,996)	(195,203)
Receipts from related parties, net		1,335,746	2,245,266
Interest paid	19	(9,664)	(15,894)
Net cash from financing activities		**1,226,086**	2,034,169
Net increase / (decrease) in cash and cash equivalents during the year		**1,255,686**	(42,643)
Cash and cash equivalents at 1 January		503,624	546,267
Cash and cash equivalents at 31 December	11	**1,759,310**	503,624

The accompanying notes 1 to 25 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019 Bahraini Dinars

1 REPORTING ENTITY

Terna Contracting WLL (the "Company") is a limited liability company incorporated in the Kingdom of Bahrain on 2 April 2008 and registered with the Ministry of Industry, Commerce and Tourism under commercial registration number 68262-1. The Company is engaged in construction and contracting activities.

The Company's authorised, issued and fully paid up share capital as at 31 December 2019 was 4,500,000 comprising of 90,000 shares of BD 50 each and are held as follows:

Shareholders	Number of shares	Shareholding (%)	Amount (BD)
Terna Bahrain Holding WLL	89,991	99.9999	4,499,550
Terna Overseas Limited	9	0.0001	450
Total	**90,000**	**100**	**4,500,000**

The Company is a wholly owned subsidiary of Terna Bahrain Holding WLL (the 'Parent Company), a company incorporated in and operating under the laws of the Kingdom of Bahrain. The ultimate parent company is GEK TERNA Societe Anonyme Holdings Real Estate Constructions ('GEK TERNA'), a company incorporated in and operating under laws of the Republic of Greece.

The Company also has a branch, Terna Real Estate WLL (the "Branch"), in the Kingdom of Bahrain which is registered under commercial registration number 68262-2. The branch was formed to engage in real estate activities through owning or leasing property. As of 31 December 2019, there were no operations in the branch.

Investments in joint operations

The Company has 50% interest in the following unincorporated Joint Operations, with the other 50% held by Combined Group Contracting Emirates L.L.C. ("the Joint Operator"), a company registered in the United Arab Emirates.

(i) Terna-CGCE JV (AMAS -1)
The Joint Operation was formed on 19 August 2015 and is involved in the construction, testing and commissioning of the Primary Sewer Testing and TSE networks of the Al Madina Al Shamaliya Project, Northern Governorate, Kingdom of Bahrain for the Ministry of Housing, Kingdom of Bahrain. The Joint Operation is under liquidation process as of reporting date.

(ii) Terna-CGCE JV (AMAS -2)
AMAS -2 (the "Joint Operation") was formed on 7 April 2016 for the Construction of Infrastructure and Utilities in Al Madina Al Shamaliya, Islands 10, 11 and 12 respectively for the Ministry of Housing, Kingdom of Bahrain and the Joint Operation commenced its operations on 25 May 2016.

(iii) Terna-CGCE JV (AMAS -3)
AMAS -3 (the "Joint Operation") was formed on 28 June 2018 for the Construction of Bridges, Islands 9 & 10 and 11 & 12 at Madinat Salman respectively for the Ministry of Housing, Kingdom of Bahrain and the Joint Operation commenced its operations on 26 August 2018.

2 *BASIS OF PREPARATION (continued)*

e) New standards, amendments and interpretations effective from 1 January 2019

The Company adopted IFRS 16 Leases from 1 January 2019.

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

(i) Leases in which the Company is a lessee

The Company recognises new assets and liabilities for its operating leases of various types of contracts including warehouse and lands. The nature of expenses related to those leases will now change because the Company will recognise an amortisation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

(ii) Leases in which the Company is a lessor

No significant impact is expected for leases in which the Company is a lessor.

(iii) Impact of adopting IFRS 16

On transition to IFRS 16, the Company recognised BD 434,396 of right-of-use assets in land and building and BD 434,396 of lease liabilities in liabilities (current and non-current) and the depreciation charge thereon for the year ended 31 December 2019 was BD 147,151.

During the year, an amount of BD 15,665 was recognised as finance cost on lease liabilities in the statement of profit or loss and other comprehensive income.

f) New standards, amendments and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however; the Company has not early applied the following new or amended standards in preparing these financial statements.

i) Amendments to References to Conceptual Framework in IFRS Standards

The main changes to the Framework's principles have implications for how and when assets and liabilities are recognised and derecognised in the financial statements.

Some of the concepts in the revised Framework are entirely new – such as the 'practical ability' approach to liabilities. As they have not been tested as part of any recent standard-setting process, it is unclear what challenges the Board will encounter when using them to develop standards in the future. It is also unclear what challenges preparers of financial statements will face after those future standards become effective.

The amendment applies for annual periods beginning on or after 1 January 2020.

2 BASIS OF PREPARATION (continued)

ii) Definition of Material – Amendments to IAS 1 and IAS 8

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendment applies for annual periods beginning on or after 1 January 2020.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Company in the preparation of the financial statements are consistent with those applied in the preparation of the Company's financial statements as at and for the year ended 31 December 2019, except for the changes arising from adoption of IFRS 16 on 1 January 2019.

a) Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019 Bahraini Dinars
3 SIGNIFICANT ACCOUNTING POLICIES (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable under a residual value guarantee; and

– the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, equipment and vehicles' and lease liabilities in 'liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Extension option

Some property leases contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand- alone prices. When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight- line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

– fulfilment of the arrangement was dependent on the use of a specific asset or assets; and

– the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee
In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(ii) As a lessor
When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

b) Financial instruments

The Company's financial instruments comprise, trade and other receivables, due from related parties, cash and cash equivalents, due to related parties, trade and other payables. All financial assets and liabilities are carried at amortised cost.

(i) Recognition and initial measurement
Receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI; or FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 Bahraini Dinars

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt security is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity security that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on a security-by-security basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at amortised cost

Financial assets measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(iv) Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, mainly contract assets, contract and other receivable, retention receivables, due from related parties and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 Bahraini Dinars

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company measures loss allowances on contract assets, contract and other receivable, retention receivables and due from related parties at an amount equal to lifetime ECLs ("Simplified approach").

Loss allowances on bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition are measured at 12- month ECLs ("General approach").

When determining whether the credit risk of a financial asset has increased significantly since initial recognition when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

Lifetime ECL are the ECLs that result from all possible default events over the expected life of the financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

Contract assets, contract and other receivable, retention receivables and due from related parties - (Simplified approach)

ECLs are a probability-weighted estimate of credit losses. The Company applies the simplified approach of IFRS 9 for the calculation of expected credit losses, according to which the provision for impairment is always measured at an amount equal to the expected credit losses over the life of the financial asset. In this context, the expected credit losses represent the expected shortfalls in the contractual cash flows, taking into account the possibility of default at any point during the life of the financial instrument. In calculating the expected credit losses, the Company uses a provisioning table by grouping the above financial instruments based on the nature and maturity of the balances by taking into account available historical data regarding the obligors, adjusted for future factors in relation to the obligors and the economic environment.

Bank balances- (General approach)

Impairment on bank balances has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its bank balances have low credit risk based on the external credit ratings of the counterparties.

The Company assumes that the credit risk on bank balances has been increased significantly if it is more than 30 days past due.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a trade receivables by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

c) Impairment of non-financial assets

The carrying amounts of the Company's non-financial 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 whenever the carrying amount of an asset exceeds its estimated recoverable amount. All impairment losses are recognised in the statement of profit or loss and other comprehensive income.

The Company considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

When the Company considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

d) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

e) Statutory reserve

In accordance with the Commercial Companies Law, 10 percent of profit for the year is appropriated to statutory reserve, until it reaches 50 percent of the paid up share capital. Statutory reserve is not normally distributable except in the circumstances stipulated in the Commercial Companies Law.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Revenue recognition

The Company has determined that for construction contracts, the customer controls all of the work in progress as the work is being performed. This is because these are made to a customer's specification and generally at the client's premises. If a contract is terminated by the customer, then the Company is entitled to reimbursement of the costs incurred to date, including a reasonable margin. Invoices are issued according to contractual terms. Un-invoiced amounts are presented as due from contract customers net of any expected credit losses. Revenue against variations are recognized only if the variations have been approved by the customers. If variations are for distinct services from original contract, the variations are accounted for as a separate contract else it is accounted for as a modification of the original contract. Contracts which are negotiated with a same commercial objective and relate to a single performance obligation with the same customer are combined and accounted for as a single contract.

Revenue is recognised over time based on contract costs incurred to date as a percentage of total forecast cost. The related costs are recognised in profit or loss when they are incurred. Advances received from contract customers are included in "contract liabilities".

g) Employee benefits

Short-term employee benefits are recognised in the statement of profit or loss and other comprehensive income on an accrual basis.

Pensions and other social benefits for *Bahraini employees* are covered by the Social Insurance Organisation scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's contribution to this scheme, which represents a defined contribution scheme under International Accounting Standard 19 - Employee Benefits, is expensed as incurred.

Expatriate employees are entitled to leaving indemnities payable under the Bahrain Labour Law for the Private Sector - Law no (36) of 2012, based on length of service and final remuneration. Provision for this unfunded commitment which represents a defined benefit plan under International Accounting Standard-19 Employee Benefits has been made by calculating the notional liability had all employees left at the reporting date.

h) Interest expense

Interest expenses are recognised as expenses in the year in which these are incurred, except the interest expenses that are directly attributable to the acquisition or construction of property and equipment, which are capitalised as part of the cost of that asset.

i) Foreign currency transactions and balances

Transactions in foreign currencies are translated to Bahraini Dinars at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Bahraini dinars at the foreign exchange rate ruling at that date. All foreign exchange differences arising on conversion and translation are recognized in the statement of profit or loss and other comprehensive income.

k) Contract assets and contract liabilities

Contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date. Due from contract customers are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer.

Contract liabilities primary relate to the advance consideration received from customers for which revenue is recognised over time.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT IN APPLYING ACCOUNTING POLICIES

The areas involving a higher degree of judgement or complexity or areas where assumption and estimates are significant to the financial statements includes:

a) Impairment of financial assets

Refer note 3 (b) (iv).

b) Inputs and assumptions used in the measurement of right of use and lease liability

Refer note 3 (a) (i).

c) Useful life and residual value of furniture, equipment and vehicles

The Company reviews the useful life and residual value of the furniture, equipment and vehicles at each reporting date to determine whether an adjustment to the useful life and residual value is required. The useful life and residual value are estimated based on the similar assets of the industry, and future economic benefit expectations of the management.

d) Write down of inventories to net realizable value

The Company reviews the carrying amounts of the inventories at each reporting date to determine whether the inventories have to be written down. The Company identifies the inventories, which have to be written down based on among other factors the age of the inventory and their estimate of their future demand for various items in the inventory. If any such indication exists, the inventories recoverable amount is estimated by estimating the recoverable amount of the inventories on past experience.

e) Revenue recognition on construction contracts

The measurement of contract revenue is affected by a variety of uncertainties (including cost estimation and surveys of work performed) that depend on the outcome of future events. The estimates often need to be revised as events occur and uncertainties are resolved. Accordingly, the amount of contract revenue recognised may increase or decrease from period to period.

The Company uses the input method (on the basis of costs incurred to date as a percentage of total forecast cost) in accounting for contract revenues. Use of the input method requires the Company to estimate the stage of completion based on the total contract costs to be incurred. The accuracy of this estimate has a material impact on the amount of revenue, contract work in progress and related profits recognised.

5 PROPERTY AND EQUIPMENT

2019	Porta cabins-site offices	Equipment	Furniture, fixtures and office equipment	Vehicles	2019 Total	2018 Total
Cost						
At 1 January	415,423	2,370,943	336,623	626,601	3,749,590	3,764,328
Additions during the year	37,313	120,279	11,617	-	169,209	45,318
Disposal	(9,236)	(544,986)	(6,498)	(4,750)	(565,470)	(60,056)
At 31 December	**443,500**	**1,946,236**	**341,742**	**621,851**	**3,353,329**	**3,749,590**
Depreciation						
At 1 January	378,387	2,203,180	305,751	575,404	3,462,722	3,138,725
Charge for the year	55,136	111,536	36,140	45,468	248,280	380,551
Disposal	(6,350)	(416,138)	(5,408)	(4,750)	(432,646)	(56,554)
At 31 December	**427,173**	**1,898,578**	**336,483**	**616,122**	**3,278,356**	**3,462,722**
Net carrying value at 31 December	**16,327**	**47,658**	**5,259**	**5,729**	**74,973**	**286,868**

The depreciation charge for the year has been included in the statement of profit or loss and other comprehensive income as follows:

	2019	2018
Direct costs (note 16)	240,922	363,068
General and administrative expenses (note 18)	7,358	17,483
	248,280	380,551

6 RIGHT-OF-USE ASSETS

	Land	Building	2019 Total	2018 Total
Cost				
Additions during the year	277,009	157,387	434,396	-
At 31 December	**277,009**	**157,387**	**434,396**	-
Depreciation				
Charge for the year	107,804	39,347	147,151	-
At 31 December	**107,804**	**39,347**	**147,151**	-
Net book value at 31 December	**169,205**	**118,040**	**287,245**	-

6 RIGHT-OF-USE ASSETS (continued)

The depreciation charge for the year has been included in the statement of profit or loss and other comprehensive income as follows:

	2019	2018
Direct costs (note 16)	80,722	-
General and administrative expenses (note 18)	66,429	-
	147,151	-

7 INVENTORIES

Inventories amounting to BD 156,133 (2018: BD 195,174) comprise site materials and consumables required for construction purposes. As of 31 December 2019 and 2018, there were no slow moving inventories.

8 CONTRACT ASSETS

	2019	31 December 2018 (restated)	1 January 2018 (restated)
Contract cost incurred to date	64,529,968	58,066,116	64,751,961
Attributable loss	(458,064)	(875,330)	101,799
Progress billings to date	(59,652,715)	(51,612,922)	(56,512,625)
Less: adjustment on prior period errors (note 24)	-	-	(2,719,024)
Less: allowance for impairment loss	(1,900,000)	(1,469)	-
	2,519,189	5,576,395	5,622,111

Included in the above is an amount of BD 6.5 millions which is subject to a legal case (note 21). During the year, the Company have rectified prior period error amounting to BD 2,719,024. (refer to note 24)

Movements on the allowance for impairment:

	2019	2018
At 1 January	1,469	-
Impairment allowance during the year	1,900,000	1,469
Reversal during the year	(1,469)	-
At 31 December	**1,900,000**	1,469

9 CONTRACT AND OTHER RECEIVABLES

	2019	2018
Contract receivables	1,709,202	1,080,426
Retention receivables	2,600,123	4,595,007
Less: allowance for impairment loss	(2,496)	(24,744)
	4,306,829	5,650,689
Advance to suppliers	345,423	700,787
Prepayments	27,560	118,091
Other receivables	845,117	382,942
	5,524,929	6,852,509

Movements on the allowance for impairment:

	2019	2018
At 1 January	24,744	-
Impairment allowance during the year	288	24,744
Reversal during the year	(22,536)	-
At 31 December	**2,496**	24,744

10 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. These represent transactions with companies under the same management and key management personnel. The Company enters into transactions with related parties in the normal course of business.

a) **Significant related party transactions**	2019	2018
Expenses paid on behalf of related parties	**37,909**	49,890

b) **Due from related parties**	***Relationship***	2019	2018
Terna S.A. (Saudi Branch)	*Affiliate*	-	42,205
Terna Ventures WLL	*Affiliate*	-	500
Terna S.A. (Abu Dhabi Branch)	*Affiliate*	-	-
		-	42,705
Less: allowance for impairment loss		-	(14)
		-	42,691

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019 Bahraini Dinars
10 RELATED PARTIES (continued)

Movements on the allowance for impairment:

	2019	2018
At 1 January	14	-
Impairment allowance during the year	-	14
Reversal during the year	(14)	-
At 31 December	-	14

c) **Due to related parties**	***Relationship***	**2019**	2018
Terna Bahrain Holding	*Parent company*	4,867,755	3,123,897
Terna S.A. (Head office)	*Affiliate*	231,734	215,148
Terna S.A. (Abu Dhabi Branch)	*Affiliate*	-	286,372
Terna S.A. (Sharjah Branch)	*Affiliate*	-	50,562
Terna Qatar	*Affiliate*	-	27,889
Terna Overseas	Shareholder	-	1,077
		5,099,489	3,704,945

Related party balances will be settled on demand.

d) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel are the board of directors and key members of the management and the compensation paid during the year are as follows:

	2019	2018
Short term benefits	153,921	147,840
Employees' leaving indemnities	19,376	17,175
	173,297	165,015

11 CASH AND CASH EQUIVALENTS

	2019	2018
Cash in hand	2,692	2,190
Cash at bank	1,765,620	1,326,271
Cash and cash equivalents as per statement of financial position	1,768,312	1,328,461
Bank overdraft	(9,002)	(824,837)
Cash and cash equivalents as per statement of cash flow	**1,759,310**	503,624

12 PROVISION FOR EMPLOYEES' LEAVING INDEMNITIES

	2019	2018
At 1 January	649,236	604,553
Charged during the year	138,601	162,271
Payments during the year	(332,934)	(117,588)
	454,903	649,236

During the year ended 31 December 2019, employees leaving indemnities of BD 82,285 (2018: BD 62,104) relating to the Company's employees recruited for the Joint Operations have been recharged to the latter and the Company's share is BD 41,143 (2018: BD 31,052).

13 LEASE LIABILITIES

	2019	2018
Current portion of lease liabilities	141,549	-
Non-current portion of lease liabilities	152,213	-
At 31 December	**293,762**	-

14 TERM LOANS

	2019	2018
At 1 January	158,339	353,542
Payments during the year	(99,996)	(195,203)
	58,343	158,339

Non-current portion of term loans	-	58,343
Current portion of term loans	58,343	99,996
	58,343	158,339

The loan, denominated in Bahraini Dinars, was obtained from a commercial bank in the Kingdom of Bahrain to finance the purchase of assets for the construction of a project. The loan carries interest at one month Bahrain Interbank Offer Rate (BIBOR) plus 5 % per annum (2018: (BIBOR) plus 5 % per annum). The loan including the interest is repayable in 36 monthly instalments. The effective interest rate of the loan as of 31 December 2019 was 7.7 % per annum (2018: 8.31% per annum).

Term loan is secured by assignment of collections from contract receivables and retentions (Note 9) and the assignment of subcontractors bonds/ guarantees to the bank.

15 TRADE AND OTHER PAYABLES

	2019	2018
Trade payables	1,168,105	3,196,938
Accrued expenses	675,514	523,338
Contact liabilities	864,953	1,610,600
Provision for employees' benefits	252,652	376,377
Retention payable	625,366	792,603
Others	864,696	482,691
	4,451,286	6,982,547

16 DIRECT COSTS

	2019	2018
Staff costs	3,909,535	4,855,536
Material costs	2,888,624	3,284,207
Subcontractor costs	1,570,212	1,801,010
Consultant fees and technician charges	674,018	641,784
Motor vehicle hire and expenses	579,406	743,801
Consumables	421,927	117,214
Depreciation (note 5)	240,922	363,068
Depreciation on right of use of assets (note 6)	80,722	-
Repairs and maintenance	78,713	53,782
Travel expenses	21,946	82,372
Communication	12,980	7,416
Amortisation of intangible assets	3,616	1,665
Other expenses	318,923	126,070
	10,801,544	12,077,925

17 OTHER INCOME

	2019	2018
Income from recharge of expenses to the Joint Operator	2,284,165	1,393,289
Sale of scrap	268	-
Reversal of impairment allowance	24,019	-
Other	3,601	16,241
	2,312,053	1,409,530

18 GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
Staff costs	928,820	1,106,543
Partnership and other third parties fees	472,303	318,508
Depreciation on right of use of assets (note 6)	66,429	-
Motor vehicle hire and expenses	37,537	41,221
Legal fees	36,822	25,159
Government fees	20,283	3,334
Professional fee	19,505	23,237
Communication	16,914	20,649
Repairs and maintenance	16,541	36,012
Travel expenses	13,356	17,890
Depreciation (note 5)	7,358	17,483
Material costs	-	74,612
Rentals	-	70,800
Other expense	10,619	73,671
	1,646,487	1,829,119

19 FINANCE COSTS

	2019	2018
Commissions on letters of guarantee	90,349	4,513
Interest on bank overdrafts	30,695	61,750
Finance cost on lease	15,665	-
Interest on term loans	9,664	15,894
Bank charges	5,787	17,197
	152,160	99,354

20 CONTINGENCIES AND COMMITMENTS

Guarantees

The Company's bankers have given performance and advance payment guarantees amounting to BD 5,694,537 (2018: BD 5,713,124) in respect of various contracts undertaken for execution. These are secured by joint and several guarantees from the Company's shareholders.

21 LEGAL CASES

The Company has currently the following significant pending legal case for which the outcome is dependent on the arbitration process and results.

On 16 April 2014, the Company entered into an agreement with Sharaka for Housing Projects BSC ("Sharaka") to provide all work and services required for the construction of social housing units and additional private property in Al-Luwzi and Islands 13 and 14, North Bahrain New Town ("Bahrain Affordable Housing Project" or "the project").

On 13 August 2017, the Company commenced arbitration proceedings against Sharaka under the Rules of Arbitration of the International Chamber of Commerce (ICC) claiming, among other items, extension of the time for completion of the works due to delays attributable to Sharaka and associated prolongation costs and other sums for amounts certified but withheld by Sharaka.

21 LEGAL CASES (continued)

Just after this event, the Company has ringfenced the project in terms of revenue and expenses to 30 September 2017. At that time, uncertified revenue amounting of BD 6.5 millions were recorded by the management, out of which BD 3.8 millions were quantified by the counterparty, subject to appropriate substantiation by the Company (as confirmed by the legal counsel).

Furthermore, the Company claims reimbursement of the sum paid following Sharaka's partial call on the performance bond of the Nominated Subcontract (BD 1,260,659.00) in breach of an order for Sharaka not to pursue such call issued in the context of Emergency Arbitration Proceedings commenced by the Company under the ICC Rules of Arbitration (case number ICC/23019/AYZ (EA)). The Company claims also interest and other financial and moral damages as well as the costs of the Emergency Arbitration Proceedings awarded in its favor. At present, the claims of the Company are quantified at around BD 7,650,000 plus interest and the costs of the arbitration.

As per the ICC Rules of Arbitration, Sharaka submitted its Answer and Counterclaim on 20 September 2017. Sharaka claims delay liquidated damages arguing that the Company is responsible for the delayed completion of the works (in excess to the extension of time previously granted). Sharaka has quantified such damages at the maximum amount allowed under the Nominated Subcontract, i.e. BD 3,583,534.34 (or 10% of the Nominated Subcontract Price). Sharaka's claim is fully satisfied by means of withholding of payments certified as due to the Company and the partial call on the performance bond. Sharaka has not made, and may no longer make in the context of the ongoing arbitration, any other claims against the Company.

Moreover, in its answer, Sharaka admits that the Company is entitled to prolongation costs for the extension of time for completion of the works granted by Sharaka previously. Sharaka quantified such costs at around BD 3.8 million.

The result of arbitration in 25 May 2020 by the ICC was in favour of the Company and the implementation is yet to be determined in the Courts of the Kingdom of Bahrain.

22 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The table below sets out the Company's classification of each class of financial assets and financial liabilities:

2019	**Amortized cost**	**Total carrying amount**
Assets		
Retention receivable	178,536	178,536
Contract assets	2,519,189	2,519,189
Contract and other receivables (excluding prepayments and advances)	5,151,846	5,151,846
Cash and cash equivalents	1,768,312	1,768,312
	9,617,883	**9,617,883**
Liabilities		
Bank overdraft	9,002	9,002
Lease liability	293,762	293,762
Term loan	58,343	58,343
Retention payables	33,703	33,703
Due to related parties	5,099,489	5,099,489
Trade and other payables	4,451,286	4,451,286
	9,945,585	**9,945,585**

22 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

2018	Amortised cost	Total carrying amount
Assets		
Retention receivable	471,842	471,842
Contract assets	5,576,395	5,576,395
Due from related parties	42,691	42,691
Contract and other receivables (excluding prepayments and advances)	6,033,631	6,033,631
Cash and cash equivalents	1,328,461	1,328,461
	13,453,020	13,453,020
Liabilities		
Bank overdraft	824,837	824,837
Term loan	158,339	158,339
Retention payables	112,358	112,358
Due to related parties	3,704,945	3,704,945
Trade and other payables	6,982,547	6,982,547
	11,783,026	11,783,026

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, practises and processes for measuring and managing risk, and the Company's management of capital. The note also presents certain quantitative disclosures in addition to the disclosures throughout the financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management practises are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management practises and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The accounting policies for financial assets and liabilities are described in note 3.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's contract and other receivables, retention receivables, due from related parties and bank balances.

(i) Due from related parties represent amount receivable from the entities under common management and the parent company and therefore the Company is exposed to a very limited credit risk on this amount.

(ii) The Company's limits its exposure to credit risk on bank balances by maintaining balances with banks where the external credit ratings are high. The Company considers that its bank balances have low credit risk based on the external credit ratings of the counterparties. The Company has assessed impairment on bank balances based on the 12-month expected loss and has concluded that there is no significant impact due to impairment of bank balances;

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22 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(iii) The creditworthiness of each customer is evaluated prior to sanctioning credit facilities. Appropriate procedures for follow-up and recovery are in place to monitor credit risk.

The creditworthiness of each customer is evaluated prior to sanctioning of credit facilities. Appropriate procedures for follow-up and recovery are in place to monitor credit risk.

The maximum exposure to credit risk at the reporting date was:

	2019	2018
Retention receivable	178,536	471,842
Contract assets	2,519,189	5,576,395
Due from related parties	-	42,691
Contract and other receivables (excluding prepayments and advances)	5,151,846	6,033,631
Cash at bank	1,765,620	1,326,271
	9,615,191	13,450,830

The Company uses a similar approach for assessment of ECLs for cash and cash equivalents to that used for debt securities.

Expected credit loss assessment for customers

The following table provides information about the exposure to credit risk and ECLs for contract receivables.

31 December 2019	**Gross carrying amount**	**Impairment loss allowance**	**Credit-impaired**
Current	2,980,229	-	Yes
1 – 60 days	582,524	-	Yes
61 – 90 days	-	-	Yes
Above 90 days	746,572	2,496	Yes
	4,309,325	**2,496**	

31 December 2018	Gross carrying amount	Impairment loss allowance	Credit-impaired
Current	5,061,361	-	Yes
1 – 60 days	-	-	Yes
61 – 90 days	-	-	Yes
Above 90 days	614,072	24,744	Yes
	5,675,433	24,744	

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments.

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22 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company has reliance on its shareholders to support its liquidity. (refer to going concern on note 1)

The following are the contractual maturities of financial liabilities, including interest payments:

2019	**Carrying amount**	**Contractual undiscounted cash flows**	**6 months or less**	**6-12 months**	**More than 12 months**
Bank overdraft	9,002	9,250	9,250	-	-
Term loan	58,343	59,792	51,395	8,397	-
Lease Liability	293,762	308,723	77,774	73,299	157,650
Retention payables	33,703	33,703	33,703	-	-
Due to related parties	5,099,489	5,099,489	5,099,489	-	-
Trade and other payables	4,451,286	4,451,286	4,451,286	-	-
	9,945,585	**9,962,243**	**9,722,897**	**81,696**	**157,650**

2018	Carrying amount	Contractual undiscounted cash flows	6 months or less	6-12 months	More than 12 months
Bank overdraft	824,837	847,520	847,520	-	-
Term loan	158,339	168,170	55,120	53,258	59,792
Retention payables	112,358	112,358	112,358	-	-
Due to related parties	3,704,945	3,704,945	3,704,945	-	-
Trade and other payables	6,982,547	6,982,547	6,982,547	-	-
	11,783,026	11,815,540	11,702,490	53,258	59,792

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

(i) Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates.

The Company's exposure to foreign currency risk at the reporting date is as follows:

	2019	2018
Financial assets		
Euros	1,046	7,179
Financial liabilities		
Euros	(231,734)	(625,831)
	(230,688)	(618,652)

22 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

A 10% strengthening / (weakening) of the Bahraini Dinar against the Euro at reporting date would have increased / (decreased) equity and profit by BD 2,307 (2018: BD 6,187). This analysis assumes that all other variables, in particular interest rates, remain constant.

(ii) Interest rate risk

Interest rate risk is the risk that the Company's earnings will be affected as a result of fluctuations in the value of financial instruments due to changes in market interest rates.

Effective interest rates on financial instruments	**2019**	2018
Bank overdraft	**BIBOR + 5.5%**	BIBOR +5.5%
Term loans	**BIBOR + 5%**	BIBOR + 5%
Lease Liability	**4.5%**	-

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

Carrying amount of financial Instruments	**2019**	2018
Bank overdrafts	**9,002**	824,837
Term loans	**58,343**	158,339
Lease liability	**293,762**	-

(iii) Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial liabilities at fair value through the statement of profit or loss and other comprehensive income. Therefore a change in interest rates at the reporting date would not affect the profit or loss. Increase or decrease in equity resulting from variation in interest rates is not expected to be significant.

(iv) Cash flow sensitivity analysis for variable rate instruments

The Company does not account for any financial asset or financial liabilities at fair value through statement of profit or loss and other comprehensive income except for lease liability, bank over draft and term loans. Therefore, a change in interest rates at the reporting date would not affect profit or loss. A change in 100 basis points in interest rate in the interest bearing financial instruments would have increased / (decreased) equity by BD 3,611 (2018: BD 9,832). This analysis assumes that all other variables remain constant.

(v) Other market risk

Other market rate risk is the risk that the fair value or future cash flows of the financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factor specific to the individual financial instruments or its issuers, or factors affecting all similar financial instrument traded in the market.

The Company is not significantly exposed to any other market price risk as at the reporting date.

d) Capital management

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits to the other stakeholders.

There were no changes in the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

e) Fair values of financial instruments

Fair value is the price 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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. Differences can therefore arise between book values under the historical cost method and fair value estimates.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The fair value of the Company's financial assets and liabilities are not materially different from their carrying values due to their short term nature.

23 SUBSEQUENT EVENTS

Subsequent to the year end, the outbreak of the Coronavirus (COVID-19) has rapidly evolved across the region and globally. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures. These measures and policies have disrupted the activities of many entities, including the Company. Also, anticipated indirect and knock on effects are yet to be determined fully. To counter these impacts, many governments are announcing various form of financial packages to assist corporates and individuals in these challenging times. As the outbreak continues to evolve, it is challenging at this juncture, to predict the full extent and duration of its business and economic impact. The board of directors continue to monitor the situation and its impact on the Company's operation and financial position. As at the reporting date, the board of directors has assessed that the Company will continue to operate as a going concern in the near future. The shareholders have committed to support the Company to meets its obligations when due.

24 RESTATEMENT ON ACCOUNT OF PRIOR YEAR ERRORS

Certain contract assets amounting to BD 2.7 million have been recognised as a result of a claim the Company have made against a customer for prolongation and variation costs (Note 21). This additional cost is in the nature of contract modifications to the original agreement with the customer. Contract modifications should be recognised as revenue only when the modifications are approved and when it creates legally enforceable rights and obligations on the parties to the contract. This amount was not recorded in accordance with IFRS 15 (Revenue from contracts with customers). During the year, this prior period error was rectified, and the restatement of this error have now been accounted in the statement of financial position of the respective prior periods.

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24 RESTATEMENT ON ACCOUNT OF PRIOR YEAR ERRORS (continued)

These errors have been retrospectively rectified and had the following effect on the financial statements of prior periods as summarised below:

	1 January 2018			31 December 2018		
	Balance as reported	Effect of restatement	Balance as restated	Balance as reported	Effect of correction	Balance as restated
Accumulated losses	1,433,184	(2,719,024)	(1,285,840)	91,629	(2,719,024)	(2,627,395)
Contract assets	8,341,135	(2,719,024)	5,622,111	8,295,419	(2,719,024)	5,576,395

25 COMPARATIVES

Certain corresponding figures have been regrouped, wherever necessary, in order to conform to the current year's presentation adopted in these financial statements. Also refer to Note 24 for effect of restatements for prior period items.