

**Terna Bahrain Holding WLL**  
**SEPARATE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**SEPARATE FINANCIAL STATEMENTS**

**For the year ended 31 December 2019**

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**GENERAL INFORMATION**

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Commercial registration	63267-1
Registered Office	Building 418, Road 3207, Block 332 Mahooz Kingdom of Bahrain
Chairman	Mr. Sofoklis Sarantellis
Vice Chairman & Director	Mr. Konstantinos Iliadis
Managing Director	Mr. Georgios Stratigos
Director	Mr. Dimitrios Salamanos
Banker	HSBC Bank Middle East Limited
Auditors	KPMG Fakhro





KPMG Fakhro  
Audit  
12<sup>th</sup> Floor, Fakhro Tower  
PO Box 710, Manama  
Kingdom of Bahrain

Telephone +973 17 224807  
Fax +973 17 227443  
Website: [www.kpmg.com/bh](http://www.kpmg.com/bh)  
CR No. 6220

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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

**Terna Bahrain Holding WLL**  
Manama, Kingdom of Bahrain

### Report on the audit of the separate financial statements

#### *Opinion*

We have audited the accompanying separate financial statements of Terna Bahrain Holding WLL (the "Company"), which comprise the separate statement of financial position as at 31 December 2019, the separate 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 separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2019, and of its unconsolidated financial performance and its unconsolidated 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 – Material uncertainty related to going concern*

We draw attention to note 1 to the separate financial statements which describes that the Company incurred a net loss of BD 2,088,141 (2018: BD 1,458,921) during the year ended 31 December 2019 and, as of that date, the Company had an equity deficiency of BD 19,951 (2018: equity of BD 2,068,190). The Company's current liabilities also exceeded its current assets by BD 734,026 (2018: BD 845,096) as at 31 December 2019. Further, as discussed in note 16, 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 separate financial statements dated 22 March 2019 was qualified because the Company included an investment in subsidiary that was accounted for at cost less provision for impairment when necessary. However, the investment in subsidiary was not tested for impairment as required by IAS 36 - Impairment of Assets, to determine whether any impairment should be applied to the amounts recorded in the separate financial statements. The Company has restated its 31 December 2018 financial statements and adjusted the investment in subsidiary to record these impairment losses. As part of our audit, we have audited the adjustments described in note 17 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 separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate 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 separate financial statements*

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





## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)

Terna Bahrain Holding WLL  
Manama, Kingdom of Bahrain

In preparing the separate 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 separate financial statements*

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 separate 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 separate financial statements are in agreement therewith;
- b) the financial information contained in the report of the board of directors is consistent with the separate financial statements;
- c) except for matters discussed in note 1 relating to the equity deficiency of the Company as at the reporting date, we are not aware of any other 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 separate financial position; and
- d) satisfactory explanations and information have not been provided to us by management in response to all our requests.

KPMG Fakhro  
Partner Registration No. 136  
27 May 2020

**SEPARATE STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2019**

Bahraini Dinars

	Note	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Right-of-use assets	5	15,990	-	-
Investments in subsidiaries	6	209,272	2,423,249	3,764,669
Margin deposit	7	490,037	490,037	490,037
<b>Total non-current assets</b>		<b>715,299</b>	<b>2,913,286</b>	<b>4,254,706</b>
<b>Current assets</b>				
Due from related parties	8 b)	6,699,359	5,051,482	3,306,765
Other receivables		1,808	26,986	19,895
Cash and cash equivalents	9	174,680	142,864	152,979
<b>Total current assets</b>		<b>6,875,847</b>	<b>5,221,332</b>	<b>3,479,639</b>
<b>Total assets</b>		<b>7,591,146</b>	<b>8,134,618</b>	<b>7,734,345</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	1	6,200,000	6,200,000	847,700
Investment contribution from shareholders		-	-	5,352,300
Statutory reserve		55,576	55,576	55,576
Accumulated losses		(6,275,527)	(4,187,386)	(2,728,465)
<b>Total (equity deficiency) / equity</b> (page 7)		<b>(19,951)</b>	<b>2,068,190</b>	<b>3,527,111</b>
<b>Non-current liabilities</b>				
Non-current lease liability	10	1,221	-	-
<b>Total non-current liabilities</b>		<b>1,221</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>				
Current lease liability	10	15,107	-	-
Accounts and other payables	11	20,960	131,383	336,950
Due to related parties	8 c)	7,573,809	5,935,045	3,870,284
<b>Total current liabilities</b>		<b>7,609,876</b>	<b>6,066,428</b>	<b>4,207,234</b>
<b>Total liabilities</b>		<b>7,611,097</b>	<b>6,066,428</b>	<b>4,207,234</b>
<b>Total equity deficiency and liabilities</b>		<b>7,591,146</b>	<b>8,134,618</b>	<b>7,734,345</b>

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

Georgios Stratigos  
Managing Director

Dimitrios Salamanos  
Director

The accompanying notes 1 to 18 are an integral part of these separate financial statements.



## SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

Bahraini Dinars

	Note	2019	2018 (restated)
Other income	12	424,754	482,979
Foreign exchange gain		84,042	119,876
General and administrative expenses	13	(349,268)	(245,371)
Legal and professional fees		(11,498)	(472,913)
Finance cost	14	(3,248)	-
Impairment allowance on due from related parties	8	(18,946)	(2,072)
Impairment loss on investment in a subsidiary	6	(2,213,977)	(1,341,420)
<b>Loss for the year</b>		<b>(2,088,141)</b>	<b>(1,458,921)</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>(2,088,141)</b>	<b>(1,458,921)</b>



Georgios Stratigos  
Managing Director



Dimitrios Salamanos  
Director

The accompanying notes 1 to 18 are an integral part of these separate financial statements.

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

Bahraini Dinars

<b>2019</b>	<b>Share capital</b>	<b>Statutory reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
At 1 January 2019 (restated)	6,200,000	55,576	(4,187,386)	2,068,190
Total comprehensive income for the year (page 6)	-	-	(2,088,141)	(2,088,141)
<b>At 31 December 2019</b>	<b>6,200,000</b>	<b>55,576</b>	<b>(6,275,527)</b>	<b>(19,951)</b>

<b>2018</b>	<b>Share capital</b>	<b>Investment contribution from shareholders</b>	<b>Statutory reserve</b>	<b>Accumulated losses</b>	<b>Total (restated)</b>
At 1 January 2018 as previously stated	847,700	5,352,300	55,576	(1,893,634)	4,361,942
Adjustment for prior period errors (refer to note 17)	-	-	-	(834,831)	(834,831)
At 1 January 2018 - balance as restated	847,700	5,352,300	55,576	(2,728,465)	3,527,111
Loss for the year (restated) (refer to note 17)	-	-	-	(1,458,921)	(1,458,921)
Additional share capital introduced	5,352,300	(5,352,300)	-	-	-
<b>At 31 December 2018 (restated)</b>	<b>6,200,000</b>	<b>-</b>	<b>55,576</b>	<b>(4,187,386)</b>	<b>2,068,190</b>

The accompanying notes 1 to 18 are an integral part of these separate financial statements.



**SEPARATE STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2019**

Bahraini Dinars

	Note	2019	2018 (restated)
<b>OPERATING ACTIVITIES</b>			
Loss for the year (page 6)		(2,088,141)	(1,458,921)
Adjustments for non-cash items:			
Depreciation		62,713	-
Finance costs	14	3,248	-
Impairment allowance on due from related parties	8	18,946	2,072
Impairment loss on investment in a subsidiary	6	2,213,977	1,341,420
<b>Operating profit / (loss) before working capital changes</b>		<b>210,743</b>	<b>(115,429)</b>
Working capital changes:			
Due from related parties		(1,928,709)	(1,746,789)
Other receivables		25,178	(7,091)
Accounts and other payables		(110,426)	(205,567)
Due to related parties		1,836,883	2,064,761
<b>Net cash from / (used in) operating activities</b>		<b>33,669</b>	<b>(10,115)</b>
<b>FINANCING ACTIVITIES</b>			
Finance costs		(1,853)	-
<b>Net cash used in financing activities</b>		<b>(1,853)</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>31,816</b>	<b>(10,115)</b>
Cash and cash equivalents at 1 January		142,864	152,979
<b>Cash and cash equivalents at 31 December</b>	9	<b>174,680</b>	<b>142,864</b>

The accompanying notes 1 to 18 are an integral part of these separate financial statements.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Bahraini Dinars

## 1 REPORTING ENTITY

Terna Bahrain Holding WLL (the "Company") is a limited liability company incorporated in the Kingdom of Bahrain on 28 November 2006 and registered with the Ministry of Industry, Commerce and Tourism under commercial registration number 63267-1. The Company acts as a holding company and carries out business activities through its subsidiaries.

The Company's authorised, issued and fully paid up share capital as at 31 December 2019 was 6,200,000 comprises of 62,000 shares of BD 100 each and are held as follows:

Shareholders	Number of shares	Shareholding (%)	Amount (BD)
Terna Overseas Limited	61,999	99.9984	6,199,900
Konstantinos Iliadis	1	0.0016	100
<b>Total</b>	<b>62,000</b>	<b>100</b>	<b>6,200,000</b>

The Company has the following subsidiaries at year end:

Name of subsidiaries	Country of incorporation	Ownership interest		Commercial registration number	Principal Activity
		2019	2018		
Terna Contracting WLL	Kingdom of Bahrain	99.99%	99.99%	68262-1	Contracting and construction
Terna Ventures WLL	Kingdom of Bahrain	99.95%	99.95%	80600-1	Import and export business

The Company is a wholly owned subsidiary of Terna Overseas Limited (the 'Parent Company'), a company incorporated in and operating under the laws of the Republic of Cyprus. 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.

These are the separate financial statements of the Company and have been prepared to determine the operating results of the Company's activities. The operations of its subsidiaries (note 6) are not included in the separate financial statements of the Company in accordance with the exemption allowed by IAS 27 and IFRS 10. The ultimate parent, GEK TERNA prepares consolidated financial statements under International Financial Reporting Standards that include financial statements of the subsidiaries which will be available for public use at [www.terna.gr](http://www.terna.gr).



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS****For the year ended 31 December 2019**

Bahraini Dinars

**1 REPORTING ENTITY (continued)****Going concern**

For the year ended 31 December 2019, the Company has incurred net loss of BD 2,088,141 (2018: BD 1,458,921) and as of that date, the Company had an equity deficiency of BD 19,951 (2018: equity of BD 2,068,190). The Company's current liabilities also exceeded its current assets by BD 734,026 (2018: BD 845,096) as at 31 December 2019. Further, as discussed in note 16, 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. Ordinarily, the combination of these factors would raise substantial doubt about the Company's ability to continue in operation for the foreseeable future. The Company's ability to continue as going concern is dependent upon its ability to generate sufficient cash flows from its operations and the continued financial support of the shareholders. The liquidity of the Company is managed by the ultimate parent company and the management believes that it has the ability to withdraw funds in order to meet its current obligations. Additionally, the shareholders have confirmed their willingness to continue providing financial support to the Company as may be necessary to enable the Company to meet its obligations as they fall due and to enable the Company to continue its operations in the foreseeable future. These separate financial statements have been prepared on a going concern basis considering the continued financial support from the shareholders to enable the Company to meet its financials obligation.

**2 BASIS OF PREPARATION****a) Statement of compliance**

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Commercial Companies Law.

This is the first set of the Company's separate financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in Note 2 (e).

**b) Basis of measurement**

The separate financial statements have been drawn up from the accounting records of the Company maintained under the historical cost convention.

**c) Functional and presentation currency**

Items included in the separate financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The separate financial statements are presented in Bahraini Dinars ("BD"), which is the Company's functional and presentation currency. All financial information presented in the separate financial statements has been rounded off to the nearest Bahraini Dinars.

**d) Use of estimates and judgments**

The preparation of separate financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the separate financial statements are described in note 4.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS****For the year ended 31 December 2019**

Bahraini Dinars

**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 78,703 of right-of-use assets in machinery and lease liabilities in liabilities (current and non-current) and the depreciation charge thereon for the year ended 31 December 2019 was BD 62,713.

During the year, an amount of BD 1,395 was recognised as finance cost on lease liabilities in separate 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 separate 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.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS****For the year ended 31 December 2019**

Bahraini Dinars

**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 separate financial statements are consistent with those applied in the preparation of the Company's separate 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.



## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Bahraini Dinars

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 separate statement of financial position.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS****For the year ended 31 December 2019**

Bahraini Dinars

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)***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.



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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****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;
  - 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 separate 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.



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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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.



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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 separate 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 related party receivables and bank balances.

The Company measures loss allowances on trade receivables 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****Trade receivables and due from related party - (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.



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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****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 separate 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 separate 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.



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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****d) Provisions**

A provision is recognised in the separate 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.

**f) Investment in subsidiaries**

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operational policies of an entity so as to obtain benefits from its activities. Based on the exemption from *International Accounting Standards 27 and IFRS 10 'Separate Financial Statements'*, the management did not prepare the separate financial statements of the Company and its subsidiaries (refer to note 1). Investments in subsidiaries are carried at cost less impairment losses, if any, in the separate financial statements of the Company.

**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT IN APPLYING ACCOUNTING POLICIES**

The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the separate 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) Impairment of non-financial assets**

Refer note 3 (c).



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**5 RIGHT-OF-USE ASSETS**

	<b>Machinery</b>	<b>2019 Total</b>	<b>2018 Total</b>
<b>Cost</b>			
Additions during the year	277,530	277,530	-
Reversal during the year	(198,827)	(198,827)	-
<b>At 31 December</b>	<b>78,703</b>	<b>78,703</b>	-
<b>Depreciation</b>			
Charge for the year	62,713	62,713	-
<b>At 31 December</b>	<b>62,713</b>	<b>62,713</b>	-
<b>Net book value at 31 December</b>	<b>15,990</b>	<b>15,990</b>	-

**6 INVESTMENTS IN SUBSIDIARIES**

	<b>31 December 2019</b>	<b>31 December 2018 (restated)</b>	<b>1 January 2018 (restated)</b>
Terna Contracting WLL, beginning of the year	2,323,299	3,664,719	4,499,550
Less: adjustments for prior period errors (refer to note 17)	-	-	(834,831)
Less: impairment loss during the year	(2,213,977)	(1,341,420)	-
Terna Contracting WLL, end of the year	109,322	2,323,299	3,664,719
Terna Ventures WLL	99,950	99,950	99,950
	<b>209,272</b>	<b>2,423,249</b>	<b>3,764,669</b>

The Company included an investment in subsidiary, Terna Contracting WLL (the "Subsidiary") that was accounted for at cost less provision for impairment when necessary. In previous years, the investment in subsidiary was not tested for impairment as required by IAS 36 - Impairment of Assets, to determine whether any impairment should be applied to the amounts recorded in the separate financial statements. The prior period numbers were restated as necessary. (refer to note 17).

**7 MARGIN DEPOSIT**

The Company provided a non-interest bearing margin deposit of BD 490,037 (2018: BD 490,037) to a commercial bank on behalf of the Joint Operators of TERNA- CGCE JV (AMAS 1) towards performance bond issued by the bank.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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## 8 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
Receipts from / (advances to) related parties, net	293,111	489,786
Write back of related party payables (note 12)	150,098	-
Income from related parties for the rental of equipment	143,019	163,600
Lease payments	63,770	-

## b) Due from related parties

	Relationship	2019	2018
Terna Contracting WLL	Subsidiary	4,858,479	3,093,359
Terna S.A. (Sharjah Branch)	Affiliate	1,843,346	1,886,437
Terna-CGCE JV (AMAS-3)	Affiliate	18,552	-
Terna-CGCE JV (AMAS-2)	Affiliate	-	61,075
Terna S.A. (Abu Dhabi Branch)	Affiliate	-	12,683
Less: allowance for impairment loss		(21,018)	(2,072)
		6,699,359	5,051,482

Movements on the allowance for impairment:

	2019	2018
At 1 January	2,072	-
Impairment allowance during the year	18,946	2,072
At 31 December	21,018	2,072

## c) Due to related parties

	Relationship	2019	2018
Terna Overseas Ltd.	Parent company	6,944,950	5,059,351
Terna S.A.	Affiliate	295,978	229,743
Terna S.A. (Saudi Branch)	Affiliate	237,531	544,756
Terna Ventures WLL	Subsidiary	95,350	96,570
Terna Qatar	Affiliate	-	4,625
		7,573,809	5,935,045

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 was BD 246,548 (2018: BD 143,834) (note 13).



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**9 CASH AND CASH EQUIVALENTS**

	2019	2018
Cash in hand	4	4
Cash at bank	174,676	142,860
	<b>174,680</b>	<b>142,864</b>

**10 LEASE LIABILITIES**

	2019	2018
Current portion of lease liabilities	15,107	-
Non-current portion of lease liabilities	1,221	-
<b>At 31 December</b>	<b>16,328</b>	<b>-</b>

**11 ACCOUNTS AND OTHER PAYABLES**

	2019	2018
Accounts payables	17,766	17,694
Accrued expenses	1,900	113,689
VAT payables	1,294	-
	<b>20,960</b>	<b>131,383</b>

**12 OTHER INCOME**

	2019	2018
Write off of related party payables (note 8a)	150,098	-
Income from other branches/group entities for the rental of equipment	143,019	171,814
Reversal of other payables	111,788	-
Reversal of staff cost	-	311,165
Other income	19,849	-
	<b>424,754</b>	<b>482,979</b>

**13 GENERAL AND ADMINISTRATIVE EXPENSES**

	2019	2018
Directors salaries (note 8d)	246,548	143,834
Depreciation (note 5)	62,713	-
Travelling expenses	5,901	6,603
Other staff costs	2,686	5,956
Repairs and maintenance	1,082	4,933
Other expenses	30,338	84,045
	<b>349,268</b>	<b>245,371</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
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**14 FINANCE COST**

	2019	2018
Finance cost on lease	1,395	-
Other finance cost	1,853	-
	<b>3,248</b>	<b>-</b>

**15 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

**2019**

	Amortised cost	Total carrying amount
<b>Assets</b>		
Margin deposit	490,037	490,037
Due from related parties	6,699,359	6,699,359
Other receivables (excluding prepayments)	1,808	1,808
Cash and cash equivalents	174,680	174,680
	<b>7,365,884</b>	<b>7,365,884</b>
<b>Liabilities</b>		
Due to related parties	7,573,809	7,573,809
Lease liability	16,328	16,328
Accounts and other payables	20,960	20,960
	<b>7,611,097</b>	<b>7,611,097</b>

**2018**

	Amortised cost	Total carrying amount
<b>Assets</b>		
Margin deposit	490,037	490,037
Due from related parties	5,051,482	5,051,482
Other receivables (excluding prepayments)	25,421	25,421
Cash and cash equivalents	142,864	142,864
	<b>5,709,804</b>	<b>5,709,804</b>
<b>Liabilities</b>		
Due to related parties	5,935,045	5,935,045
Accounts and other payables	131,383	131,383
	<b>6,066,428</b>	<b>6,066,428</b>

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

- Credit risk
- Liquidity risk
- Market risk



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS****For the year ended 31 December 2019**

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**15 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

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 separate 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 margin deposit, other 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;
- (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
Margin deposit	490,037	490,037
Due from related parties	6,699,359	5,051,482
Other receivables (excluding prepayments)	1,808	25,421
Bank balances	174,676	142,860
	<b>7,365,880</b>	<b>5,709,800</b>

**b) Liquidity risk**

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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## 15 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 note 1 for going concern)

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
Due to related parties	7,573,809	7,573,809	7,573,809	-	-
Lease liability	16,328	16,938	15,356	316	1,266
Accounts and other payables	20,960	20,960	20,960	-	-
	<b>7,611,097</b>	<b>7,611,707</b>	<b>7,610,125</b>	<b>316</b>	<b>1,266</b>

2018	Carrying amount	Contractual undiscounted cash flows	6 months or less
Due to related parties	5,935,045	5,935,045	5,935,045
Accounts and other payables	131,383	131,383	131,383
	<b>6,066,428</b>	<b>6,066,428</b>	<b>6,066,428</b>

## 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
<b>Financial assets</b>		
Euros	38,719	71,370
<b>Financial liabilities</b>		
Euros	(7,390,129)	(5,199,076)
	<b>(7,351,410)</b>	<b>(5,127,706)</b>

A 10% strengthening / (weakening) of the Bahraini Dinar against the Euro at reporting date would have increased / (decreased) equity and profit by BD 73,514 (2018: BD 51,277). This analysis assumes that all other variables, in particular interest rates, remain constant.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS****For the year ended 31 December 2019**

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**15 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)***(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. The Company exposure to interest rate risk is limited to lease liabilities.

Effective interest rates on this are as follows:

	2019	2018
Lease liabilities	4.3 %	- %

At the reporting date, the interest rate profile of the company's interest bearing financial instruments is the lease liabilities of BD 16,328 (2018: BD nil).

*(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 profit and loss except for lease liabilities. Therefore a change in profit rates at the reporting date would not affect the profit or loss. Increase or decrease in equity resulting from variation in profit rates is not expected to be significant.

*(iv) 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.



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**16 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.

**17 RESTATEMENT ON ACCOUNT OF PRIOR YEAR ERRORS**

The Company has an investment in subsidiary, Terna Contracting WLL (the "Subsidiary") which is accounted for at cost less provision for impairment when necessary. In previous years, the investment in subsidiary was not tested for impairment as required by IAS 36 - Impairment of Assets, to determine whether any impairment should be applied to the amounts recorded in the separate financial statements. During the year, this prior period error was rectified, and the restatement of this error have now been accounted in the separate statement of financial position and separate statement of profit or loss and other comprehensive income of the respective prior periods.

These errors have been retrospectively rectified and had the following effect on the separate 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	(1,893,634)	(834,831)	(2,728,465)	(2,728,465)	(1,458,921)	(4,187,386)
Loss for the year	-	-	-	(117,501)	(1,341,420)	(1,458,921)
Investment in subsidiaries	4,599,500	(834,831)	3,764,669	3,764,669	(1,341,420)	2,423,249

**18 COMPARATIVES**

Certain corresponding figures have been regrouped, wherever necessary, in order to conform to the current year's presentation adopted in these separate financial statements. Also refer to Note 17 for effect of restatements for prior period items.