Terna Qatar L.L.C.

FINANCIAL STATEMENTS

31 DECEMBER 2017

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TERNA QATAR L.L.C.

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Terna Qatar L.L.C. (the "Company"), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's 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) together with the ethical requirements that are relevant to our audit of the financial statements in Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern
Without qualifying our opinion, we draw attention to Note 2 to the financial statements, which states that the Company has accumulated losses of QR 81,931,064 which exceeds 50% of the share capital of the Company. Article 298 of the Commercial Companies' Law No. 11 of 2015 requires that in such an event, the shareholders should pass a resolution either to reinstate the capital or dissolve the Company. The Law further states that if the shareholders fail to pass such a resolution, the Company will lose its legal status and the shareholders become jointly and severally responsible for the liabilities of the Company. In addition, the Company's current liabilities exceeded its current assets by QR 19,037,587.

To resolve the capital deficiency matter as discussed above, on 30 June 2013, Terna Overseas Limited Company (one of the shareholder) issued a subordinated loan to the Company which carries no interest and is payable at the Company's discretion. This loan is subordinated to the claims of the Company's creditors (Note 16). These conditions, along with the other matters as set forth in Note 2, 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 dependent on continued financial support from its shareholders. Management has prepared these financial statements on a going concern basis based upon confirmation of continuing financial support from the shareholders to enable the Company to continue as a going concern for foreseeable future.

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

In preparing the financial statements, management is responsible for assessing the 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TERNA QATAR L.L.C. (CONTINUED)

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)
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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 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 Legal and Other Regulatory Requirements
Furthermore, in our opinion, proper books of account have been kept by the Company and the financial statements comply with the Qatar Commercial Companies' Law No. 11 of 2015 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year, which might have had a material adverse effect on the Company's financial position or performance.

Ahmed Sayed
Of Ernst & Young
Auditor's Registration No. 326

Date:
Doha

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	***2017*** **QR**	*2016* *QR* *(Restated)*
Revenue	5	**44,238,990**	148,705,266
Direct costs	6	**(69,079,075)**	(95,465,778)
		(24,840,085)	53,239,488
Other income	7	**2,154,549**	315,662
General and administrative expenses	8	**(521,125)**	(458,946)
Provision for future losses		**(516,772)**	(394,369)
(LOSS) PROFIT FROM OPERATIONS		**(23,723,433)**	52,701,835
Foreign currency exchange (loss) gain		**(675,372)**	386,221
Finance costs	9	**(4,929,865)**	(7,476,039)
(LOSS) PROFIT BEFORE TAX		**(29,328,670)**	45,612,017
Income tax expense	10	**-**	-
(LOSS) PROFIT FOR THE YEAR		**(29,328,670)**	45,612,017

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	***2017*** ***QR***	*2016* *QR*
ASSETS			
Noncurrent asset			
Property, plant and equipment	11	**8,621,703**	12,173,297
Current assets			
Work in progress	5	**4,927,551**	-
Trade and other receivables	12	**15,495,226**	78,952,033
Bank balances and cash	13	**4,939,135**	30,672,319
		25,361,912	109,624,352
TOTAL ASSETS		**33,983,615**	121,797,649
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**200,000**	200,000
Legal reserve	15	**100,000**	100,000
Subordinated loan	16	**62,275,418**	110,372,414
Foreign currency translation reserve	17	**3,650,542**	21,597,672
Accumulated losses		**(81,931,064)**	(86,646,520)
Total equity		**(15,705,104)**	45,623,566
Liabilities			
Non-current liability			
Employees' end of service benefits	18	**5,289,220**	4,854,818
Current liabilities			
Advance billing	5	**922,893**	9,985,793
Loans and borrowings	19	**-**	44,298
Trade and other payables	20	**41,067,136**	59,396,478
Provision for anticipated future losses		**2,409,470**	1,892,696
		44,399,499	71,319,265
Total liabilities		**49,688,719**	76,174,083
TOTAL EQUITY AND LIABILITIES		**33,983,615**	121,797,649

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Konstantinos Iliadis
Chief Financial Officer

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Notes	***2017*** ***QR***	*2016* *QR* *(Restated)*
OPERATING ACTIVITIES			
(Loss) Profit before tax		**(29,328,670)**	45,612,017
Adjustments for:			
Depreciation	6	**3,205,717**	4,956,135
Foreign currency exchange losses		**(675,371)**	-
Provision for employees' end of service benefits	18	**1,402,618**	1,020,888
Provision for future losses		**516,774**	394,369
Interest expense	9	**7,477**	2,059,613
(Gain) loss on disposal of property, plant and equipment	7	**(2,005,769)**	284,734
Finance income		**-**	(58,333)
Operating (loss) profit before working capital changes		**(26,877,224)**	54,269,423
Working capital adjustments:			
Contract work in progress		**(4,927,551)**	41,433,426
Trade and other receivables		**63,456,807**	87,967,392
Advances from a customer		**-**	(54,728,186)
Advanced billings		**(9,062,900)**	-
Trade and other payables		**(17,653,971)**	(57,315,361)
Cash from operations		**4,935,161**	71,626,694
Employees' end of service benefits paid	18	**(968,216)**	(1,655,927)
Finance income		**-**	58,331
Interest paid	9	**(7,477)**	(2,059,613)
Net cash flows from operating activities		**3,959,468**	67,969,485
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	**(111,471)**	(271,972)
Proceeds from disposal of property, plant and equipment		**2,463,117**	700,000
Net cash flows from investing activities		**2,351,646**	428,028
FINANCING ACTIVITIES			
Payment of subordinated loans		**(32,000,000)**	-
Net movement in loans and borrowings		**(44,298)**	(45,960,407)
Cash flows used in financing activities		**(32,044,298)**	(45,960,407)
(DECREASE) INCREASE IN CASH AND BANK BALANCES		**(25,733,184)**	22,437,106
Cash and bank balances at 1 January		**30,672,319**	8,235,213
CASH AND BANK BALANCES AT 31 DECEMBER		**4,939,135**	30,672,319

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share Capital *QR*	*Legal reserve* *QR*	*Accumulated losses* *QR*	*Subordinated loan* *QR*	*Foreign currency translation reserve* *QR*	*Total* *QR*
Balance at 1 January 2016	200,000	100,000	(314,049,957)	264,160,845	49,600,661	11,549
Profit for the year	-	-	45,612,017	-	-	45,612,017
Revaluation of subordinated loan	-	-	-	(1,438,467)	1,438,467	-
Subordinated loan relinquished (Note 16)	-	-	152,349,964	(152,349,964)	-	-
Realised translation reserve	-	-	29,441,456	-	(29,441,456)	-
Balance at 31 December 2016	200,000	100,000	(86,646,520)	110,372,414	21,597,672	45,623,566
Loss for the year	-	-	(29,328,670)	-	-	(29,328,670)
Revaluation of subordinated loan	-	-	-	11,895,169	(11,895,169)	-
Subordinated loan relinquished (Note 16)	-	-	27,992,165	(27,992,165)	-	-
Realised translation reserve	-	-	6,051,961	-	(6,051,961)	-
Payment of subordinated loan	-	-	-	(32,000,000)	-	(32,000,000)
Balance at 31 December 2017	**200,000**	**100,000**	**(81,931,064)**	**62,275,418**	**3,650,542**	**(15,705,104)**

The attached notes 1 to 24 form part of these financial statements.

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Terna Qatar L.L.C. (the "Company") was registered and incorporated in the State of Qatar as a company with limited liability on 17 December 2006 under Commercial Registration No. 34407. The principal activities of the Company are engaging in construction contracts and provision of advisory services.

As per the share transfer agreement dated 16 November 2016, the Qatari shareholder of the Company, Mr. Nasser Sulaiman H M Haidar transferred his 65% shareholding in the Company to Mr. Eisa Hussain A M Al-Hammadi (Qatari).

Accordingly, the details in respect of the shareholding of the Company as at 31 December 2017 are as follows.

Name of the Shareholder	*Origin*	*Holding %*	*No. of shares*	*Value of the shares QR*
Mr. Eisa Hussain A M Al-Hammadi	Qatari	65%	13,000	130,000
Terna Overseas Ltd.	Foreign	35%	7,000	70,000
		100%	20,000	200,000

The financial statements as at and for the year ended 31 December 2017 were approved and authorized for issue by the Board of Directors on ____________.

2 GOING CONCERN

The Company has accumulated losses of QR 81,931,064 which exceeds 50% of the share capital of the Company. Article 298 of the Commercial Companies' Law No. 11 of 2015 requires that in such an event, the shareholders should pass a resolution either to reinstate the capital or dissolve the Company. The Law further states that if the shareholders fail to pass such a resolution, the Company will lose its legal status and the shareholders become jointly and severally responsible for the liabilities of the Company. In addition, the Company's current liabilities exceeded its current assets by QR 19,037,587.

To resolve the capital deficiency matter as discussed above, on 30 June 2013, Terna Overseas Limited Company (one of the shareholder) issued a subordinated loan to the Company which carries no interest and is payable at the Company's discretion. This loan is subordinated to the claims of the Company's creditors (Note 16). These conditions, along with the other matters as set forth in Note 2, 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 dependent on continued financial support from its shareholders. Management has prepared these financial statements on a going concern basis based upon confirmation of continuing financial support from the shareholders to enable the Company to continue as a going concern for foreseeable future.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The accompanying financial statements have been prepared on the historical cost convention.

These financial statements are presented in Qatari Riyal ("QR"), which is the Company's functional and presentation currency. All financial information presented in QR has been rounded to the nearest Riyal.

3.2 Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Use of estimates and judgments (continued)

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments are made by management on the developments, selection and disclosure of the Company's critical accounting policies and the application of these policies and estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised of the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting judgments, estimates and assumptions

Information about assumptions and estimation uncertainties that have significant risk of resulting in material adjustments are as follows:

Revenue recognition – construction contracts

When a contract is judged to be a construction contract, revenue is recognized using the percentage of completion method as the construction progresses. The percentage of completion is made by reference to the stage of completion of projects and is determined based on the proportion of total contract costs incurred to date and total estimated contract cost for each contract. The estimated contract cost is assessed based on the project budgets prepared by the Company in which the management of the company uses their best estimates to assess the cost based on the best available information. The project budgets are re-assessed at each reporting date.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company's domicile.

The Company can recognize deferred tax assets on unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. However the Company has not recognized deferred tax assets for unused tax losses on the basis that company is unable to assess the likely timing and the level of future taxable profits together with future tax planning strategies.

Useful lives of property, plant and equipment

The management of the Company annually reviews the estimated useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use and are revised if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible that future results of operations could be materially affected by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation expense and decrease noncurrent assets.

Depreciation on property, plant and equipment recognized in the statement of comprehensive income amounted to QR 3,205,717 in 2017 (2016: QR 4,956,135). As at 31 December 2017, net carrying value of property, plant and equipment amounted to QR 8,621,703 (2016: QR 12,173,297).

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Use of estimates and judgments (continued)

Allowance for impairment losses on receivables
If necessary, the Company maintains an allowance for impairment losses on receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customers, customer's payment behaviour and known market factors. The management reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a regular basis. The amount and timing of recorded expenses for any period would differ if the management made a different judgment or utilized different estimates. An increase in allowance for impairment losses would increase the recorded administrative expenses and decrease current assets.

As at 31 December 2017, there was no indication of impairment loss on the Company's receivables.

Allowance for impairment losses on non-financial assets
The management assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the management considers important which could trigger an impairment review include the following:

§ Significant underperformance relative to the expected historical or projected future operating results;
§ Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
§ Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

As at 31 December 2017, there was no indication of impairment loss on the Company's nonfinancial assets.

3.3 Summary of significant accounting policies
The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

Foreign currency transactions and balances
Transactions in foreign currencies are translated at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income.

Non-monetary assets and liabilities, which are measured at historical cost, denominated in foreign currencies are translated to qatari riyal at the exchange rates ruling at the dates of transactions. Non monetary assets and liabilities, which are stated at fair value, denominated in foreign currencies are translated at the exchange rates ruling at the dates the values were determined.

Financial assets
Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

Financial assets (continued)
Subsequent measurement
The Company has following categories of financial assets as at the date of financial position. The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs for loans and in other operating expenses for receivables.

De-recognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

§ The rights to receive cash flows from the asset have expired
§ The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Financial assets carried at amortized cost
For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

When impairment exists, the carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The Company's financial liabilities include trade payables, accrued expenses, due to related parties, retention payables, other payables, and loans and borrowings.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

Financial liabilities (continued)
Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

De-recognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Property, plant, and equipment
Property, plant, and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant, and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant, and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant, and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Plant and machinery	6-7 years
Motor vehicles	5 years
Furniture and fittings	6-7 years
Porta cabins	20 years
Electrical equipment	5 years
Computer equipment	3 years
Telephones	6-7 years

An item of property, plant, and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is de-recognized.

The residual values, useful lives and methods of depreciation of property, plant, and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

Construction work in progress and advance billings
Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction work in progress is presented separately as an asset in the statement of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as advance billing (deferred income) as a liability in the statement of financial position.

Impairment of non-financial assets
The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Bank balances and cash
Bank balances and cash in the statement of financial position comprise cash at banks and on hand. For the purpose of the statement of cash flows, bank balances and cash consist of cash at banks and on hand.

Employees' end of service benefits
The Company operates an employees' end of service benefit plan under which an entity accrues for their contributions, which is in accordance with the labour laws in Qatar.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Revenue
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognized.

(i) On construction contracts
Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity. The stage of completion is assessed by reference to total cost incurred to date as a percentage of total estimated contract cost for each contract (surveys of work performed). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

(ii) Services
Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

Operating leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Finance income and finance costs
Finance income comprises interest income on funds invested.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Taxes
Income tax is calculated in accordance with the provisions of Qatar Income Tax Law No. 21 of 2009. Income tax expense comprises current tax. Income tax expense is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect to previous years.

4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017.

New standards, interpretations and amendments
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS recently issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 1 January 2017:

Topic
Amendments to IAS 12 – Recognition of deferred tax assets for unrealised losses
Amendments to IAS 7 – Disclosure initiative

The above standards and interpretations did not have any impact on the Company’s financial position and performance for the current year.

Standards issued but not yet effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below. The Company did not early adopt any standards, interpretations or amendments that have been issued but are not yet effective.

Topics	***Effective date***
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 16 Leases	1 January 2019

4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Standards issued but not yet effective (continued)

The Company has carried out assessments of the impact of application of major standards, IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers on its financial statements and disclosed the followings:

IFRS 9 Financial Instruments

IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Company plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Company has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when the Company will adopt IFRS 9.

(a) Classification and measurement

The Company does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9.

Account receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its debt instruments at amortised cost, either on a 12-month or lifetime basis. The Company will apply the simplified approach and record lifetime expected losses on all of its receivables.

With respect to the credit risk arising from other debt instruments such as bank deposits (bank balances), retention receivables, deposits, other receivables and accrued income, and amounts due from related parties, the Company's exposure to credit risk arises from the default of the counterparty with a maximum exposure equal to the carrying amount of these assets in the statement of financial position. Exposures are considered of good credit standing and management believes there is a minimal risk of default, thus, expected credit loss is insignificant but being monitored for significant changes in credit risk.

Based on the assessment made, the management concluded that the effect of the adoption of a new credit loss model will not have a material effect in the overall financial statements of the Company, as there were no history of default on their customers and they maintain good credit standing, thus, it is expected for them not to incur default.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. During 2017, the Company performed a preliminary assessment of IFRS 15, which will be continued with a more detailed analysis completed in 2018.

While many of the concepts in the new model are consistent with those in current IFRS for recognising revenue from construction contracts in IAS 11, the requirement for accounting for certain elements of engineering and construction (E&C) contracts will change. In addition, IFRS 15 introduces a number of new disclosure requirements that E&C entities will need to evaluate.

Identification of a contract and its related performance obligations

For a fixed contract, contract is negotiated as a package with a single commercial objective, the amount of consideration to be paid in one contract depends on the price and performance of the said contract and the goods and services promised are considered a single performance obligation.

4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)
Contract modification
For contract modification, management have assessed that the result of the modification did not give rise to a new contract as there were no major additions of distinct goods or services which can be priced at their standalone selling prices.

Principal versus agent
Management have assessed that the Company is acting as a principal (consistent with previous policy) as the commercial objective of the Company is to build and construct and not to arrange others to build and construct for the customers. As a result, the revenue recognised is the gross amount to which the Company expects to be entitled.

Determination of transaction price (variable consideration)
The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer.

Management have considered all variable consideration to be included in the transaction price that are highly probable that a significant reversal will not occur. Based on the assessment, no material variable consideration were identified which will result in the adjustment of revenue recognised.

Financing component
The management concluded that the contract does not include a significant financing component. The milestone payments covered with the Company's performance and the contract requirements to be retained for reasons other than the provision of finance in accordance with IFRS 15. The withholding of a specified percentage of each milestone payment is intended to protect the customer from the contractor failing to adequately complete its obligations under the contract.

Allocation of transaction price to each performance obligation
Based on the assessment of the existing contract, management have identified only one performance obligation,, thus, no need for allocation of transaction price.

Satisfaction of performance obligations
Under IFRS 15, revenue is recognised when it satisfies a performance obligation by transferring goods or services to a customer. The accounting treatment for a contract that meets the criteria for recognition of revenue over time is similar to the method the Company is currently applying under existing requirements of IAS 11 (e.g., percentage of completion). As a result, no adjustment is needed as there are no difference from the existing policy and the current requirements of IFRS 15.

Measuring progress
When a performance obligation is satisfied over time, the standard provides two types of methods for progress under the contract: Input methods or Output methods. The standard requires one entity to select a single measurement method to the relevant performance obligation that has impact on the entity's performance in transferring goods and services and it does not allow a change of method. The Company intends to adopt the Input method (eg: cost based) which is similar to the current requirement under IAS 11, thus management do not foresee adjustments in the revenue recognition principle that they are currently adopting.

IFRS 16 Leases
Management is currently assessing the impact of adoption of IFRS 16 in the Company's financial statements.

5 REVENUE

	2017	*2016*
	QR	*QR*
Contract revenue	**20,975,734**	132,578,323
Income from other activities	**23,263,256**	16,126,943
	44,238,990	148,705,266

5 REVENUE (CONTINUED)

The analysis of the contracts in progress are as follows:

	2017 QR	*2016 QR*
Work in progress (advance billings) on Al Merqab	**4,927,551**	(5,147,627)
Advance billings on North East Underground Car Park (NECP)	**(922,893)**	(4,838,166)
	4,004,658	(9,985,793)

The project wise analysis of the work in progress (advance billings) as at the reporting date is as follows:

	Al Merqab Project		*NECP Project*	
	2017 QR	*2016 QR*	***2017 QR***	*2016 QR*
Contract costs incurred to date	**1,013,331,882**	977,537,165	**554,443,394**	540,379,148
Add: Recognized losses	**(217,666,237)**	(198,931,982)	**(67,771,483)**	(57,622,510)
	795,665,645	778,605,183	**486,671,911**	482,756,638
Progress billings to date	**(790,738,094)**	(783,752,810)	**(487,594,804)**	(487,594,804)
Work in progress/(Advance billings)	**4,927,551**	(5,147,627)	**(922,893)**	(4,838,166)

6 DIRECT COSTS

	2017 QR	*2016 QR*
Salaries and related expenses	**28,875,381**	35,513,550
Sub-contract costs	**18,827,397**	28,216,097
Material	**9,148,627**	10,366,274
Depreciation (Note 11)	**3,205,717**	4,956,135
Rent expense	**2,148,957**	3,385,280
Food expenses	**2,123,710**	2,911,528
Hire of labour	**1,376,824**	2,368,006
Vehicle hire and related costs	**594,483**	958,001
Communication and courier charges	**582,417**	753,617
Water and electricity	**566,569**	2,420,151
Travel and hotels	**535,802**	345,616
Insurance	**368,949**	135,039
Accommodation and subsistence	**7,100**	132,410
Material testing charges	**3,800**	116,380
Miscellaneous	**713,342**	2,887,694
	69,079,075	95,465,778

7 OTHER INCOME

	2017	*2016*
	QR	*QR*
Gain on disposal of property, plant and equipment	**2,005,769**	-
Miscellaneous income	**148,780**	315,662
	2,154,549	315,662

8 GENERAL AND ADMINISTRATIVE EXPENSES

	2017	*2016*
	QR	*QR*
Legal and consultants fees	**360,128**	262,625
Printing and stationary	**119,731**	161,492
Tender expense	**22,238**	700
Entertainment and advertising	**19,028**	34,129
	521,125	458,946

9 FINANCE COSTS

	2017	*2016*
	QR	*QR*
Interest expense	**7,477**	2,059,613
Bank charges and commissions	**4,922,388**	5,416,426
	4,929,865	7,476,039

10 INCOME TAX EXPENSE

The income tax expense for the year is computed as follows:

	2017	*2016*
	QR	*QR*
Accounting (loss) profit before tax	**(29,328,670)**	197,961,981
Adjustments for:		
Non-deductible depreciation	**1,261,697**	2,002,211
Non-deductible provision	**516,772**	394,369
Disallowed expenses	**75,640**	284,734
Other amendments	**(1,833,019)**	(327,888)
Gross taxable revenue (loss)	**(29,307,580)**	200,315,407
Less: Carried forward tax losses	**113,709,596**	(314,025,003)
Tax loss	**(143,017,176)**	(113,709,596)
Income tax expense for the year	**-**	-

Income tax expense for the year to be calculated by applying the tax rate applicable to the Company on the portion of the taxable income relevant, if any, to the foreign shareholder (99%), as per the Articles of Association of the Company.

11 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery QR	*Motor vehicles QR*	*Furniture and fittings QR*	*Porta cabins QR*	*Electrical equipment QR*	*Computer equipment QR*	*Telephones QR*	*Total QR*
Gross carrying values:								
At 1 January 2017	27,975,492	3,549,255	1,407,817	10,130,834	2,006,449	2,754,376	487,411	48,311,634
Additions	50,125	-	-	-	53,472	7,874	-	111,471
Disposals	(2,719,712)	-	(125,409)	(113,603)	(225,697)	-	-	(3,184,421)
At 31 December 2017	25,305,905	3,549,255	1,282,408	10,017,231	1,834,224	2,762,250	487,411	45,238,684
Accumulated depreciation:								
At 1 January 2017	24,351,699	3,158,767	1,315,961	2,561,968	1,647,142	2,695,297	407,503	36,138,337
Charge for the year	2,268,905	108,800	55,786	503,678	174,451	35,273	58,824	3,205,717
Relating to disposals	(2,386,466)	-	(122,551)	(32,629)	(185,427)	-	-	(2,727,073)
At 31 December 2017	24,234,138	3,267,567	1,249,196	3,033,017	1,636,166	2,730,570	466,327	36,616,981
Net carrying values:								
At 31 December 2017	**1,071,767**	**281,688**	**33,212**	**6,984,214**	**198,058**	**31,680**	**21,084**	**8,621,703**

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plant and machinery QR	*Motor vehicles QR*	*Furniture and fittings QR*	*Porta cabins QR*	*Electrical equipment QR*	*Computer equipment QR*	*Telephones QR*	*Total QR*
Gross carrying values:								
At 1 January 2016	27,847,992	3,549,255	1,392,312	11,461,994	1,926,707	2,705,151	487,411	49,370,822
Additions	127,500	-	15,505	-	79,742	49,225	-	271,972
Write-off	-	-	-	(1,331,160)	-	-	-	(1,331,160)
At 31 December 2016	27,975,492	3,549,255	1,407,817	10,130,834	2,006,449	2,754,376	487,411	48,311,634
Accumulated depreciation:								
At 1 January 2016	20,543,875	2,978,351	1,075,442	2,391,133	1,547,849	2,648,535	343,443	31,528,628
Provision	3,807,824	180,416	240,519	517,261	99,293	46,762	64,060	4,956,135
Write-off	-	-	-	(346,426)	-	-	-	(346,426)
At 31 December 2016	24,351,699	3,158,767	1,315,961	2,561,968	1,647,142	2,695,297	407,503	36,138,337
Net carrying values:								
At 31 December 2016	3,623,793	390,488	91,856	7,568,866	359,307	59,079	79,908	12,173,297

12 TRADE AND OTHER RECEIVABLES

	2017 *QR*	*2016* *QR*
Trade receivables	**5,681,185**	40,095,439
Due from related parties (Note 21)	**5,029,998**	21,334,009
Advance to suppliers	**2,699,971**	15,642,373
Retentions	**376,248**	376,248
Deposits and prepayments	**353,824**	504,545
Other receivables	**1,354,000**	999,419
	15,495,226	78,952,033

As at the reporting date, the ageing of unimpaired receivables is as follows:

			Past due but not impaired				
	Total *QR*	*Neither past due nor impaired* *QR*	*< 30 days* *QR*	*30 – 60 days* *QR*	*61 – 90 days* *QR*	*91 – 120 days* *QR*	*>120 days* *QR*
2017	**5,681,185**	**5,485,575**	**-**	**-**	**-**	**-**	195,610
2016	40,095,439	39,899,829	-	-	-	-	195,610

Unimpaired receivables are expected to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

13 CASH AND BANK BALANCES

	2017 *QR*	*2016* *QR*
Cash in bank	**4,741,938**	30,590,716
Cash on hand	**197,197**	81,603
	4,939,135	30,672,319

14 SHARE CAPITAL

	2017 *QR*	*2016* *QR*
Authorised, issued and fully paid		
200 ordinary shares at QR 1,000 each	**200,000**	200,000
	200,000	200,000

15 LEGAL RESERVE

As required by the Company's Articles of Association and Qatar Commercial company law No. 11 of 2015, 10% of the net profit for the year should be transferred to legal reserve until the reserve totals 50% of the issued share capital. The reserve is not normally available for distribution except in the circumstances stipulated in the above mentioned law.

16 SUBORDINATED LOAN

On 30 June 2013, the Company obtained a subordinated loan from Terna Overseas Ltd. ("Terna"). As per the subordinated loan agreement, the loan carries no interest and is repayable at the Company's discretion. The loan is subordinated to the claims of the Company's creditors and therefore, in the event of liquidation, the loan has no priority over the claims to the assets of the Company by secured and unsecured creditors.

During the year 2017, Terna Overseas Ltd. has decided to relinquish a sum of EUR 7,000,000 (QR 27,992,165) (2016: EUR 37,677,670 (QR 152,349,964)) from the loan given to the Company. Further, the Company has made a loan repayment of QR 32,000,000 during the year 2017. Accordingly, the subordinated loan given by Terna Overseas Ltd. as at 31 December 2017 amounted to EUR 14,277,885 (QR 62,275,418).

17 FOREIGN CURRENCY TRANSLATION RESERVE

This reserve represents the revaluation gains (loss) on the translation of Euro denominated subordinated loan facility into the reporting currency (QR) of the Company.

18 EMPLOYEES' END OF SERVICE BENEFITS

The movement in the employees' end of service benefits is as follows:

	2017 ***QR***	*2016* *QR*
At 1 January	**4,854,818**	5,489,857
Provided during the year	**1,402,618**	1,020,888
Paid during the year	**(968,216)**	(1,655,927)
At 31 December	**5,289,220**	4,854,818

19 LOANS AND BORROWINGS

	2017 ***QR***	*2016* *QR*
Short term loans	**-**	44,298
	-	44,298

The Company has obtained short term loans and related facilities from commercial banks in state of Qatar for its working capital management purpose. These loans are repayable on a short term basis within one year or less. The Company has fully paid these facilities during the current year.

20 TRADE AND OTHER PAYABLES

	2017 ***QR***	*2016* *QR*
Trade payables	**3,962,750**	2,817,368
Accrual expenses	**807,455**	10,994,873
Due to related parties (Note 21)	**15,164,344**	18,625,347
Retention payables	**18,134,446**	18,680,728
Other payables	**2,998,141**	8,278,162
	41,067,136	59,396,478

21 TRANSACTIONS WITH RELATED PARTIES

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Related party transactions
Transactions with related parties included in the interim statement of comprehensive income are as follows:

	2017		*2016*	
	Sales QR	***Other expenses QR***	*Sales QR*	*Other expenses QR*
Terna S.A. Abu Dhabi Branch	**-**	**24,538**	-	280
Terna S.A. Sharjah branch	**-**	**-**	-	144,546
Terna S.A. Greece Head Office	**-**	**3,184,545**	-	3,326,155
Terna Overseas Ltd	**-**	**-**	-	107,263
Terna SA (Qatar Branch)	**-**	**2,832,287**	5,672,142	-
QBC Terna JV	**-**	**-**	253,590	-
GCC-WAC-TERNA JV	**23,263,256**	**-**	16,126,943	-
	23,263,256	**6,041,370**	22,052,675	3,578,244

Related party balances
Balances with related parties included in the interim statement of financial position are as follows:

		2017		*2016*	
	Notes	***Due from QR***	***Due to QR***	*Due from QR*	*Due to QR*
Terna SA - Sharjah		**2,623,172**	**-**	-	-
GCC - WAC - Terna Joint Venture		**2,406,826**	**-**	3,011,523	-
Terna S.A – Qatar Branch	(b)	**-**	**11,852,330**	18,284,301	-
Terna S.A. - Abu Dhabi Branch		**-**	**146,644**	38,185	-
Terna SA - Greece	(a)	**-**	**3,165,370**	-	-
Terna Bahrain Holding W.L.L		**-**	**-**	-	9,315,734
Terna Overseas Limited		**-**	**-**	-	9,309,613
		5,029,998	**15,164,344**	21,334,009	18,625,347

The amount receivable from GCC - WAC – Terna Joint Venture includes accrued income recognized against joint venture by the Company net of payables to the same party, as their settlement terms are made on net basis.

Terms and conditions of transactions with related parties
The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the reporting date are unsecured and the settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

The Company has not recorded any impairment of receivables relating to amounts due from related parties as at 31 December 2017 and 31 December 2016. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel
The remuneration of directors and other members of key management during the period were as follows:

	2017 QR	*2016 QR*
Short-term benefits	**1,028,546**	1,377,882

22 CONTINGENCIES

At 31 December 2017, the Company had contingent liabilities in respect of bank guarantee and performance bond in relation to the construction contracts amounting to QR 74,489,208 (2016: QR 110,514,357).

23 FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise trade payables, amounts due to related parties and advances from client. The main purpose of these financial liabilities is to finance the Company's operations. The Company has trade and other receivables and cash and short-term deposits that arrive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. They establishes appropriate policies and procedures on financial risk activities and ensure that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The management of the Company reviews and agrees policies for managing each of these risks which are summarized below.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk and commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's deposits and short-term loans and borrowings with floating interest rates.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's presentation currency) and loans and borrowings in foreign currencies.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) including deposits with banks and financial institutions.

	2017	*2016*
	QR	*QR*
Bank balances	**4,741,938**	30,590,716
Trade and other receivables	**12,441,431**	62,805,115
	17,183,369	93,395,831

With respect to credit risk arising from the other financial assets of the Company, including cash and cash equivalents the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk
The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders. The contractual maturity of trade payables, accrual expenses, due to related parties, retention payables and other payables is less than 12 months and the amounts disclosed under Note 20 are undiscounted amounts.

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value. The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2016. Capital comprises share capital, legal reserve and accumulated losses and is measured at capital deficiency of QR 81,631,064 as at 31 December 2017 (2016: capital deficiency of QR 86,346,520).

24 RESTATEMENT OF PRIOR YEAR RESULTS

During the current year, the Company rectified the treatment relating to the relinquishment of subordinated loan (Note 16). Previously, transaction was accounted for as an "income on relinquishment of subordinated loan" shown as part of "other income". The accounting treatment has been corrected to conform with the requirements of IFRS and have recorded the relinquishment as an adjustment through retained earnings. This adjustment however, did not change the overall balance of retained earnings.