

**Terna Ventures WLL**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

Shareholders	: Konstantions Iliadis Terna Bahrain Holding WLL
Office	: Building 418, Road 3207, Block 332 Manama Kingdom of Bahrain Telephone: 36567071 Fax : 17741096
Bankers	: HSBC Bank Middle East Limited
Auditors	: KPMG Fakhro

**FINANCIAL STATEMENTS**

**As at 31 December 2019**

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**REPORT OF THE BOARD OF DIRECTORS**  
**For the year ended 31 December 2019**

Bahraini Dinars

In accordance with Article 286 of the Commercial Companies Law, on behalf of the board of directors, I have pleasure in presenting the audited financial statements of Terna Ventures WLL (the "Company") for the year ended 31 December 2019 as set out on pages 4 to 18.

Financial highlights	2019	2018
Loss for the year	(1,136)	(533)
Total assets	95,026	96,662
Total equity	94,626	95,762

**Representations and audit**

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

There have been no events subsequent to 31 December 2019, which would in any way invalidate the financial statements as set out on pages 4 to 18.

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


On behalf of the board of directors:



Georgios Stratigos  
Director

1 March 2020

Dimitrios Salamanos  
Director





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CR No. 6220

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

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

### Report on the audit of the financial statements

#### *Opinion*

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year 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.

#### *Other information*

The board of directors is responsible for the other information. The other information obtained at the date of this auditors' report is the *Report of the Board of Directors* set out on page 1.

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

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

#### *Responsibilities of the board of directors for the financial statements*

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

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

#### *Auditors' responsibilities for the audit of the financial statements*

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

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

Tema Ventures WLL  
Manama, Kingdom of Bahrain

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

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

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

### Report on other regulatory requirements

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

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



KPMG Fakhro  
Partner Registration No. 136  
3 March 2020

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

Bahraini Dinars

	Note	31 December 2019	31 December 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Due from a related party	5 a)	94,911	96,437
Cash and cash equivalents	6	115	225
<b>Total current assets</b>		<b>95,026</b>	<b>96,662</b>
<b>Total assets</b>		<b>95,026</b>	<b>96,662</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	1	100,000	100,000
Accumulated losses		(5,374)	(4,238)
<b>Total equity (page 6)</b>		<b>94,626</b>	<b>95,762</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Due to a related party	5 b)	-	500
Other payables		400	400
<b>Total current liabilities</b>		<b>400</b>	<b>900</b>
<b>Total liabilities</b>		<b>400</b>	<b>900</b>
<b>Total equity and liabilities</b>		<b>95,026</b>	<b>96,662</b>

The financial statements were approved by the Board of Directors on 1 March 2020 and signed on its behalf by:

  
 Georgios Stratigos  
 Director

  
 Dimitrios Salamanos  
 Director

The accompanying notes 1 to 9 are an integral part of these financial statements.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****For the year ended 31 December 2019****Bahraini Dinars**

	Note	2019	2018
General and administrative expenses	7	(830)	(533)
Impairment allowance	5	(306)	(133)
<b>Loss for the year</b>		<b>(1,136)</b>	<b>(533)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>(1,136)</b>	<b>(533)</b>

  
Georgios Stratigos  
Director  
Dimitrios Salamanos  
Director

The accompanying notes 1 to 9 are an integral part of these financial statements.

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

Bahraini Dinars

**2019**

At 1 January 2019  
 Total comprehensive income for the year (page 5)

Share capital	Accumulated losses	Total
100,000	(4,238)	95,762
-	(1,136)	(1,136)
<b>100,000</b>	<b>(5,374)</b>	<b>94,626</b>

**At 31 December 2019****2018**

At 1 January 2018  
 Total comprehensive income for the year (page 5)

Share capital	Accumulated losses	Total
100,000	(3,705)	96,295
-	(533)	(533)
<b>100,000</b>	<b>(4,238)</b>	<b>95,762</b>

**At 31 December 2018**

The accompanying notes 1 to 9 are an integral part of these financial statements.



**STATEMENT OF CASH FLOWS****For the year ended at 31 December 2019****Bahraini Dinars**

	Note	2019	2018
<b>OPERATING ACTIVITIES</b>			
Payments for operating expenses		(830)	(880)
<b>Net cash flow used in operating activities</b>		<b>(830)</b>	<b>(880)</b>
<b>FINANCING ACTIVITIES</b>			
Receipts from related parties, net		720	880
<b>Net cash flow generated from financing activities</b>		<b>720</b>	<b>880</b>
<b>Net decrease in cash and equivalents during the year</b>		<b>(110)</b>	<b>-</b>
Cash and cash equivalents at 1 January		225	225
<b>Cash and cash equivalents at 31 December</b>	<b>6</b>	<b>115</b>	<b>225</b>

The accompanying notes 1 to 9 are an integral part of these financial statements.

**NOTES TO THE 2019 FINANCIAL STATEMENTS**

Bahraini Dinars

**1 STATUS AND OPERATIONS**

Terna Ventures WLL (the "Company") is a limited liability company registered in the Kingdom of Bahrain with the Ministry of Industry, Commerce and Tourism under commercial registration number 80600-1 on 13 March 2012.

The Company's authorized, issued and fully paid-up share capital of BD 100,000 is divided into 2,000 shares of BD 50 each and are held as follows:

Shareholders	Number of shares	Shareholding (%)	Amount (BD)
Terna Bahrain Holding WLL	1,999	0.05	99,950
Konstantions Iliadis	1	99.95	50
<b>Total</b>	<b>2,000</b>	<b>100</b>	<b>100,000</b>

The Company is engaged in sale or trade of construction materials, hardware, plumbing and heating equipment and supplies; sale or trade in other machinery and equipment and parts; sale or trade of electrical and electronic household appliances and sale or trade of motor vehicles.

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

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

This is the first set of the Company's 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 financial statements have been drawn up from the accounting records of the Company which are maintained under the historical cost convention.

**c) Functional and presentation currency**

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

**d) Use of estimates and judgments**

The preparation of 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.

**NOTES TO THE 2019 FINANCIAL STATEMENTS**

Bahraini Dinars

**2 BASIS OF PREPARATION (continued)**

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 financial statements are described in note 4.

**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**

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

**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 2019 FINANCIAL STATEMENTS**

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 accounting policies have been consistently applied by the Group and are consistent with those used in the previous year except for the changes related to adoption of IFRS 16 Leases which are described in Note 2 (e).

**a) Foreign currency transactions and balances**

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

**b) Financial instruments**

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

*(i) Recognition and initial measurement*

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

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

**NOTES TO THE 2019 FINANCIAL STATEMENTS**

Bahraini Dinars

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

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

*(iii) Offsetting*

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

**NOTES TO THE 2019 FINANCIAL STATEMENTS**

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)***(iv) Impairment*

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, mainly due from related party 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.

**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.

**NOTES TO THE 2019 FINANCIAL STATEMENTS**

Bahraini Dinars

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

**Presentation of allowance for ECL in the statement of financial position**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

**Write-off**

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

**c) Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. All impairment losses are recognised in the statement of profit or loss and other comprehensive income.

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

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

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

**d) Provisions**

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

**e) Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

**NOTES TO THE 2019 FINANCIAL STATEMENTS**

Bahraini Dinars

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

**g) Offsetting financial assets and liabilities**

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

**a) Impairment of financial assets**

Refer note 3 (b) (iv).

**5 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 the shareholders, and Companies in which they have significant influence or control. The Company enters into transactions with related parties in the normal course of business at agreed terms.

<b>a) Due from a related party</b>	<b>Relationship</b>	<b>2019</b>	<b>2018</b>
Terna Bahrain Holding	Under common management	95,350	96,570
Less: Impairment allowance		(439)	(133)
		<b>94,911</b>	<b>96,437</b>

**Movements on the allowance for impairment**

	<b>2019</b>	<b>2018</b>
At 1 January	133	-
Impairment allowance during the year	306	133
<b>At 31 December</b>	<b>439</b>	<b>133</b>

<b>b) Due to a related party</b>	<b>Relationship</b>	<b>2019</b>	<b>2018</b>
Terna Contracting Company	Under common management	-	500
		<b>-</b>	<b>500</b>

Related parties balances are interest free and are settled on demand.



**NOTES TO THE 2019 FINANCIAL STATEMENTS**

Bahraini Dinars

**5 RELATED PARTIES (continued)****c) 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 comprise of the directors and no compensation was paid during the year (2018: BD nil).

**6 CASH AND EQUIVALENTS**

Bank balances

**Cash and cash equivalents as per the statement of financial position**

2019	2018
115	225
<b>115</b>	<b>225</b>

**7 GENERAL AND ADMINISTRATIVE EXPENSES**

Professional fees

Bank charges

Other expenses

2019	2018
400	400
110	-
320	-
<b>830</b>	<b>533</b>

**8 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

**2019****Assets**

Due from a related party

Cash and cash equivalents

Amortized cost	Other financial liabilities	Total carrying amount
94,911	-	94,911
115	-	115
<b>95,026</b>	<b>-</b>	<b>95,026</b>
<b>Liabilities</b>		
-	400	400
<b>-</b>	<b>400</b>	<b>400</b>

**NOTES TO THE 2019 FINANCIAL STATEMENTS**

Bahraini Dinars

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

2018

**Assets**

Due from a related party  
Cash and cash equivalents

Loans and receivables	Others at amortised cost	Total carrying amount
96,437	-	96,437
225	-	225
96,662	-	96,662
<b>Liabilities</b>		
Due to a related party		
-	500	500
Other payables		
-	400	400
-	900	900

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

**a) Credit risk**

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

- 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;
- 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.

**NOTES TO THE 2019 FINANCIAL STATEMENTS**

Bahraini Dinars

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

- (iii) 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.

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
Due from related parties	94,911	96,437
Cash at bank	115	225
	<b>95,026</b>	<b>96,662</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.

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

2019	Carrying amount	Contractual undiscounted cash flows	6 months or less
Other payables	400	400	400
	<b>400</b>	<b>400</b>	<b>400</b>
2018			
	Carrying amount	Contractual undiscounted cash flows	6 months or less
Other payables	400	400	400
Due to a related party	500	500	500
	<b>900</b>	<b>900</b>	<b>900</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.

**NOTES TO THE 2019 FINANCIAL STATEMENTS**

Bahraini Dinars

**8 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)***(i) Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. There is no significant currency risk as majority of the Company's transactions are in Bahraini Dinars.

*(ii) 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.

**9 COMPARATIVES**

The previous year's figures have been regrouped wherever necessary, in order to conform to the current year's presentation. Such regrouping does not affect previously reported total assets, total equity or profit or loss and other comprehensive income.