

**Terna Bahrain Holding W.L.L.**

**REPORT OF THE BOARD OF DIRECTORS  
AND SEPARATE FINANCIAL STATEMENTS**

**31 DECEMBER 2016**

**REPORT OF THE BOARD OF DIRECTORS**

The Board of Directors has pleasure in submitting its annual report and the audited separate financial statements of Terna Bahrain Holding W.L.L. ('the Company') for the year ended 31 December 2016.

**Principal activities**

The Company was incorporated on 28 November 2006 to act as a holding company. The Company has the following subsidiaries which are incorporated in the Kingdom of Bahrain:

Terna Contracting W.L.L.  
Terna Ventures W.L.L.

A subsidiary of the Company, Terna Mechanical and Electrical W.L.L., was under liquidation as of 31 December 2016.

**Results and accumulated losses**

The Company incurred a loss of BD 1,121,822 for the year ended 31 December 2016 as compared to a profit of BD 199,656 for the year ended 31 December 2015.

Movement in (accumulated losses) retained earnings during the year ended 31 December 2016 was as follows:

	<i>BD</i>
Balance as at 1 January 2016	179,690
Loss for the year	(1,121,822)
Balance as at 31 December 2016	<u>(942,132)</u>

**Share capital**

On 1 December 2016, the shareholders resolved to convert the currency of the Company's share capital from Euros to Bahraini Dinars and reduce in the number of paid up shares from 8,500 to 8,477 as of 31 December 2016 which resulted in an adjustment of BD 42 to the paid-up capital. The shareholders have also resolved to increase the share capital of the Company to BD 2,500,000 by converting a portion of the amounts due to a shareholder of BD 1,652,300. The regulatory formalities relating to the above are in progress.

Signed on behalf of the Board of Directors

D. Antonakos  
Chairman

*20 March 2017*

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TERNA BAHRAIN HOLDING W.L.L.**

### **Report on the Audit of the Separate Financial Statements**

#### *Opinion*

We have audited the accompanying separate financial statements of Terna Bahrain Holding W.L.L. ("the Company"), which comprise the separate statement of financial position as at 31 December 2016, and the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, 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 Separate 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*

Other information consists of the Report of the Board of Directors, set out on page 1 that was obtained at the date of this auditor's report. The Board of Directors is responsible for the other information. Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TERNA BAHRAIN HOLDING W.L.L. (continued)**

### **Report on the Audit of the Separate Financial Statements (continued)**

#### *Responsibilities of the Board of Directors for the separate financial statements*

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

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

#### *Auditor's responsibilities for the audit of the separate financial statements*

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TERNA BAHRAIN HOLDING W.L.L. (continued)**

### **Report on the Audit of the Separate Financial Statements (continued)**

#### *Auditor's responsibilities for the audit of the separate financial statements (continued)*

- Conclude on the appropriateness of the Board of Directors' 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 separate 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 separate financial statements, including the disclosures, and whether the separate 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 Legal and Regulatory Requirements**

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

- a) the Company has maintained proper accounting records and the separate financial statements are in agreement therewith;
- b) the financial information contained in the Report of the Board of Directors is consistent with the separate financial statements;
- c) we are not aware of any violations of the Bahrain Commercial Companies Law or the terms of the Company's memorandum of association during the year ended 31 December 2016 that might 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 the Company's management in response to all our requests.



Auditor's Registration No. 186  
20 March 2017  
Manama, Kingdom of Bahrain

## SEPARATE STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 BD	2015 BD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	5	2,099,850	1,279,270
Margin deposit	14	490,037	-
		<u>2,589,887</u>	<u>1,279,270</u>
<b>Current assets</b>			
Amounts due from related parties	6	2,880,692	3,275,362
Other receivables	7	13,281	772,678
Bank balances and cash	8	62,821	596,853
		<u>2,956,794</u>	<u>4,644,893</u>
<b>TOTAL ASSETS</b>		<u><u>5,546,681</u></u>	<u><u>5,924,163</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	9	847,700	847,742
Additional capital contribution	9	1,652,300	-
Statutory reserve	10	55,576	55,576
(Accumulated losses) retained earnings		(942,132)	179,690
<b>Total equity</b>		<u>1,613,444</u>	<u>1,083,008</u>
<b>Current liabilities</b>			
Accounts and other payables	11	232,768	51,142
Amounts due to related parties	12	3,700,469	4,790,013
		<u>3,933,237</u>	<u>4,841,155</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>5,546,681</u></u>	<u><u>5,924,163</u></u>


  
D. Antonakos  
Chairman


  
K. Iliadis  
Director

## SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2016

	Notes	2016 BD	2015 BD
Foreign exchange gain (net)		151,867	440,251
Other income		11,503	-
Write off of other receivables	7	(485,700)	(60,000)
Provision for impairment of amounts due from a related party	13	(308,614)	-
Write off of receivables from a subsidiary	13	(104,508)	-
Write off of investment in a subsidiary	5	(179,420)	-
Staff costs	13	(149,175)	(169,292)
General and administrative expenses		(45,535)	(5,833)
Legal and professional fees		(12,240)	(5,470)
<b>(LOSS) PROFIT FOR THE YEAR</b>		<b>(1,121,822)</b>	<b>199,656</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR</b>		<b>(1,121,822)</b>	<b>199,656</b>

  
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 D. Antonakos  
 Chairman

  
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 K. Iliadis  
 Director

The attached notes 1 to 16 form part of these separate financial statements.

Terna Bahrain Holding W.L.L.

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2016

	Share capital BD	Additional capital contribution BD	Statutory reserve BD	Retained earnings / (accumulated losses) BD	Total BD
Balance as at 1 January 2016	847,742	-	55,576	179,690	1,083,008
Adjustment to share capital (note 9)	(42)	-	-	-	(42)
Transfer of amounts due to a shareholder (note 13)	-	1,652,300	-	-	1,652,300
Total comprehensive loss for the year	-	-	-	(1,121,822)	(1,121,822)
<b>Balance as at 31 December 2016</b>	<b>847,700</b>	<b>1,652,300</b>	<b>55,576</b>	<b>(942,132)</b>	<b>1,613,444</b>

	Share capital BD	Additional capital contribution BD	Statutory reserve BD	Retained earnings / (accumulated losses) BD	Total BD
Balance as at 1 January 2015	847,742	-	35,610	(699,282)	184,070
Absorption of accumulated losses by a shareholder (note 13)	-	-	-	699,282	699,282
Total comprehensive income for the year	-	-	-	199,656	199,656
Transfer to statutory reserve (note 10)	-	-	19,966	(19,966)	-
<b>Balance as at 31 December 2015</b>	<b>847,742</b>	<b>-</b>	<b>55,576</b>	<b>179,690</b>	<b>1,083,008</b>

The attached notes 1 to 16 form part of these separate financial statements.



**Terna Bahrain Holding W.L.L.**

**SEPARATE STATEMENT OF CASH FLOWS**

For the Year Ended 31 December 2016

	Notes	2016 BD	2015 BD
<b>OPERATING ACTIVITIES</b>			
(Loss) profit for the year		(1,121,822)	199,656
Adjustments for:			
Write off of investment in a subsidiary	5	179,420	-
Write off of other receivables	7	485,700	60,000
Write off of receivables from a subsidiary	13	104,508	-
Provision for impairment of amounts due from a related party	13	308,614	-
Operating (loss) profit before working capital changes:		(43,580)	259,656
Working capital changes:			
Amounts due from related parties		290,162	136,767
Other receivables		(34,917)	86,829
Accounts and other payables		(468,374)	21,659
Amounts due to related parties		562,714	56,053
Payable to KT Holding Bahrain W.L.L.		-	(148,700)
Net cash from operating activities		306,005	412,264
<b>INVESTING ACTIVITY</b>			
Investment in a subsidiary	5	(350,000)	-
Cash used in investing activity		(350,000)	-
<b>FINANCING ACTIVITY</b>			
Margin deposit	14	(490,037)	-
Cash used in financing activity		(490,037)	-
<b>(DECREASE) INCREASE IN BANK BALANCES AND CASH</b>		(534,032)	412,264
Bank balances and cash at 1 January		596,853	184,589
<b>BANK BALANCES AND CASH AT 31 DECEMBER</b>	8	62,821	596,853

**Non-cash items:**

**2016**

Non-cash items not included in the above separate statement of cash flows are as follows:

- Conversion of amount due to Terna Overseas Ltd. of BD 1,652,300 to capital contribution (note 13).
- BD 650,000 payable towards investment in Terna Contracting W.L.L. (note 5).
- Transfer of other receivables of BD 308,614 to amounts due from related parties (note 7 and note 13).
- Adjustment to share capital of BD 42 (note 9).

**2015**

- As part of the settlement of share consideration to KT Holding Bahrain W.L.L., BD 128,000 was paid by Terna S.A. (Abu Dhabi Branch) on behalf of the Company which was adjusted in amounts due from related parties (2014: BD 30,720).
- Accumulated losses up to 31 December 2014 amounting to BD 699,282 were adjusted against the amounts due to shareholder (2014: nil) (note 13).

The attached notes 1 to 16 form part of these separate financial statements.

**1 ACTIVITIES**

Terna Bahrain Holding W.L.L. ('the Company') is a limited liability company incorporated in the Kingdom of Bahrain on 28 November 2006 and registered with the Ministry of Industry, Commerce and Tourism under commercial registration (CR) number 63267. The Company acts as a holding company. The Company's registered office is at Building 418, Road 3207, Block 332, Zinj Area, Kingdom of Bahrain.

The Company is a wholly owned subsidiary of Terna Overseas Limited (the 'Shareholder' or 'Parent Company'), a company incorporated in and operating under the laws of the Republic of Cyprus. The ultimate parent company is GEK TERNA Société Anonyme Holdings Real Estate Constructions ('GEK TERNA'), a company incorporated in and operating under the laws of the Republic of Greece.

The separate financial statements were authorised for issue by the Board of Directors on 20 March 2017.

The Company has the following subsidiaries as of year end:

Name	Country of incorporation	Ownership interest		Principal activity
		2016	2015	
Subsidiaries				
Terna Contracting W.L.L.	Kingdom of Bahrain	99.99%	99.99%	Contracting and construction business
Terna Ventures W.L.L.	Kingdom of Bahrain	99.95%	99.95%	Import and export business
Terna Mechanical and Electrical W.L.L.	Kingdom of Bahrain	-	100%	Contracting of mechanical and electrical business (liquidated during the year 2016)

These financial statements represent the separate financial statements of the Company in which the investments in subsidiaries are accounted using the cost method as explained in the accounting policy set out below. The ultimate parent, GEK TERNA prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) incorporating the assets, liabilities, revenue, costs, income and expenses of the Company and its subsidiaries. The consolidated financial statements for the year ended 31 December 2016 will be available for public use at [www.gekterna.gr](http://www.gekterna.gr). These separate financial statements are prepared for submission to the Ministry of Industry, Commerce and Tourism, Kingdom of Bahrain.

**2 SIGNIFICANT ACCOUNTING POLICIES****Statement of compliance**

The separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in conformity with the Bahrain Commercial Companies Law.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### Regulatory matter

As of 31 December 2016, the Company's accumulated losses have exceeded its share capital by BD 94,432. The Bahrain Commercial Companies Law requires in case of companies which have lost a substantial portion of its share capital, the Board of Directors to convene a meeting of the Company's shareholders and to resolve whether to continue with the operations of the Company or to liquidate the Company. This meeting was convened on 1 December 2016 wherein the shareholders have resolved to continue with the operations of the Company and to increase the share capital of the Company to BD 2,500,000.

### Basis of preparation

These separate financial statements have been prepared under the historical cost basis. The separate financial statements are presented in Bahraini Dinars ("BD"), being the functional currency of the Company.

### New and amended standards and interpretations effective as of 1 January 2016

The accounting policies adopted are consistent with those of the previous financial year, except for the following IASB's new and amended standards which are effective as of 1 January 2016. The adoption of these standards and interpretations did not have any effect on the Company's financial position, financial performance or disclosures.

IFRS 14	<i>Regulatory Deferral Accounts: Guidance on presentation and disclosures;</i>
IFRS 11	<i>Joint Arrangements (Amendments): Accounting for Acquisition of Interests - Guidance on acquisition of an interest in a joint operation;</i>
IAS 16 and IAS 38	<i>Property, Plant and Equipment and Intangible Assets (Amendments): Clarification of acceptable methods of depreciation and amortisation;</i>
IAS 16 and IAS 41	<i>Property, Plant and Equipment and Agriculture (Amendments): Guidance on the accounting requirements of plant-based bearer biological assets;</i>
IAS 27	<i>Separate Financial Statements (Amendments): Guidance on equity method for investments in subsidiaries, joint ventures and associates;</i>
IAS 1	<i>Disclosure Initiative: Presentation of Financial Statements (Amendments): Clarification on materiality requirements and presentation and disclosures;</i>
IFRS 10, IFRS 12 and IAS 28	<i>Consolidated Financial Statements, Disclosure of Interest in other Entities and Investments in Associates and Joint Ventures (Amendments): The amendments address issues that have arisen in applying the investment entities exception under IFRS 10;</i>
IFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations: Guidance on changing the disposal methods;</i>
IFRS 7	<i>Financial Instruments: Disclosures (Amendment): Guidance on servicing contracts and applicability of the offsetting disclosures to condensed interim financial statements;</i>
IAS 19	<i>Employee Benefits (Amendment): Clarification on the market depth of high quality corporate bonds; and</i>
IAS 34	<i>Interim Financial Reporting (Amendment): Guidance on interim disclosures and other information.</i>

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2016

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Standards issued but not yet effective**

IASB's Standards and interpretations issued but not yet effective up to the date of issuance of the Company's separate financial statements are disclosed below. The Company reasonably expects these standards issued to be applicable at a future date. The Company intends to adopt these standards, if applicable, when they become effective:

<i>IFRS 9</i>	<i>Financial Instruments: Guidance on classification and measurement, impairment and hedge accounting (effective for annual periods beginning on or after 1 January 2018);</i>
<i>IFRS 15</i>	<i>Revenue from Contracts with Customers: Guidance on performance obligations, variable consideration, warranty obligations, loyalty points program, rendering of services and equipment received from customers (effective for annual periods beginning on or after 1 January 2018);</i>
<i>IFRS 10 and IAS 28</i>	<i>Consolidated Financial Statements and Investments in Associates and Joint Ventures (Amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the IASB has deferred the effective date of these amendments indefinitely);</i>
<i>IAS 7</i>	<i>Statement of Cash Flows (Amendments): The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (effective for annual periods beginning on or after 1 January 2017). Earlier application is permitted;</i>
<i>IAS 12</i>	<i>Income Taxes (Amendments): The amendments, Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12), clarify how to account for deferred tax assets related to debt instruments measured at fair value (effective for annual periods beginning on or after 1 January 2017). Earlier application is permitted;</i>
<i>IFRS 2</i>	<i>Share-based Payment Transactions: Classification and Measurement of Share-based Payment (Amendments) (effective for annual periods beginning on or after 1 January 2018). Earlier application is permitted; and</i>
<i>IFRS 16</i>	<i>Leases - Revised guidance on single model accounting for leases (effective for annual periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied).</i>

The Company is currently assessing the impact of the above standards on its separate financial statements.

**Current versus non-current classification**

The Company presents assets and liabilities in the separate statement of financial position based on a current/ non-current classification.

An asset is presented as current when it is:

- expected to be realised or intended to be sold or consumed in a normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Current versus non-current classification (continued)

A liability is presented as current when:

- it is expected to be settled in a normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

#### Investments in subsidiaries

Investments in subsidiaries are carried at cost less provision for impairment, where necessary. A subsidiary is a company for which the Company is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company.

The Company determines at each reporting date whether there is objective evidence that the Company's investments in subsidiaries are impaired and whether it is necessary to recognise an impairment loss. If objective evidence exists, the Company calculates the impairment loss as the difference between the recoverable amount of the investments in subsidiaries and their carrying values and recognises the impairment loss in the separate statement of comprehensive income.

#### Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- a) In the principal market for the asset or liability; or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets and liabilities that are recognised in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### Financial assets

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Company's financial assets include bank balances and cash, amounts due from related parties and other receivables.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial assets (continued)**

*Subsequent measurement*

Subsequent measurement of financial assets depends on their classification as described below:

*Receivables*

Receivables are stated at original invoice amounts less a provision for any uncollectible amounts. Subsequent to initial recognition these are carried at amortised cost using effective interest rate method. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

*Cash and cash equivalents*

For the purpose of the separate statement of cash flows, cash and cash equivalents consist of cash in hand and at bank.

**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 and 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

**Impairment and uncollectibility 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. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred '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. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of financial assets is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the separate statement of comprehensive income;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- For assets carried at amortised cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective interest rate.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Financial liabilities**

The Company's financial liabilities include accounts payable, other payables and amounts due to related parties.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

#### *Subsequent measurement*

Subsequent measurement of financial liabilities depends on their classification as follows:

#### *Interest bearing loans and borrowings*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the separate statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process. Interest incurred on borrowings is charged to the separate statement of comprehensive income except where it relates to qualifying assets, in which case it will be capitalised as part of that asset.

#### *Accounts payable*

Liabilities for accounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

#### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the separate statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### **Amortised cost of financial instruments**

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

#### **Derecognition of financial instruments**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- 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.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

#### **Provisions**

Provisions are recognised 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. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the separate statement of comprehensive income net of any reimbursement.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and rebates. The following specific recognition criteria must also be met before revenue is recognised:

Other income is recognised on an accrual basis when income is earned.

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the separate statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value is determined.

**4 SIGNIFICANT JUDGEMENT, ESTIMATES AND ASSUMPTIONS**

The preparation of the Company's separate financial statements requires the Board of Directors to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Judgement**

In the process of applying the Company's accounting policies, the Board of Directors has made the following judgement which has the most significant effect on the amounts recognised in the separate financial statements:

*Going concern*

As of 31 December 2016, the Company's current liabilities exceeded its current assets by BD 976,443 and the accumulated losses have exceeded the share capital by BD 94,432. The Company's Board of Directors has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue the business for the foreseeable future and the Company's shareholder has agreed to provide financial support to the Company to meet its obligations to third parties, as and when they fall due, in addition to the increase in share capital during the year. Accordingly, the separate financial statements have been prepared on a going concern basis.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the separate statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Impairment of investments in subsidiaries*

The Company's Board of Directors determines whether it is necessary to recognise an impairment loss on the Company's investments in subsidiaries. The Board of Directors determines at each reporting date whether there is any objective evidence that the investment in a subsidiary is impaired. If this is the case the Board of Directors calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value and recognises the amount in the separate statement of comprehensive income. During the year, the Directors have reassessed the value of the investment in the subsidiaries and concluded that the Company's investment in Terna Mechanical and Electrical W.L.L. was impaired and the Company's investment of BD 179,420 was written off. The Directors also assessed that the Company's investments in other subsidiaries were not impaired as of 31 December 2016 and as of 31 December 2015.



## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2016

**4 SIGNIFICANT JUDGEMENT, ESTIMATES AND ASSUMPTIONS (continued)****Estimates and assumptions (continued)***Impairment of receivables*

An estimate of the collectible amount of receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

During 2016, the Company wrote-off BD 104,508 (2015: nil) being amounts due from a subsidiary and other receivables of BD 485,700 (2015: BD 60,000).

At the reporting date, gross receivables were BD 3,202,587 (2015: BD 4,049,040) with provision for impairment of BD 308,614 (2015: nil).

Any difference between the amounts actually realised and amounts expected will be recognised in the separate statement of comprehensive income.

**5 INVESTMENTS IN SUBSIDIARIES**

	<i>Percentage holding</i>		<b>2016</b>	<b>2015</b>
	<b>2016</b>	<b>2015</b>	<b>BD</b>	<b>BD</b>
Terna Contracting W.L.L. *	<b>100%</b>	99.99%	<b>1,999,900</b>	999,900
Terna Ventures W.L.L.	<b>99.95%</b>	99.95%	<b>99,950</b>	99,950
Terna Mechanical and Electrical W.L.L. **	-	100%	-	179,420
			<b>2,099,850</b>	<b>1,279,270</b>

\* During the year the shareholders of the Company resolved to increase its investment in Terna Contracting W.L.L. and contributed BD 350,000 in cash with the balance of BD 650,000 contributed on 12 January 2017. The regulatory formalities relating to the subsidiary's increase in share capital were in progress as of 31 December 2016.

\*\* The investment in Terna Mechanical and Electrical W.L.L. of BD 179,420 has been written off during the year ended 31 December 2016 as the subsidiary was under liquidation as of 31 December 2016.

**6 AMOUNTS DUE FROM RELATED PARTIES**

	<b>2016</b>	<b>2015</b>
	<b>BD</b>	<b>BD</b>
Terna S.A. (Sharjah branch)	<b>1,890,282</b>	1,894,718
Terna Qatar Company L.L.C.	<b>963,317</b>	1,259,073
Terna Saudi Arabia L.L.C. (note 13)	<b>308,614</b>	-
Terna S.A. (Abu Dhabi branch)	<b>16,048</b>	16,064
Terna CGCE JV (AMAS - 2)	<b>11,045</b>	-
Terna Mechanical and Electrical W.L.L. (note 13)	-	103,957
Terna Ventures W.L.L.	-	1,550
	<b>3,189,306</b>	<b>3,275,362</b>
Provision for impairment (note 13)	<b>(308,614)</b>	-
As at 31 December	<b>2,880,692</b>	<b>3,275,362</b>

During the year ended 31 December 2016, a provision of BD 308,614 was recognised against a portion of receivables from Terna Saudi Arabia L.L.C. which was considered doubtful. (note 13).

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2016

**7 OTHER RECEIVABLES**

Other receivables consist of receivables relating to expenses incurred by the Company in prior years on behalf of Terna Saudi Arabia L.L.C. before its incorporation. Receivables amounting to BD 485,700 was written off during the year ended 31 December 2016 as it was no longer considered recoverable (2015: BD 60,000).

Movements in the other receivables, during the year are as follows:

	<b>2016</b> <b>BD</b>	<b>2015</b> <b>BD</b>
As at 1 January	<b>772,678</b>	919,057
Net movements during the year	<b>34,917</b>	(86,379)
Transfer to amounts due from related parties	<b>(308,614)</b>	-
Written-off during the year	<b>(485,700)</b>	(60,000)
As at 31 December 2016	<b>13,281</b>	772,678

**8 BANK BALANCES AND CASH**

	<b>2016</b> <b>BD</b>	<b>2015</b> <b>BD</b>
Bank balances (current accounts)		
- Euros	<b>12,317</b>	105,832
- Bahraini Dinars	<b>50,485</b>	491,002
- UAE Dirhams	<b>15</b>	15
Cash in hand	<b>4</b>	4
	<b>62,821</b>	596,853

Bank balances are held with commercial banks in the Kingdom of Bahrain and are non interest-bearing.

**9 SHARE CAPITAL**

	<b>2016</b> <b>BD</b>	<b>2015</b> <b>BD</b>
Issued and paid-up:		
8,477 ordinary shares of BD 100 each fully paid		
(2015: 8,500 ordinary shares of Euro 200 each fully paid)	<b>847,700</b>	847,742

During the year, the shareholders resolved to convert the currency of the Company's share capital from Euros to Bahraini Dinars and reduction in the number of paid up shares from 8,500 to 8,477 which resulted in an adjustment of BD 42 as of 31 December 2016. The shareholders also resolved to increase the share capital of the Company to 25,000 shares of BD 100 each totaling BD 2,500,000 by converting a portion of the amounts due to a shareholder of BD 1,652,300. The regulatory formalities relating to the above were in progress as of 31 December 2016.

**10 STATUTORY RESERVE**

The Bahrain Commercial Companies Law and the Company's memorandum of association requires that 10% of the Company's profit be transferred to the statutory reserve. The reserve cannot be utilised for the purpose of distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law. During the year the Company did not make any transfer to the statutory reserve as the Company has incurred a loss (2015: BD 19,966 was transferred to the statutory reserve).

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2016

**11 ACCOUNTS AND OTHER PAYABLES**

	<b>2016</b>	<b>2015</b>
	<b>BD</b>	<b>BD</b>
Trade accounts payable	<b>16,859</b>	31,067
Other payables	<b>215,909</b>	20,075
	<b><u>232,768</u></b>	<b><u>51,142</u></b>

**12 AMOUNTS DUE TO RELATED PARTIES**

	<b>2016</b>	<b>2015</b>
	<b>BD</b>	<b>BD</b>
Terna Overseas Ltd.	<b>2,532,070</b>	4,012,621
Terna Contracting W.L.L.	<b>911,885</b>	751,739
Terna S.A. Saudi Branch	<b>92,734</b>	-
Terna Ventures W.L.L.	<b>97,950</b>	-
Terna S.A.	<b>65,830</b>	25,653
	<b><u>3,700,469</u></b>	<b><u>4,790,013</u></b>

**13 RELATED PARTY TRANSACTIONS**

Related parties represent the ultimate parent company, the Parent Company, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. The pricing policies and terms of these transactions are approved by the Company's Board of Directors.

The transactions with related parties included in the separate statement of comprehensive income during the year are as follows:

	<b>Expenses</b>	
	<b>2016</b>	<b>2015</b>
	<b>BD</b>	<b>BD</b>
Terna S.A.	<b>41,135</b>	-
Terna Contracting W.L.L.	<b>3,519</b>	-
	<b><u>44,654</u></b>	<b><u>-</u></b>

Balances with related parties included in the separate statement of financial position are disclosed in note 6 and note 12.

Outstanding balances at the year end are unsecured, interest free and payable on demand. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2016, the Company has recorded BD 308,614 impairment relating to amounts owed by a related party (2015: nil) (note 6).

The Company wrote off the amounts not recoverable from Terna Mechanical and Electrical W.L.L. of BD 104,508 (2015: nil) during the year ended 31 December 2016

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2016

**13 RELATED PARTY TRANSACTIONS (continued)**

During the year ended 31 December 2016, the shareholders resolved to increase the share capital of the Company by converting amounts due to a shareholder of BD 1,652,300 to share capital (2015: the shareholders resolved to absorb the Company's accumulated losses up to 31 December 2015, amounting to BD 699,282, against the amounts due to a shareholder).

**Compensation of key management personnel**

The remuneration paid to key management personnel during the year was as follows:

	<b>2016</b>	<b>2015</b>
	<b>BD</b>	<b>BD</b>
Short term benefits	<b>149,175</b>	<b>169,292</b>

**14 MARGIN DEPOSIT**

During the year, the Company provided a non-interest bearing margin deposit of BD 490,037 to a commercial bank on behalf of the Joint Operators of TERNAL - CGCE JV (AMAS - 1) towards performance bond issued by the bank (2015: nil).

**15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES****Introduction**

The Company manages risk through a process of ongoing identification and monitoring of risks it faces. The Company is exposed to foreign currency risk, credit risk and liquidity risk.

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles. The Company's senior management oversees the management of these risks which are summarised below:

**Foreign currency risk**

Foreign currency risk is that the fair value or future cash flows of a financial instrument will fluctuate due to change in foreign exchange rates.

The Company is exposed to currency risk on its balances with related parties denominated in Euros.

The net sensitivity to a reasonably possible change in Euro/Bahraini Dinar exchange rate with all other variables held constant, on the Company's profit or loss due to change in the fair value of amounts due to and from related parties is as follows:

	<i>Increase/ decrease in Euro rate to the Bahraini Dinar</i>	<i>Results for the year BD</i>
<b>31 December 2016</b>	+5%	(129,279)
	-5%	129,279
<b>31 December 2015</b>	+5%	(196,618)
	-5%	196,618

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2016

**15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Foreign currency risk (continued)**

The Company also has balances denominated in United Arab Emirates Dirhams (AED), Qatari Riyals and United States Dollars (USD). As the AED and the BD are pegged to USD, no significant foreign currency risk against balances in AED and USD.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on its bank balances and other receivables.

Other receivables are without security which renders them fully exposed to credit risk due to default by the counterparties. The Company does not perceive significant risk with respect to related party receivables. Credit risk related to balances with banks is managed by ensuring that the balances are kept with reputed banks.

The Company's maximum exposure to credit risk with respect to receivables and bank balances is limited to their carrying amounts as disclosed in the separate statement of financial position.

**Liquidity risk**

Liquidity risk (also referred to as funding risk) is the risk that an enterprise will encounter difficulty in raising commitments associated with financial liabilities.

The Company limits its liquidity risk by ensuring that bank facilities are available. Trade accounts payable are normally settled within 60 days of the date of invoice. The table below summarises the maturities of the Company's undiscounted financial liabilities at year-end, based on payment dates and current market interest rates.

**2016**

	<i>On demand BD</i>	<i>Less than 3 months BD</i>	<i>Total BD</i>
Amounts due to related parties	3,700,469	-	3,700,469
Accounts and other payables	-	232,768	232,768
	<u>3,700,469</u>	<u>232,768</u>	<u>3,933,237</u>

**2015**

	<i>On demand BD</i>	<i>Less than 3 months BD</i>	<i>Total BD</i>
Amounts due to related parties	4,790,013	-	4,790,013
Accounts and other payables	-	51,142	51,142
	<u>4,790,013</u>	<u>51,142</u>	<u>4,841,155</u>

**Capital management**

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value and run its operations with funds generated from operations and minimise borrowings.

No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015. During the year ended 2016, the Company's shareholders have resolved to increase the share capital of the Company by converting amounts due to shareholder of BD 1,652,300 to share capital (2015: the accumulated losses up to 31 December 2014 amounting to BD 699,282 were absorbed by the shareholder by waiver of an equivalent amount due to the shareholder). The equity of the Company comprises share capital, additional capital contribution, statutory reserve and accumulated losses and is measured at BD 1,613,444 as at 31 December 2016 (2015: BD 1,083,008).

At 31 December 2016

**16 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial instruments comprises of financial assets and financial liabilities.

Financial assets consist of bank balances and cash, amounts due from related parties and other receivables. Financial liabilities consist of payables and amounts due to related parties.

The fair values of the Company's financial assets and financial liabilities are not materially different from their carrying values at the reporting date largely due to the short-term maturities of these instruments.

As at 31 December 2016 and as at 31 December 2015, the Company did not hold any financial instrument, remeasured at fair value, therefore, disclosure related to fair value hierarchy is not relevant.