

Terna Bahrain Holding W.L.L.

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

31 DECEMBER 2014



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Terna Bahrain Holding W.L.L.
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 2014.

Principal activities

The Company was incorporated on 23 November 2006 to act as a holding company. The Company has 3 subsidiaries which are incorporated in the Kingdom of Bahrain:

- a) Terna Contracting W.L.L.
- b) Terna Ventures W.L.L.
- c) Terna Mechanical and Electrical W.L.L.

Results and accumulated losses

The Company made a profit of BD 288,583 for the year ended 31 December 2014 compared to a loss of BD 987,865 in the previous year.

Movement in accumulated losses during the year ended 31 December 2014 was as follows:

	BD
Balance as at 1 January 2014	(987,865)
Profit for the year	288,583
Balance as at 31 December 2014	<u>(699,282)</u>

Loss of capital and going concern

The Directors are aware of the fact that the Company's accumulated losses as of 31 December 2014 have exceeded a significant portion of its share capital and the Company's current liabilities exceeded current assets by BD 1,095,200. However, the Company's separate financial statements for the year ended 31 December 2014 have been prepared on a going-concern basis, as the Company's majority shareholder, Terna Overseas Limited has agreed to provide financial support to the Company to meet its obligations as and when they fall due.

Auditors

Ernst & Young have expressed their willingness to continue in office, and a resolution proposing their appointment, as auditors of the Company for the year ending 31 December 2015, will be submitted at the Annual General Meeting.

Signed on behalf of the Board of Directors

D. Antonakos

Chairman

27 March 2015

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TERNA BAHRAIN HOLDING W.L.L.

Report on the Separate Financial Statements

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 2014 and the separate statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Separate Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's Board of Directors, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TERNA BAHRAIN HOLDING W.L.L. (continued)

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2 to the separate financial statements. As of the reporting date, the Company's accumulated losses have exceeded a significant portion of its share capital and the Company's current liabilities exceeded current assets by BD 1,095,200. In addition, the Company depends on support from its shareholder. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. However, these separate financial statements have been prepared on a going concern basis as the shareholder has agreed to provide financial support to the Company to meet its obligations as and when they fall due.

Report on Other 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; and
- b) the financial information contained in the Report of the Board of Directors is consistent with the separate financial statements.

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 2014 that might have had a material adverse effect on the business of the Company or on its financial position. Satisfactory explanations and information have been provided to us by the management in response to all our requests.


Auditor's Registration No. 186
27 March 2015
Manama, Kingdom of Bahrain


Terna Bahrain Holding W.L.L.

SEPARATE STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 BD	2013 BD
ASSETS			
Non-current assets			
Investment in subsidiaries	5	1,279,270	1,279,270
Current assets			
Amounts due from related parties	6	3,412,129	3,893,111
Other receivables	7	919,507	702,398
Bank balances and cash	8	184,589	40,871
		4,516,225	4,636,380
TOTAL ASSETS		5,795,495	5,915,650
EQUITY AND LIABILITIES			
Equity			
Share capital	9	847,742	847,742
Statutory reserve	10	35,610	35,610
Accumulated losses		(699,282)	(987,865)
Total equity		184,070	(104,513)
Current liabilities			
Accounts and other payables	11	29,483	132,061
Amounts due to related parties	12	5,433,242	5,708,682
Payable to KT Holding Bahrain W.L.L.	5	148,700	179,420
		5,611,425	6,020,163
TOTAL EQUITY AND LIABILITIES		5,795,495	5,915,650


D. Antonakos
Chairman


K. Iliadis
Director

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

Terna Bahrain Holding W.L.L.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2014

	Note	2014 BD	2013 BD
Foreign exchange gain (loss)		529,906	(402,948)
Staff costs		(190,701)	(132,787)
Legal and professional fees		(32,394)	(391,049)
General and administrative expenses		(18,228)	(39,437)
Provision for impairment of an investment in a subsidiary	5	-	(140,000)
Interest expense	13	-	(2,414)
Other income		-	120,770
PROFIT (LOSS) FOR THE YEAR		288,583	(987,865)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		288,583	(987,865)



D. Antonakos
Chairman



K. Jladis
Director

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

Terna Bahrain Holding W.L.L.
SEPARATE STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2014

	Note	2014 BD	2013 BD
OPERATING ACTIVITIES			
Profit (loss) for the year		288,583	(987,865)
Adjustments for:			
Interest expense		-	2,414
Provision for impairment of an investment in a subsidiary	5	-	140,000
Operating profit (loss) before working capital changes:		288,583	(845,451)
Working capital changes:			
Amounts due from related parties		450,262	(433,471)
Other receivables		(217,109)	(225,431)
Accounts and other payables		(102,578)	(240,236)
Amounts due to related parties		(275,440)	2,466,896
Employees' end of service benefits paid		-	(9,373)
Net cash flows from operating activities		143,718	712,934
FINANCING ACTIVITIES			
Loan repaid to Parent Company		-	(752,843)
Interest paid		-	(2,414)
Net cash flows used in financing activities		-	(755,257)
INCREASE (DECREASE) IN BANK BALANCES AND CASH		143,718	(42,323)
Bank balances and cash at 1 January		40,871	83,194
BANK BALANCES AND CASH AT 31 DECEMBER	8	184,589	40,871

Non-cash items:

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

2014:

Payments made by Terna S.A. (Abu Dhabi branch) on behalf of the Company amounting to BD 30,720 was excluded from amounts due from related parties and payable to KT Holding Bahrain W.L.L.

2013:

- Purchase of remaining 30% of the share capital of the subsidiary Terna Mechanical and Electrical W.L.L. from KT Holding Bahrain W.L.L. ('the other shareholder') for a consideration of BD 179,420 which was adjusted against payable to KT Holding Bahrain W.L.L.
- Collection of receivable from Bin Kamil Group directly by the shareholder amounting to BD 8,678,150 and repayment of contributed surplus amounting to BD 8,446,228 were excluded from amounts due to related parties and contributions repaid to a shareholder.

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

Terna Bahrain Holding W.L.L.

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2014

	<i>Share capital BD</i>	<i>Statutory reserve BD</i>	<i>Contributed surplus BD</i>	<i>Accumulated losses BD</i>	<i>Total BD</i>
Balance as at 1 January 2014	847,742	35,610	-	(987,865)	(104,513)
Total comprehensive income for the year	-	-	-	288,583	288,583
Balance as at 31 December 2014	847,742	35,610	-	(699,282)	184,070

	<i>Share capital BD</i>	<i>Statutory reserve BD</i>	<i>Contributed surplus BD</i>	<i>Accumulated losses BD</i>	<i>Total BD</i>
Balance as at 1 January 2013	847,742	35,610	15,576,877	(7,130,649)	9,329,580
Accumulated losses absorbed by the shareholder (note 11)	-	-	(7,130,649)	7,130,649	-
Repaid to a shareholder (note 12)	-	-	(8,446,228)	-	(8,446,228)
Total comprehensive loss for the year	-	-	-	(987,865)	(987,865)
Balance as at 31 December 2013	847,742	35,610	-	(987,865)	(104,513)

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

Terna Bahrain Holding W.L.L.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2014

1 ACTIVITIES

Terna Bahrain Holding W.L.L. ('the Company') is a limited liability company incorporated in the Kingdom of Bahrain on 23 November 2006 and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 63267. The Company acts as a holding company and carries out its business activities through its subsidiaries. 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 Republic of Cyprus. The ultimate parent company is GEK TERNA Holdings, Real Estate, Construction SA, a company incorporated in and operating under the laws of Republic of Greece.

The separate financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 27 March 2015.

The Company has the following subsidiaries as of year end:

Name	Country of incorporation	Ownership interest		Principal activity
		2014	2013	
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%	100%	Contracting of mechanical and electrical business

These financial statements represent the separate financial statements of the Company in which the investment in subsidiaries is accounted using the cost method as explained in the accounting policy set out below. The ultimate parent, GEK Terna, Republic of Greece 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 2014 are available for public use at www.gekterna.gr. These separate financial statements are prepared for submission to the Ministry of Industry and Commerce, Kingdom of Bahrain.

2 FUNDAMENTAL ACCOUNTING CONCEPT

As of the reporting date, the Company's accumulated losses have exceeded a significant portion of its share capital and its current liabilities exceeded current assets by BD 1,095,200. In addition, the Company depends on financial support from the shareholder. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The shareholder has agreed to provide financial support to the Company to meet its obligations as and when they fall due. Accordingly, the separate financial statements have been prepared on a going concern basis.

The Bahrain Commercial Companies Law requires that in the case of a company that has lost a substantial portion of its capital, a meeting of the shareholders should be convened by the Board of Directors at which the shareholders resolve whether or not to continue the operations of the Company. This meeting was convened on 27 March 2015 and the Company's shareholder resolved to continue with the operations of the Company.

3 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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 as of 1 January 2014

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 2014. Their adoption did not have any effect on the Company's financial position, financial performance or disclosures.

- | | |
|--------------------------------|---|
| IAS 19 | <i>Defined Benefit Plans: Employee Contributions (Amendments) - clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.</i> |
| IAS 32 | <i>Financial Instruments: Presentation (Amendment) - Guidance on the offsetting of financial assets and financial liabilities.</i> |
| IAS 36 | <i>Impairment of Assets (Amendment) - on recoverable amount disclosures.</i> |
| IAS 39 | <i>Financial Instruments: Recognition and Measurement (Amendment) - novation of derivatives and discontinuance of hedge accounting.</i> |
| IFRS 10,
IFRS 12,
IAS 27 | <i>Investment Entities (Amendments) - Amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity.</i> |
| IFRIC 21 | <i>Levies - Interpretation on the accounting for levies imposed by Governments.</i> |

Standards issued but not yet effective

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 intends to adopt these standards if applicable, when they become effective:

- | | |
|-------------------|--|
| IFRS 3 | <i>Amended by Annual Improvements to IFRSs 2010–2012 Cycle (contingent consideration) and 2011–2013 Cycle (scope exception for joint ventures) (Applicable for business combinations for which the acquisition date is on or after 1 July 2014).</i> |
| IFRS 9 | <i>Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2018).</i> |
| IAS 19 | <i>Defined Benefit Plans: Employee Contributions- amendments to IAS 19 (effective for annual periods beginning on or after 1 July 2014).</i> |
| IAS 16 | <i>Amended by Annual Improvements to IFRSs 2010–2012 Cycle (proportionate restatement of accumulated depreciation under the revaluation method) (effective for annual periods beginning on or after 1 July 2014).</i> |
| IAS 16,
IAS 38 | <i>Amended by Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016).</i> |

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

- IAS 16, *Amended by Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) (effective for annual periods beginning on or after 1 January 2016).*
- IAS 41
- IAS 24 *Amended by Annual Improvements to IFRSs 2010–2012 Cycle (entities providing key management personnel services) (effective for annual periods beginning on or after 1 July 2014).*
- IFRS 13 *Amended by Annual Improvements to IFRSs 2011–2013 Cycle (scope of portfolio exception in paragraph 52) (effective for annual period beginning on or after 1 July 2014).*
- IFRS 15 *Revenue from Contracts with Customers: (effective for annual periods beginning on or after 1 July 2017).*
- IAS 40 *Amended by Annual Improvements to IFRSs 2011–2013 Cycle (interrelationship between IFRS 3 and IAS 40) (effective for annual periods beginning on or after 1 July 2014).*
- IFRS 14 *Regulatory Deferral Accounts issued (effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2016).*
- IFRS 2 *Amended by Annual Improvements to IFRSs 2010–2012 Cycle (definition of vesting condition) (effective for annual periods beginning on or after 1 July 2014).*
- IFRS 11 *Amended by Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) (effective for annual periods beginning on or after 1 January 2016).*
- IAS 27 *Amended by Equity Method in Separate Financial Statements (Amendments to IAS 27) (effective for annual periods beginning on or after 1 January 2016, with earlier application permitted).*

Current versus non-current classification

The Company presents assets and liabilities in the separate statement of financial position based on current/non-current classification. An asset is presented as current when it is:

- expected to be realised or intended to 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. 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.

Investment in subsidiaries

Investment 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in subsidiaries (continued)

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 its carrying value 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 to 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.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial asset

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 any 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, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after 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. 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If such evidence exists, any impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value.
- (b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Financial liabilities

The Company's financial liabilities include accounts and other payables, amounts due to related parties and payable to KT Holding Bahrain W.L.L.

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

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 statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process. Interest incurred on borrowings is charged to the 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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 statement of comprehensive income net of any reimbursement.

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

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 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 ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's separate financial statements requires management 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 management has made the following judgement which has the most significant effect on the amounts recognised in the separate financial statements:

Going concern

The Company's management 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 based on the facts mentioned in note 2. 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 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 investment in subsidiaries

The Company determines whether it is necessary to recognise an impairment loss on the Company's investment in subsidiaries. The Company 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 Company 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 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 subsidiaries was not impaired as of 31 December 2014 (2013: Investment in Terna Mechanical and Electrical W.L.L. was impaired and BD 140,000 was recognised in the separate statement of comprehensive income).

5 INVESTMENT IN SUBSIDIARIES

	<i>Percentage holding</i>		2014	2013
	2014	2013	BD	BD
Terna Contracting W.L.L.	99.99%	99.99%	999,900	999,900
Terna Ventures W.L.L.	99.95%	99.95%	99,950	99,950
Terna Mechanical and Electrical W.L.L.	100%	100%	179,420	179,420
			1,279,270	1,279,270

During the year 2013, the Company's investment of BD 140,000 in Terna Mechanical and Electrical W.L.L. was written off.

In 2013, the Company acquired 30% of the share capital of Terna Mechanical and Electrical W.L.L. (MEP) from K.T. Holding Bahrain W.L.L., the other shareholder of MEP, for a consideration of BD 179,420. The Company also agreed to pay BD 385,079 to the other shareholder contingent upon certain conditions being met, as disclosed in note 14 to the separate financial statements.

Terna Bahrain Holding W.L.L.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2014

6 AMOUNTS DUE FROM RELATED PARTIES

	2014 BD	2013 BD
Terna S.A. (Sharjah branch)	1,912,727	2,252,547
Terna Qatar Company L.L.C.	1,257,428	1,355,922
Terna S.A. (Abu Dhabi branch)	143,517	185,871
Terna Mechanical and Electrical W.L.L.	98,457	98,771
	<u>3,412,129</u>	<u>3,893,111</u>

7 OTHER RECEIVABLES

Other receivables consist of receivable relating to expenses incurred by the Company on behalf of Terna Saudi Arabia Ltd. which is under formation, prepayments and advances.

8 BANK BALANCES AND CASH

	2014 BD	2013 BD
Bank balances (current accounts)		
- Euros	105,035	410
- Bahraini Dinars	79,535	35,951
- UAE Dirhams	15	15
- US Dollars	-	4,491
Cash in hand	4	4
	<u>184,589</u>	<u>40,871</u>

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

9 SHARE CAPITAL

	2014 BD	2013 BD
Issued and paid-up:		
8,500 ordinary shares of Euro 200 each fully paid	<u>847,742</u>	<u>847,742</u>

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 Company may resolve to discontinue such annual transfers when the reserve equals 50% of the paid-up share capital. The reserve cannot be utilised for the purpose of distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law. No transfer has been made in the current year as the Company has accumulated losses.

11 ACCOUNTS AND OTHER PAYABLES

	2014 BD	2013 BD
Trade accounts payable	21,571	120,365
Other payables	7,912	11,696
	<u>29,483</u>	<u>132,061</u>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2014

12 AMOUNTS DUE TO RELATED PARTIES

	2014 BD	2013 BD
Terna Overseas Ltd.	4,302,687	4,088,971
Terna Contracting W.L.L.	1,107,818	1,408,697
Terna S.A.	22,737	5,906
Terna S.A. (Sharjah branch)	-	204,589
Terna S.A. (Abu Dhabi branch)	-	519
	<u>5,433,242</u>	<u>5,708,682</u>

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.

Transactions with related parties included in the statement of comprehensive income are as follows:

	<i>Interest expense</i>	
	2014 BD	2013 BD
Parent company	-	2,414
	<u>-</u>	<u>2,414</u>
	<i>Repayment of contributed surplus</i>	
	2014 BD	2013 BD
Parent company	-	8,446,228
	<u>-</u>	<u>8,446,228</u>

Balances with related parties included in the statement of financial position are disclosed in notes 6 and 12, respectively.

In 2013 the shareholder absorbed the Company's accumulated losses up to 31 December 2012 amounting to BD 7,130,649 by waiving this amount from the contributed surplus.

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 2014, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2013: nil).

Compensation of key management personnel

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

	2014 BD	2013 BD
Short term benefits	<u>190,701</u>	<u>132,787</u>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2014

14 CONTINGENT CONSIDERATION

As part of the sale and transfer of shares agreement with the other shareholder of MEP (note 5), a contingent consideration has been agreed, which is subject to the completion of certain existing contracts of MEP and the final customers paying to MEP all outstanding amounts pertaining to these contracts, in full, without retaining any claims against MEP for defects rectification or otherwise. The Company's management expects the contingent consideration to approximate BD 385,079 and does not expect any material variation from this amount as of 31 December 2014.

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 to the Bahraini Dinar</i>	<i>Effect on profit / loss BD</i>
31 December 2014	+5%	(211,019)
	-5%	211,019
31 December 2013	+5%	(206,420)
	-5%	206,420

The Company also has balances denominated in United Arab Emirates Dirhams (AED) 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 receivables.

The Company has receivables of BD 3,412,129 from related parties and other receivables of BD 919,507. All the receivables are without security which renders them fully exposed to credit risk due to default by the counterparties. The Company does not perceive any risk with respect to related party receivables and other receivables. Credit risk related to balances with banks is managed by ensuring that the balances are kept with reputed banks.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2014

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

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 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. The Company's terms of sale require amounts to be paid within 60-90 days from the date of invoice. Trade accounts payable are normally settled within 60 days of the date of purchase. 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.

2014

	<i>On demand BD</i>	<i>Less than 3 months BD</i>	<i>Total BD</i>
Amounts due to related parties	5,433,242	-	5,433,242
Accounts and other payables	-	29,483	29,483
Payable to KT Holding Bahrain W.L.L.	148,700	-	148,700
	5,581,942	29,483	5,611,425

2013

	<i>On demand BD</i>	<i>Less than 3 months BD</i>	<i>Total BD</i>
Amounts due to related parties	5,708,682	-	5,708,682
Accounts and other payables	-	132,061	132,061
Payable to KT Holding Bahrain W.L.L.	179,420	-	179,420
	5,888,102	132,061	6,020,163

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 shareholder's value and run its operations with funds generated from operations and minimise borrowings.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in business conditions. The shareholder provides funds to the Company to meet its obligations as and when they fall due. During the year ended 31 December 2013, the shareholder absorbed the Company's accumulated losses of BD 7,130,649.

No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013. Capital represents equity of the Company and is measured at BD 184,070 as at 31 December 2014 (2013: negative equity of BD 104,513).

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 accounts and other payable, amounts due to related parties and payable to KT Holding Bahrain W.L.L.

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.