Terna Bahrain Holding WLL

SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2018

CONTENTS Page

GENERAL INFORMATION

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

REPORT OF THE BOARD OF DIRECTORS
For the year ended 31 December 2018

Bahraini Dinars

In accordance with Article 286 of the Commercial Companies Law, on behalf of the board of directors, I have pleasure in presenting the audited separate financial statements of Terna Bahrain Holding WL. (the "Company") for the year ended 31 December 2018 as set out on pages 5 to 24.

Financial highlights	2018	2017
Loss for the year	(117,501)	(951,502)
Total assets	10,310,869	8,569,176
Total equity	4,244,441	4,361,942

Representations and audit

The Company's activities for the year as at 31 December 2018 have been conducted in accordance with the Bahrain Commercial Companies Law 2001 and other relevant statutes of the Kingdom of Bahrain.

There have been no events subsequent to 31 December 2018, which would in any way invalidate the financial statements as set out on pages 5 to 24.

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

On behalf of the board of directors:

Georgios Stratigos
Managing Director

Dimitrios Salamanos
Director

22 March 2019

KPMG Fakhro
Audit
12th Floor, Fakhro Tower
PO Box 710, Manama
Kingdom of Bahrain

[illegible]
Fax +973 17 227443
Website: www.kpmg.com/bh
CR No. 6220

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Terna Bahrain Holding WLL
Manama, Kingdom of Bahrain

Report on the audit of the separate financial statements

Qualified opinion
We have audited the accompanying separate financial statements of Terna Bahrain Holding WLL (the "Company"), which comprise the separate statement of financial position as at 31 December 2018, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2018, and its unconsolidated financial performance and its separate cash flows for the year ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion
As described in Note 5 to the separate financial statements, the Company include an investment in subsidiary, Terna Contracting WLL (the "Subsidiary") accounted for at cost less provision for impairment when necessary. However, the investment in subsidiary has not been tested for impairment as required by IAS 36 'Impairment of Assets' to determine whether any impairment write down should be applied to the amounts recorded in the separate financial statements. Consequently, we were unable to determine whether an adjustment to the carrying value of the investment in subsidiary is necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other matter
The separate financial statements of the Company as at and for the year ended 31 December 2017 were audited by another auditor whose expressed a qualified opinion on those separate statements on 2 April 2018 due to the investment in subsidiary not being tested for impairment as required by IAS 36 ' Impairment of Assets'.

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

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

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

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

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

Terna Bahrain Holding WLL
Manama, Kingdom of Bahrain

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

- Conclude on the appropriateness of the board of director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other regulatory requirements

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

a) the Company has maintained proper accounting records and the separate financial statements are in agreement therewith;
b) the financial information contained in the report of the board of directors is consistent with the separate financial statements;
c) we are not aware of any violations during the period of the Bahrain Commercial Companies Law 2001 (as amended) or the terms of the Company's memorandum of association that would have had a material adverse effect on the business of the Company or on its separate financial position; and
d) satisfactory explanations and information have been provided to us by management in response to all our requests.

KPMG Fakhro
Partner Registration No. 136
22 March 2019

SEPARATE STATEMENT OF FINANCIAL POSITION

As at 31 December 2018 Bahraini Dinars

	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Investments in subsidiaries	5	4,599,500	4,599,500
Margin deposit	6	490,037	490,037
Total non-current assets		**5,089,537**	5,089,537
Current assets			
Due from related parties	7 b)	5,051,482	3,306,765
Other receivables		26,986	19,895
Cash and cash equivalents	8	142,864	152,979
Total current assets		**5,221,332**	3,479,639
Total assets		**10,310,869**	8,569,176
EQUITY AND LIABILITIES			
Equity			
Share capital	1	6,200,000	847,700
Investment contribution from shareholders	1	-	5,352,300
Statutory reserve		55,576	55,576
Accumulated losses		(2,011,135)	(1,893,634)
Total equity (page 7)		**4,244,441**	4,361,942
Current liabilities			
Accounts and other payables	9	131,383	336,950
Due to related parties	7 c)	5,935,045	3,870,284
Total current liabilities		**6,066,428**	4,207,234
Total liabilities		**6,066,428**	4,207,234
Total equity and liabilities		**10,310,869**	8,569,176

The separate financial statements were approved by the Board of Directors on 22 March 2019 and signed on its behalf by:

Georgios Stratigos
Managing Director

Dimitrios Salamanos
Director

The accompanying notes 1 to 13 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018 Bahraini Dinars

	Note	2018	2017
Other income	10	482,979	187,616
Foreign exchange gain / (loss), net		119,876	(589,219)
General and administrative expenses	11	(245,371)	(252,140)
Legal and professional fees		(472,913)	(297,759)
Impairment allowance	7 b)	(2,072)	-
Loss for the year		**(117,501)**	(951,502)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**(117,501)**	(951,502)

Georgios Stratigos
Managing Director

Dimitrios Salamanos
Director

The accompanying notes 1 to 13 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018 Bahraini Dinars

2018	**Share capital**	**Investment contribution from shareholders**	**Statutory reserve**	**Accumulated losses**	**Total**
At 1 January	847,700	5,352,300	55,576	(1,893,634)	4,361,942
Total comprehensive income for the year (page 6)	-	-	-	(117,501)	(117,501)
Additional share capital introduced	5,352,300	(5,352,300)	-	-	-
At 31 December	**6,200,000**	**-**	**55,576**	**(2,011,135)**	**4,244,441**

2017	Share capital	Investment contribution from shareholders	Statutory reserve	Accumulated losses	Total
At 1 January	847,700	1,652,300	55,576	(942,132)	1,613,444
Total comprehensive income for the year (page 6)	-	-	-	(951,502)	(951,502)
Capital contribution	-	3,700,000	-	-	3,700,000
At 31 December	847,700	5,352,300	55,576	(1,893,634)	4,361,942

The accompanying notes 1 to 13 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

Bahraini Dinars

	Note	2018	2017
OPERATING ACTIVITIES			
Loss for the year (page 6)		**(117,501)**	(951,502)
Adjustments for non-cash items:			
Foreign exchange loss		-	589,219
Impairment allowance		2,072	-
Operating loss before working capital changes		**(115,429)**	(362,283)
Working capital changes:			
Due from related parties		(1,746,789)	(428,276)
Other receivables		(7,091)	(6,264)
Accounts and other payables		(205,567)	102,895
Due to related parties		2,064,761	234,086
Net cash used in operating activities		**(10,115)**	(459,842)
INVESTING ACTIVITES			
Investment in a subsidiary		-	(3,150,000)
Net cash used in investing activities		**-**	(3,150,000)
FINANCING ACTIVITES			
Increase in capital contribution		-	3,700,000
Finance costs		-	-
Net cash from financing activities		**-**	3,700,000
Net (decrease) / increase in cash and cash equivalents		**(10,115)**	90,158
Cash and cash equivalents at 1 January		152,979	62,821
Cash and cash equivalents at 31 December	8	**142,864**	152,979

The accompanying notes 1 to 13 are an integral part of these separate financial statements.

1 REPORTING ENTITY

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

The Company's authorised, issued and fully paid up share capital as at 31 December 2017 was BD 2,500,000 comprises of 25,000 shares of BD 100 each and are held as follows:

Shareholders	Number of shares	Shareholding (%)	Amount (BD)
Terna Overseas Limited	24,999	99.9960	2,499,900
Konstantinos Iliadis	1	0.0040	100
Total	**25,000**	**100**	**2,500,000**

During the year, on 5 July 2018, the Company increased its share capital to be 6,200,000 comprises of 62,000 shares of BD 100 each and are held as follows:

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

The Company has the following subsidiaries at year end:

Name of subsidiaries	Country of incorporation	Ownership interest 2018	Ownership interest 2017	Commercial registration number	Principal Activity
Terna Contracting WLL	Kingdom of Bahrain	99.99%	99.99%	68262-1	Contracting and construction
Terna Ventures WLL	Kingdom of Bahrain	99.95%	99.95%	80600-1	Import and export business

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

1 REPORTING ENTITY (continued)

These are the separate financial statements of the Company and have been prepared to determine the operating results of the Company's activities. The operations of its subsidiaries (note 5) are not included in the separate financial statements of the Company in accordance with the exemption allowed by IAS 27 and IFRS 10. The ultimate parent, GEK TERNA prepares consolidated financial statements under International Financial Reporting Standards that include financial statements of the subsidiaries which will be available for public use at www.terna.gr.

Investment contribution from shareholders

Investment contribution form shareholders pertains to the additional capital contribution for the purpose of increasing the share capital.

Going concern

The Company incurred a net loss of BD 117,501 (2017: BD 951,502) for the year ended 31 December 2018 resulting to an accumulated losses of BD 2,011,135 (2017: BD 1,893,634) and as of that reporting date, the Company's current liabilities exceeded its current assets by BD 845,096 (2017: BD 727,945). Ordinarily, these factors would raise substantial doubt about the Company's ability to continue in operation for the foreseeable future. The Company's ability to continue as going concern is dependent upon its ability to generate sufficient cash flows from its operations and the continued financial support of the shareholders. The liquidity of the Company is managed by the ultimate parent company and the management believes that it has the ability to withdraw funds in order to meet its current obligations. Additionally, the shareholders have confirmed their willingness to continue providing financial support to the Company as may be necessary to enable the Company to meet its obligations as they fall due and to enable the Company to continue its operations in the foreseeable future. These separate financial statements have been prepared on a going concern basis considering the continued financial support from the shareholders to enable the Company to meet its financials obligation.

2 BASIS OF PREPARATION

a) Statement of compliance

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Bahrain Commercial Companies Law 2001 (as amended).

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

The preparation of separate financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the separate financial statements are described in note 4.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Company in the preparation of the separate financial statements are consistent with those applied in the preparation of the Company's separate financial statements as at and for the year ended 31 December 2018, except for the changes arising from adoption of IFRS 15 and IFRS 9 on 1 January 2018.

a) Adoption of IFRS 9

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the separate financial statements as of and for the year ended 31 December 2017.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'

The key changes to the Company's accounting policies resulting from the adoption of IFRS 9 are summarised below. Since the comparative financial information has not been restated, the accounting policies in respect of the financial instruments for comparative periods are based on IAS 39 as disclosed in the audited separate financial statements as of and for the year ended 31 December 2017.

(i) Classification and measurement of financial assets and financial liabilities
IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 did not have a significant impact on the classification and measurement of the Company's financial assets.

The Company performed a detailed analysis of its business models for managing financial assets as well as analysing of their cash flow characteristics.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2018 Bahraini Dinars
3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

The below table reconciles the original measurement categories and carrying amounts of financial assets in accordance with IAS 39 and the new measurement categories under IFRS 9 as at 31 December 2017.

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount	Re-measure-ment	New carrying amount
Margin deposit	Loans and receivables	Amortised cost	490,037	-	490,037
Due from related parties	Loans and receivables	Amortised cost	3,306,765	-	3,306,765
Other receivables	Loans and receivables	Amortised cost	19,545	-	19,545
Cash and balance with banks	Loans and receivables	Amortised cost	152,979	-	152,979
			3,969,326	**-**	**3,969,326**

There were no significant changes to the classification and measurement of financial liabilities.

(ii) Expected credit loss / Impairment allowances
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVTOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of other receivables, cash and bank balances and due from related parties at amortised cost.

Measurement of ECL: ECLs are a probability-weighted estimate of credit losses. The Company applies the simplified approach of IFRS 9 for the calculation of expected credit losses, according to which the provision for impairment is always measured at an amount equal to the expected credit losses over the life of the financial asset. In this context, the expected credit losses represent the expected shortfalls in the contractual cash flows, taking into account the possibility of default at any point during the life of the financial instrument. In calculating the expected credit losses, the Company uses a provisioning table by grouping the above financial instruments based on the nature and maturity of the balances by taking into account available historical data regarding the obligors, adjusted for future factors in relation to the obligors and the economic environment.

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

b) Adoption of IFRS 15

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 15 was effective from 1 January 2018 and adoption of IFRS 15 did not have a significant impact on the Company's separate financial statements.

c) Financial instruments

(i) Recognition and initial measurement
Trade receivables and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

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

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVTOCI -- debt security; FVTOCI – equity security; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt security is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity security that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on a security-by-security basis.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

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

(i) Derecognition of financial assets and liabilities
Financial assets are derecognised and removed from the separate statement of financial position when the right to receive cash flows from the assets has expired; the Company has transferred its contractual right to receive the cash flows from the assets, and substantially all the risks and rewards of ownership; or where control is not retained. Financial liabilities are derecognised and removed from the separate statement of financial position when the obligation is discharged, cancelled, or expires.

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

Financial instruments –Policy applicable before 1 January 2018

(i) Non-derivative financial assets
The Company initially recognizes receivables on the date that they are originated. All other financial assets are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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

The Company classifies non-derivative financial assets as loans and receivables and cash and cash equivalents.

(ii) Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any direct attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise accounts and other receivables and due from related parties. Cash and cash equivalents comprise cash in hand and bank balances.

(iii) Non-derivative financial liabilities
Non-derivative financial liabilities comprise accounts and other payables and due to related parties. The Company initially recognises liabilities on the date that they are originated. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

d) Impairment of financial assets

Policy applicable from 1 January 2018

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The financial assets at amortised cost consist of margin deposit, due from related parties, other receivables and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held);

Measurement of ECL: ECLs are a probability-weighted estimate of credit losses. The Company applies the simplified approach of IFRS 9 for the calculation of expected credit losses, according to which the provision for impairment is always measured at an amount equal to the expected credit losses over the life of the financial asset. In this context, the expected credit losses represent the expected shortfalls in the contractual cash flows, taking into account the possibility of default at any point during the life of the financial instrument. In calculating the expected credit losses, the Company uses a provisioning table by grouping the above financial instruments based on the nature and maturity of the balances by taking into account available historical data regarding the obligors, adjusted for future factors in relation to the obligors and the economic environment.

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof and is charged to the statement of profit or loss and other comprehensive income. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

Financial assets not classified as at fair value, are assessed at each reporting date to determine whether there is an objective evidence of impairment. A provision for impairment is established where there is objective evidence that the Company will not collect all amounts due, in accordance with the contractual terms of the investment.

Objective evidence that a financial asset is impaired may include the issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of issuers in the group, or economic conditions that correlate with defaults in the group.

Provisions for impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial asset. The recoverable amount is measured as the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted based on the at the current market rate of interest for a similar financial asset.

e) New standards, amendments and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however; the Company has not early applied the following new or amended standards in preparing these financial statements.

IFRS 16 Leases
IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Company has assessed the estimated impact that initial application of IFRS 16 will have on its separate financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

- the Company has not finalised the testing and assessment of controls over its new IT systems; and
- the new accounting policies are subject to change until the Company presents its first separate financial statements that include the date of initial application.

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Leases in which the Company is a lessee

The Company will recognise new assets and liabilities for its operating leases of machineries and equipment. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized.

The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Company does not expect to have a significant impact on its finance leases as result of adopting IFRS 16.

Based on the information currently available, the Company estimates that it will recognise additional lease liabilities of BD 142,370 as at 1 January 2019.

Leases in which the Company is a lessor

The Company will reassess the classification of sub-leases in which the Company is a lessor, if any. No significant impact is expected for other leases in which the Company is a lessor.

Transition

The Company plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

f) Provisions

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

g) Statutory reserve

In accordance with the Commercial Companies Law, 10 percent of profit for the year is appropriated to statutory reserve, until it reaches 50 percent of the paid up share capital. Statutory reserve is not normally distributable except in the circumstances stipulated in the Commercial Companies Law.

h) Investment in subsidiaries

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT IN APPLYING ACCOUNTING POLICIES

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

a) Provision for expected credit losses

Impairment of financial instruments
Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Companys' historical experience and expert credit assessment and including forward-looking information.

Inputs, assumptions and techniques used for estimating impairment
The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

b) Impairment of investment in subsidiaries

For investment in subsidiaries, the Companys' Board of Directors assesses at each reporting date whether there is objective evidence that an investment in a subsidiary is impaired. If this is the case, the Board of Directors calculate the amount of impairment as a difference between recoverable amount of the subsidiary and its carrying value and recognizes the amount in the separate statement of profit or loss and other comprehensive income.

5 INVESTMENTS IN SUBSIDIARIES

	2018	2017
Terna Contracting WLL	4,499,550	4,499,550
Terna Ventures WLL	99,950	99,950
	4,599,500	4,599,500

6 MARGIN DEPOSIT

The Company provided a non-interest bearing margin deposit of BD 490,037 (2017: BD 490,037) to a commercial bank on behalf of the Joint Operators of TERNA- CGCE JV (AMAS 1) towards performance bond issued by the bank.

7 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These represent transactions with companies under the same management and key management personnel. The Company enters into transactions with related parties in the normal course of business.

a) **Significant related party transactions**	**2018**	2017
Receipts from /(advances to) related parties, net	**489,786**	194,190
Income from related parties for the rental of equipment	**163,600**	187,616
Issued margin deposit on behalf of an affiliate	-	490,037

b) **Due from related parties**	***Relationship***	**2018**	2017
Terna Contracting WLL	*Subsidiary*	3,093,359	1,384,934
Terna S.A. (Sharjah Branch)	*Affiliate*	1,886,437	1,891,357
Terna-CGCE JV (AMAS-2)	*Affiliate*	61,075	17,760
Terna S.A. (Abu Dhabi Branch)	*Affiliate*	12,683	12,714
Less: allowance for impairment loss		(2,072)	-
		5,051,482	3,306,765

c) **Due to related parties**	***Relationship***	**2018**	2017
Terna Overseas Ltd.	*Parent company*	5,059,351	3,323,366
Terna S.A. (Saudi Branch)	*Affiliate*	544,756	288,298
Terna S.A.	*Affiliate*	229,743	161,170
Terna Ventures WLL	*Subsidiary*	96,570	97,450
Terna Qatar	*Affiliate*	4,625	-
		5,935,045	3,870,284

Related party balances will be settled on demand.

d) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel are the board of directors and key members of the management and the compensation paid during the year was BD 143,834 (2017: BD 149,062).

8 CASH AND CASH EQUIVALENTS

	2018	2017
Cash in hand	4	3
Cash at bank	142,860	152,976
	142,864	152,979

9 ACCOUNTS AND OTHER PAYABLES

	2018	2017
Accounts payables	17,694	17,720
Payroll payable	-	207,442
Accrued expenses	113,689	111,788
	131,383	336,950

10 OTHER INCOME

	2018	2017
Reversal of staff cost	311,165	-
Income from other branches/group entities for the rental of equipment	171,814	187,616
	482,979	187,616

11 GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
Directors salaries	143,834	149,062
Travelling expenses	6,603	356
Other staff costs	5,956	4,007
Repairs and maintenance	4,933	4,657
Other expenses	84,045	94,058
	245,371	252,140

12 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

2018	**Amortized cost**	**Other financial liabilities**	**Total carrying amount**
Assets			
Margin deposit	490,037	-	490,037
Due from related parties	5,053,554	-	5,053,554
Other receivables (excluding prepayments)	25,421	-	25,421
Cash and cash equivalents	142,864	-	142,864
	5,711,876	-	**5,711,876**
Liabilities			
Due to related parties	-	5,935,045	5,935,045
Accounts and other payables	-	131,383	131,383
	-	**6,066,428**	**6,066,428**

2017	Amortized cost	Other financial liabilities	Total carrying amount
Assets			
Margin deposit	490,037	-	490,037
Due from related parties	3,306,765	-	3,306,765
Other receivables (excluding prepayments)	16,917	-	16,917
Cash and cash equivalents	152,979	-	152,979
	3,966,698	-	3,966,698
Liabilities			
Due to related parties	-	3,870,284	3,870,284
Accounts and other payables	-	336,950	336,950
	-	4,207,234	4,207,234

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

- Credit risk
- Liquidity risk
- Market risk

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2018   Bahraini Dinars
12 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

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

a) Credit risk

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

(i) Due from related parties represent amount receivable from the entities under common management and the parent company and therefore the Company is exposed to a very limited credit risk on this amount.

(ii) The Company limits its exposure to credit risk on bank balances by maintaining balances with banks where the external credit ratings are high. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Company believes that no provision for impairment is necessary in respect of cash and cash equivalents.

(iii) The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However the management also considers the factors that may influence the credit risk of its customers base, including the default risk associated with the industry and country in which customers operate.

The creditworthiness of each customer is evaluated prior to sanctioning of credit facilities. Appropriate procedures for follow-up and recovery are in place to monitor credit risk.

The maximum exposure to credit risk at the reporting date was:

	2018	2017
Margin deposit	490,037	490,037
Due from related parties	5,053,554	3,306,765
Other receivables (excluding prepayments)	25,421	16,917
Bank balances	142,860	152,976
	5,711,872	3,966,695

Other receivables

Expected credit loss assessment for other receivables as at 1 January and 31 December 2018
The Company applies the simplified approach of IFRS 9 for the calculation of expected credit losses, according to which the provision for impairment is always measured at an amount equal to the expected credit losses over the life of the financial asset. In this context, the expected credit losses represent the expected shortfalls in the contractual cash flows, taking into account the possibility of default at any point during the life of the financial instrument. In calculating the expected credit losses, the Company uses a provisioning table by grouping the above financial instruments based on the nature and maturity of the balances by taking into account available historical data regarding the obligors, adjusted for future factors in relation to the obligors and the economic environment.

Movements on the allowance for impairment in respect of trade receivables
The movement in the allowance for impairment in respect of trade receivables and related party receivables during the year was as follows. Comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39.

	2018	2017
Balance at 1 January per IAS 39	-	-
Adjustment on initial application of IFRS 9	-	-
Balance at 1 January per IFRS 9	-	-
impairment allowance	2,072	-
Balance at 31 December	**2,072**	-

Comparative information under IAS 39
An analysis of the credit quality of trade receivables that were neither past due nor impaired and the ageing of trade receivables that were past due but not impaired as at 31 December 2017 is as follows.

2017	Total	Neither past due nor impaired	Past due but not impaired	Past due and impaired
Due from related parties	3,306,765	3,306,765	-	-

Cash and Bank balances

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Company assumes that the credit risk on cash and cash equivalents has been increased significantly if it is more than 30 days past due.

b) Liquidity risk

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

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.(refer to note 1 for going concern)

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

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

12 *FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)*

2017	Carrying amount	Contractual undiscounted cash flows	6 months or less
Due to related parties	3,870,284	3,870,284	3,870,284
Accounts and other payables	336,950	336,950	336,950
	4,207,234	4,207,234	4,207,234

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

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

(ii) Other market risk
Other market rate risk is the risk that the fair value or future cash flows of the financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factor specific to the individual financial instruments or its issuers, or factors affecting all similar financial instrument traded in the market.

The Company is not significantly exposed to any other market price risk as at the reporting date.

d) Capital management

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits to the other stakeholders.

There were no changes in the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

e) Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. Differences can therefore arise between book values under the historical cost method and fair value estimates.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The fair value of the Company's financial assets and liabilities are not materially different from their carrying values due to their short term nature.

13 COMPARATIVES

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