Terna Bahrain Holding W.L.L.

REPORT OF THE BOARD OF DIRECTORS AND SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2015

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 2015.

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 199,656 for the year ended 31 December 2015 (2014: BD 288,583).

Movement in accumulated losses during the year ended 31 December 2015 was as follows:

	BD
Balance as at 1 January 2015	**(699,282)**
Absorption of accumulated losses by the shareholder	**699,282**
Profit for the year	**199,656**
Transfer to statutory reserve	**(19,966)**
Balance as at 31 December 2015	**179,690**

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 2016, will be submitted at the Annual General Meeting.

Signed on behalf of the Board of Directors

D. Antonakos
Chairman
....

25 FEBRUARY 2016

Building a better working world

Ernst & Young
P.O. Box 140
14th Floor, South Tower
Bahrain World Trade Center
Manama
Kingdom of Bahrain

Tel: +973 1753 5455
Fax: +973 1753 5405
manama@bh.ey.com
ey.com/mena
C.R. No. 6700

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 2015 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 2015, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

EY
Building a better working world

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

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 2015 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.

Ernst + Young

Auditor's Registration No. 190
25 February 2016
Manama, Kingdom of Bahrain

Terna Bahrain Holding W.L.L.

SEPARATE STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 BD	2014 BD
ASSETS			
Non-current assets			
Investment in subsidiaries	5	**1,279,270**	1,279,270
Current assets			
Amounts due from related parties	6	**3,275,362**	3,412,129
Other receivables	7	**772,678**	919,507
Bank balances and cash	8	**596,853**	184,589
		4,644,893	4,516,225
TOTAL ASSETS		**5,924,163**	5,795,495
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**847,742**	847,742
Statutory reserve	10	**55,576**	35,610
Retained earnings (accumulated losses)		**179,690**	(699,282)
Total equity		**1,083,008**	184,070
Current liabilities			
Accounts and other payables	11	**51,142**	29,483
Amounts due to related parties	12	**4,790,013**	5,433,242
Payable to KT Holding Bahrain W.L.L	14	**-**	148,700
		4,841,155	5,611,425
TOTAL EQUITY AND LIABILITIES		**5,924,163**	5,795,495

D. Antonakos
Chairman

K. Iliadis
Director

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2015

	Note	2015 BD	2014 BD
Foreign exchange gain (net)		**440,251**	529,906
Staff costs	13	**(169,292)**	(190,701)
Write off of receivables	7	**(60,000)**	-
Legal and professional fees		**(5,470)**	(32,394)
General and administrative expenses		**(5,833)**	(18,228)
PROFIT FOR THE YEAR		**199,656**	288,583
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**199,656**	288,583

D. Antonakos
Chairman

K. Iliadis
Director

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

SEPARATE STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2015

	Note	2015 BD	2014 BD
OPERATING ACTIVITIES			
Profit for the year		**199,656**	288,583
Adjustment for:			
Write off of receivables	7	**60,000**	-
Operating profit before working capital changes:		**259,656**	288,583
Working capital changes:			
Amounts due from related parties		**136,767**	450,262
Other receivables		**86,829**	(217,109)
Accounts and other payables		**21,659**	(102,578)
Amounts due to related parties		**56,053**	(275,440)
Payable to KT Holding Bahrain W.L.L		**(148,700)**	-
NET CASH FLOWS FROM OPERATING ACTIVITIES AND INCREASE IN BANK BALANCES AND CASH		**412,264**	143,718
Bank balances and cash at 1 January		**184,589**	40,871
BANK BALANCES AND CASH AT 31 DECEMBER	8	**596,853**	184,589

Non-cash items:

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

a. As part of the settlement of share consideration to KT Holding Bahrain W.L.L., BD 128,000 was paid by Terna S.A. (Abu Dhabi Branch) on behalf of the Company which was adjusted in amounts due from related parties (2014: BD 30,720).

b. Accumulated losses up to 31 December 2014 amounting to BD 699,282 were adjusted against the amounts due to shareholder (2014: nil) (note 13).

SEPARATE STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2015

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

	Share capital BD	*Statutory reserve BD*	*Accumulated losses BD*	*Total BD*
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

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

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 the Republic of Cyprus. The ultimate parent company is GEK TERNA Holdings, Real Estate, Construction SA ('GEK TERNA'), a company incorporated in and operating under the laws of the Republic of Greece.

The separate financial statements were authorised for issue by the Board of Directors on 25 February 2016.

The Company has the following subsidiaries as of year end:

Name	*Country of incorporation*	*Ownership interest*		*Principal activity*
		2015	*2014*	
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 2015 will be 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 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations effective as of 1 January 2015

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 2015. The adoption of these standards and interpretations did not have any effect on the Company's financial position, financial performance or disclosures.

IAS 19	*Employee Benefits: Defined benefit plans; employee contributions - Clarification on the treatment of contributions from employees or third parties.*

Annual Improvements to IFRS 2010 - 2012 Cycle

IFRS 2	*Share-based Payment: Clarification on various issues relating to vesting conditions;*
IFRS 3	*Business Combinations: Subsequent measurement of contingent consideration;*
IFRS 8	*Operating Segments: Clarification about the disclosures to be provided;*
IAS 16 and IAS 38	*Property, Plant and Equipment and Intangible Assets: Adjusting the gross carrying amount under the revaluation method; and*
IAS 24	*Related Party Disclosures: Entities providing key management personnel services are related parties.*

Annual Improvements to IFRS 2011 - 2013 Cycle

IFRS 3	*Business Combinations: scope exception for joint ventures;*
IFRS 13	*Fair Value Measurement: Scope of portfolio exception; and*
IAS 40	*Investment Property: Interrelationship between IFRS 3 and IAS 40 with respect to ancillary services and determination of a business combination.*

Standards issued but not yet effective

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

IFRS 9	*Financial Instruments: Guidance on classification and measurement, impairment and hedge accounting (effective for annual periods beginning on or after 1 January 2018);*
IFRS 14	*Regulatory Deferral Accounts: Guidance on presentation and disclosures (effective for annual periods beginning on or after 1 January 2016);*
IFRS 15	*Revenue from Contracts with Customers: Guidance on performance obligations, variable consideration, warranty obligations, loyalty points program, rendering of services and equipment received from customers (effective for annual periods beginning on or after 1 January 2018);*
IFRS 11	*Joint Arrangements (Amendments): Accounting for Acquisition of Interests - Guidance on acquisition of an interest in a joint operation (effective for annual periods beginning on or after 1 January 2016);*
IFRS 16	*Leases: The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.*
IAS 16 and IAS 38	*Property, Plant and Equipment and Intangible Assets (Amendments): Clarification of acceptable methods of depreciation and amortisation (effective for annual periods beginning on or after 1 January 2016);*

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IAS 16 and IAS 41	*Property, Plant and Equipment and Agriculture (Amendments): Guidance on the accounting requirements of plant-based bearer biological assets (effective for annual periods beginning on or after 1 January 2016);*
IAS 27	*Separate Financial Statements (Amendments): Guidance on equity method for investments in subsidiaries, joint ventures and associates (effective for annual periods beginning on or after 1 January 2016);*
IFRS 10 and IAS 28	*Consolidated Financial Statements and Investment in Associates and Joint Ventures (Amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016);*
IAS 1	*Presentation of Financial Statements (Amendments): Clarification on materiality requirements and presentation and disclosures (effective for annual periods beginning on or after 1 January 2016);*
IFRS 10, IFRS 12 and IAS 28	*Consolidated Financial Statements, Disclosure of Interest in other Entities and Investments in Associates and Joint Ventures (Amendments): The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 (effective for annual periods beginning on or after 1 January 2016);*

Annual Improvements to IFRS 2012 - 2014 Cycle

IFRS 5	*Non-current Assets Held for Sale and Discontinued Operations: Guidance on changing the disposal methods (effective for annual periods beginning on or after 1 January 2016);*
IFRS 7	*Financial Instruments: Disclosures (Amendment): Guidance on servicing contracts and applicability of the offsetting disclosures to condensed interim financial statements (effective for annual periods beginning on or after 1 January 2016);*
IAS 19	*Employee Benefits (Amendment): Clarification on the market depth of high quality corporate bonds (effective for annual periods beginning on or after 1 January 2016); and*
IAS 34	*Interim Financial Reporting (Amendment): Guidance on interim disclosures and other information (effective for annual periods beginning on or after 1 January 2016).*
IAS 12	*Income Taxes (Ammendments)- recognition of deferred tax assets for un realised losses - (effective for annual periods beginning on or after 1 January 2017).*
IAS 7	*Statement of Cash Flows (Ammendments)- disclosures that enable users to evaluate changes in liabilities arising from financing activities (effective for annual periods beginning on or after 1 January 2017).*

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

All other assets are classified as non-current.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)
A liability is presented as current when:

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

The Company classifies all other liabilities as non-current.

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.

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.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Receivables

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

Cash and cash equivalents

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

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment and uncollectibility of financial assets

The Company assesses at each reporting date whether there is 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 separate 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Interest bearing loans and borrowings

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

Accounts payable

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

Offsetting of financial instruments

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

Amortised cost of financial instruments

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

Derecognition of financial instruments

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

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

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the separate statement of comprehensive income net of any reimbursement.

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:

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

As of 31 December 2015, the Company's current liabilities exceeded its current assets by BD 196,262. 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 and the Company's shareholder has agreed to provide financial support to the Company to meet its obligations to third parties, as and when they fall due. 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 separate statement of comprehensive income. During the year, the Directors have reassessed the value of the investment in the subsidiaries and concluded that the Company's investment in subsidiaries was not impaired as of 31 December 2015 (2014: nil).

5 INVESTMENT IN SUBSIDIARIES

	Percentage holding		**2015**	2014
	2015	*2014*	**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

6 AMOUNTS DUE FROM RELATED PARTIES

	2015 **BD**	*2014* *BD*
Terna S.A. (Sharjah branch)	**1,894,718**	1,912,727
Terna Qatar Company L.L.C.	**1,259,073**	1,257,428
Terna S.A. (Abu Dhabi branch)	**16,064**	143,517
Terna Mechanical and Electrical W.L.L.	**103,957**	98,457
Terna Ventures W.L.L.	**1,550**	-
	3,275,362	3,412,129

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 and prepayments and advances of the Company. A receivable of BD 60,000 was written off during the year ended 31 December 2015 as it was no longer considered collectible (2014: nil).

8 BANK BALANCES AND CASH

	2015 **BD**	*2014* *BD*
Bank balances (current accounts)		
- Euros	**105,832**	105,035
- Bahraini Dinars	**491,002**	79,535
- UAE Dirhams	**15**	15
Cash in hand	**4**	4
	596,853	184,589

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

9 SHARE CAPITAL

	2015 **BD**	*2014* *BD*
Issued and paid-up:		
8,500 ordinary shares of Euro 200 each fully paid	**847,742**	847,742

10 STATUTORY RESERVE

The Bahrain Commercial Companies Law and the Company's memorandum of association requires that 10% of the Company's profit be transferred to the statutory reserve. The reserve cannot be utilised for the purpose of distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law. During the year, BD 19,966 was transferred to the statutory reserve. No transfer was made in the prior year as the Company had accumulated losses.

11 ACCOUNTS AND OTHER PAYABLES

	2015 *BD*	*2014* *BD*
Trade accounts payable	**31,067**	21,571
Other payables	**20,075**	7,912
	51,142	29,483

12 AMOUNTS DUE TO RELATED PARTIES

	2015 *BD*	*2014* *BD*
Terna Overseas Ltd.	**4,012,621**	4,302,687
Terna Contracting W.L.L.	**751,739**	1,107,818
Terna S.A.	**25,653**	22,737
	4,790,013	5,433,242

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.

There were no transactions with related parties included in the statement of comprehensive income (2014: nil)

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

During the year ended 31 December 2015, the shareholder resolved to absorb the Company's accumulated losses up to 31 December 2014, amounting to BD 699,282, against the amounts due to the shareholder (2014: nil)

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 2015, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2014: nil).

13 RELATED PARTY TRANSACTIONS (continued)

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

	2015 *BD*	*2014* *BD*
Short term benefits	**169,292**	190,701

14 CONTINGENT CONSIDERATION

As part of the sale and transfer of shares agreement ('the agreement') with the other shareholder of MEP, a contingent consideration was agreed in prior years, 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. As at 31 December 2014, the Company's management expected the contingent consideration to approximate BD 385,079.

During the year ended 31 December 2015, the agreement was revised and payment was made to KT Holding W.L.L. of the balance payable of BD 148,700 in addition to BD 250,000 as full and final settlement. Consequently, the contingent consideration was nullified and not payable as at 31 December 2015.

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:

	Increase/ decrease in Euro rate to the Bahraini Dinar	*Effect on profit / loss BD*
31 December 2015	**+5%**	**(195,339)**
	-5%	**195,339**
31 December 2014	+5%	(211,019)
	-5%	211,019

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

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 3,275,362 (2014: BD 3,412,129) from related parties and other receivables of BD 772,678 (2014: 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.

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.

2015	***On demand BD***	***Less than 3 months BD***	***Total BD***
Amounts due to related parties	**4,790,013**	**-**	**4,790,013**
Accounts and other payables	**-**	**51,142**	**51,142**
	4,790,013	**51,142**	**4,841,155**

2014	*On demand BD*	*Less than 3 months BD*	*Total BD*
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

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.

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)
No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014. During the year, the Company's accumulated losses up to 31 December 2014 amounting to BD 699,282 were absorbed by the shareholder by waiver of an equivalent amount due to the shareholder. The equity of the Company is measured at BD 1,083,008 as at 31 December 2015 (2014: BD 184,070).

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.

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.