TERNA BAHRAIN HOLDING W.L.L.

Separate financial statements
For the year ended 31 December 2017

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Terna Bahrain Holding W.L.L.
Information about the Company

Commercial registration number	63267-1
Directors	Dimitrios Antonakos Kostantinos Iliadis
Registered office	Building 418 Road 3207 Block 332 Mahooz, Manama
Banker	HSBC Bank Middle East National Bank of Kuwait
Auditor	PricewaterhouseCoopers ME Limited P.O. Box 21144 13th Floor, Jeera I Tower Seef District Kingdom of Bahrain

Terna Bahrain Holding W.L.L.
Directors' report for the year ended 31 December 2017

The Board of Directors has pleasure in submitting its report and the audited separate financial statements of Terna Bahrain Holding W.L.L. (the "Company") for the year ended 31 December 2017.

Principal activities

The Company acts as a holding company.

Financial information

The financial position of the Company as at 31 December 2017 and the results for the year ended are set out in the accompanying separate financial statements.

Auditors

The auditors, PricewaterhouseCoopers ME Limited, have expressed their willingness to continue in office for the year ending 31 December 2018.

By order of the Board of Directors

____
Dimitrios Antonakos
Director

__ March 2018

Independent auditor's report to the shareholders of
Terna Bahrain Holding W.L.L.

Report on the audit of the separate financial statements

Our qualified opinion
In our opinion, except for the possible effects of the matter described in the "Basis for qualified opinion" section of our report, the separate financial statements present fairly, in all material respects, the financial position of Terna Bahrain Holding W.L.L. (the "Company") as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's separate financial statements comprise:

- the separate statement of financial position as at 31 December 2017;
- the separate statement of comprehensive income for the year then ended;
- the separate statement of changes in equity for the year then ended;
- the separate statement of cash flows for the year then ended; and
- the notes to the separate financial statements, which include a summary of significant accounting policies.

Basis for qualified opinion
The separate financial statements include an investment in subsidiary, Terna Contracting W.L.L. (the "subsidiary") (Note 5) 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 *Auditor's responsibilities for the audit of the separate financial statements* section of our report.

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

Independence
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 the ethical requirements that are relevant to our audit of the separate financial statements in the Kingdom of Bahrain. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other information
The directors are responsible for the other information. The other information comprises the Directors' report but does not include the separate financial statements and our auditor's report thereon.

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 identified above and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Except for the matter described in the "Basis for qualified opinion" section above, we have nothing to report in this regard.

Report on the audit of the separate financial statements (continued)

Responsibilities of management and those charged with governance for the Company's separate financial statements

The management is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards and with other identified applicable national law or other requirements, and for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance of the Company are responsible for overseeing the Company's financial reporting process.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 management.
- Conclude on the appropriateness of management'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 auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

Independent auditor's report to the shareholders of
Terna Bahrain Holding W.L.L. (continued)

Report on other legal and regulatory requirements

As required by the Bahrain Commercial Companies Law (BCCL), except for the matter described in the "Basis for qualified opinion" section, we report that:

(i) we have obtained all the information we considered necessary for the purpose of our audit;

(ii) the Company has maintained proper books of account and the separate financial statements and the financial information contained in the Directors' report are in agreement therewith;

(iii) nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the BCCL and the terms of its Memorandum and Articles of Association which would materially affect its activities or its financial position as at 31 December 2017; and

(iv) satisfactory explanations and information have been provided to us by the management in response to all our requests.

__ March 2018
Partner's Registration number: 196
Manama, Kingdom of Bahrain

Terna Bahrain Holding W.L.L.
Separate statement of financial position
(Expressed in Bahraini Dinars unless otherwise stated)

		As at 31 December	
	Note	**2017**	**2016**
Assets			
Non-current assets			
Investment in subsidiaries	5	4,599,850	2,099,850
Margin deposit	14	490,037	490,037
		5,089,887	2,589,887
Current assets			
Amounts due from related parties	6	3,306,765	2,880,692
Other receivables	7	19,545	13,281
Bank balances and cash	8	152,979	62,821
		3,479,289	2,956,794
Total assets		8,569,176	5,546,681
Equity and liabilities			
Equity			
Share capital	9	847,700	847,700
Additional capital contribution	9	5,352,300	1,652,300
Statutory reserve	10	55,576	55,576
Accumulated losses		(1,893,634)	(942,132)
Net equity		4,361,942	1,613,444
Liabilities			
Current liabilities			
Accounts and other payables	11	336,950	232,768
Amounts due to related parties	12	3,870,284	3,700,469
Total liabilities		4,207,234	3,933,237
Total equity and liabilities		8,569,176	5,546,681

These separate financial statements have been approved for issue by the Board of Directors on ___________ and signed on its behalf by:

Dimitrios Antonakos
Chairman

Kostantinos Iliadis
Director

The notes on pages 10 to 22 form an integral part of these separate financial statements.

Terna Bahrain Holding W.L.L.
Separate statement of comprehensive income
(Expressed in Bahraini Dinars unless otherwise stated)

		Year ended 31 December	
	Note	**2017**	**2016**
Foreign exchange (loss)/gain		(589,219)	151,867
Other income	15	187,616	11,503
Write off of other receivables	7	-	(485,700)
Provision for impairment of amounts due from related parties	13	-	(308,614)
Write off of receivables from a subsidiary	13	-	(104,508)
Write off of investment in a subsidiary	5	-	(179,420)
Staff costs	13	(149,062)	(149,175)
General and administrative expenses	16	(103,078)	(45,535)
Legal and professional fees		(297,759)	(12,240)
Loss for the year		(951,502)	(1,121,822)
Other comprehensive income		-	-
Total comprehensive loss for the year		(951,502)	(1,121,822)

These separate financial statements have been approved for issue by the Board of Directors __________ and signed on its behalf by:

Dimitrios Antonakos
Chairman

Kostantinos Iliadis
Director

The notes on pages 10 to 22 form an integral part of these separate financial statements.

Terna Bahrain Holding W.L.L.
Separate statement of changes in equity
(Expressed in Bahraini Dinars unless otherwise stated)

	Share capital	Additional capital contribution	Statutory reserve	Retained earnings/ (accumulated losses)	Total
At 1 January 2017	847,700	1,652,300	55,576	(942,132)	1,613,444
Increase in capital contribution (Notes 9 & 13)	-	3,700,000	-	-	3,700,000
Total comprehensive loss for the year	-	-	-	(951,502)	(951,502)
At 31 December 2017	847,700	5,352,300	55,576	(1,893,634)	4,361,942
At 1 January 2016	847,742	-	55,576	179,690	1,083,008
Adjustment to share capital (Note 9)	(42)	-	-	-	(42)
Transfer of amounts due to a shareholder (Notes 9 & 13)	-	1,652,300	-	-	1,652,300
Total comprehensive loss for the year	-	-	-	(1,121,822)	(1,121,822)
At 31 December 2016	847,700	1,652,300	55,576	(942,132)	1,613,444

The notes on pages 10 to 22 form an integral part of these separate financial statements.

Terna Bahrain Holding W.L.L.
Separate statement of cash flows
(Expressed in Bahraini Dinars unless otherwise stated)

	Note	Year ended 31 December 2017	2016
Cash flows from operating activities			
Loss for the year		(951,502)	(1,121,822)
Adjustments for non-cash items:			
Write off of investment in a subsidiary	5	-	179,420
Write off of other receivables	7	-	485,700
Write off of receivables from a subsidiary	13	-	104,508
Provision for impairment of amounts due from related parties	13	-	308,614
Foreign exchange loss/(gain)		589,219	(151,867)
		(362,283)	(195,447)
Changes in working capital:			
Amounts due from related parties		(428,276)	286,611
Other receivables		(6,264)	(34,917)
Accounts and other payables		102,895	(468,026)
Amounts due to related parties		234,086	717,784
Net cash (used in)/generated from operating activities		(459,842)	306,005
Cash flows from investing activities			
Investment in a subsidiary	5	(3,150,000)	(350,000)
Net cash used in investing activities		(3,150,000)	(350,000)
Cash flows from financing activities			
Increase in capital contribution	9	3,700,000	-
Margin deposit	14	-	(490,037)
Net cash generated from/(used in) financing activities		3,700,000	(490,037)
Net increase/(decrease) in cash and cash equivalents		90,158	(534,032)
Cash and cash equivalents at the beginning of the year		62,821	596,853
Cash and cash equivalents at the end of the year	8	152,979	62,821

Non-cash items:

2016:

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

2017:

- No non-cash transactions occurred during the year ended 31 December 2017.

The notes on pages 10 to 22 form an integral part of these separate financial statements.

1 General information

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

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

The Company has the following subsidiaries as of year-end:

Name of subsidiaries	Country of incorporation	Ownership interests		Principle activity
		2017	2016	
Terna Contracting W.L.L.	Kingdom of Bahrain	99.99%	99.99%	Contracting and construction
Terna Ventures W.L.L.	Kingdom of Bahrain	99.95%	99.95%	Import and export business

These separate 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 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 2017 will be available for public use at www.gekterna.com. These separate financial statements are prepared for submission to the Ministry of Industry, Commerce and Tourism, Kingdom of Bahrain.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). The separate financial statements have been prepared under the historical cost convention.

The preparation of separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the separate financial statements in the period the assumptions changed. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed under Note 4.

Going concern

As at 31 December 2017, the Company's current liabilities exceed its current assets by BHD 727,945 (2016: BHD 976,443). The accumulated losses exceed the share capital of the Company by BHD 1,045,934 (2016: BHD 94,432). However, the Company is in the process of increasing its share capital and in this respect has additional capital contribution amounting to BHD 5,352,300 (2016: BHD 1,652,300). 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 Company obtained a letter of financial support from its Parent Company that it will support the Company in meeting its liabilities for at least one year following the issuance of these separate financial statements. Accordingly, the separate financial statements have been prepared on a going concern basis.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards, amendments and interpretations effective for the financial year beginning on 1 January 2017

Amendment to IAS 7- 'Disclosure initiative' (effective date 1 January 2017). This amendment requires disclosure of changes in liabilities arising from financing activities.

The above amendment does not have a significant effect on the Company's separate financial statements. There are no other IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning on 1 January 2017.

(b) New standards, amendments and interpretations effective for the financial year beginning after 1 January 2017

A number of new standards, amendments and interpretations to standards are effective for annual periods beginning after 1 January 2017, and have not been early adopted in preparing these separate financial statements. Those which are relevant to the Company are set out below. The Company does not plan to early adopt these standards.

- IFRS 15 - 'Revenue from contracts with customers' (effective 1 January 2018). This standard deals with revenue recognition and establishes principles for reporting useful information to users of separate financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

  The Company has assessed that the application of the new standard will not have a significant impact on the Company's separate financial statements as the Company has no revenue streams.

- IFRS 9 - 'Financial instruments' (effective 1 January 2018). IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value. IFRS 9 also introduces new rules for hedge accounting and a new impairment model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component.

  The Company has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

  - The Company loans and receivables are measured at amortised cost and will continue to meet the amortised cost classification under IFRS 9. In addition, the Company does not hold financial instruments measured at fair value through OCI (FVOCI) or fair value through profit and loss (FVPL). Accordingly, the Company does not expect the new guidance to affect the classification and measurement of these financial assets.
  - There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting of financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from IAS 39 *Financial instruments: Recognition and Measurement* and have not been changed.
  - The new impairment model required the recognition of impairment provisions based in expected credit losses (ECL) rather than only incurred losses as is the case under IAS 39. It applies to the financial assets classified at amortised cost, debt instruments measured at fair value through OCI (FVOCI), contract assets under IFRS 15 *Revenue from Contracts with Customers,* lease receivables, loan commitments and certain financial guarantee contracts. Based in the assessment undertaken to date, the Company does not expect a significant increase in its allowances for doubtful debts as the outstanding debt is from related parties only. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standards, amendments and interpretations effective for the financial year beginning after 1 January 2017 (continued)

- IFRS 16- 'Leases' (effective 1 January 2019). IFRS 16 supersedes IAS 17 'Lease' and related interpretations. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessor will not significantly change.

  The standard will not have any impact as the Company does not have any lease contracts.

- Amendments to IAS 40 (effective 1 January 2018). Transfers of Investment Property. The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's separate financial statements as they are applicable and adoption of new standards, interpretations and amendments.

There are no other applicable new standards and amendments to published standards or International Financial Reporting Interpretations Committee (IFRIC) interpretations that have been issued but are not effective for the first time for the Company's financial year beginning on 1 January 2017 and are expected to have a significant impact on the Company's separate financial statements.

2.2 Foreign currency translations

(a) 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 Company operates (the functional currency). The separate financial statements are presented in Bahraini Dinars which is the Company's functional and presentation currency.

(b) Transactions and balances

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

2.3 Financial assets

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Subsequent measurement of financial assets depends on their classification.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Company's financial assets comprise of 'margin deposit', 'amounts due from related parties', 'other receivables' and 'bank balances and cash' in the statement of financial position.

2 Summary of significant accounting policies (continued)

2.3 Financial assets (continued)

2.3.1 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from the loans and receivables have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

2.4 Amounts due from related parties

Amounts due from related parties are stated at amortised cost 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.

2.5 Bank balances and cash

Bank balances and cash include cash on hand and bank balances. For the purpose of the statement of cash flows, bank balances consist of a non-interest bearing bank balances held with commercial banks in the Kingdom of Bahrain.

2.6 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in 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.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the statement of comprehensive income.

2.7 Investments in subsidiaries

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

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

2 Summary of significant accounting policies (continued)

2.8 Employees' end of service benefits

(a) Bahraini employees

Pension rights (and other social benefits) for Bahraini employees are covered by the Social Insurance Organisation's scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's contribution to this funded scheme, which is a defined contribution scheme under International Accounting Standard 19 - "Employee Benefits", is recognised as an expense in the statement of comprehensive income.

(b) Expatriate employees

Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector, based on length of service and final remuneration. Provision for this unfunded commitment which represents a defined benefit plan under International Accounting Standard 19 - "Employee Benefits", has been made by calculating the notional liability had all employees left at the reporting date. The liability recognised in the statement of financial position in respect of the employees' end of service benefits approximates the present value at the reporting date.

2.9 Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company. All financial liabilities are initially recognised at fair value less directly attributable transaction costs. After initial recognition the financial liabilities are subsequently measured at amortised cost using the effective interest method. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The Company's financial liabilities comprise of amounts 'due to related parties' and 'accounts and other payables'.

2.10 Amounts due to related parties

Liabilities for amounts due to related parties are carried at amortised cost.

2.11 Accounts and other payables

Accounts and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.12 Provisions

The Company recognises provisions when it has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

3 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company's aim is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

The Company's risk management is based on a simplified framework with non-complex transactions to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of realisable and up-to-date information systems.

Risk management is carried out by the senior management with the approval of the Board of Directors. Management regularly reviews its risk management programme and systems to reflect changes in markets, products and emerging best practices.

3.1 Credit risk

The Company is exposed to credit risk, which is the risk that the counterparty will cause a financial loss to the Company by failing to discharge an obligation. Financial assets which potentially subject the Company to concentrations of credit risk consist principally from margin deposit, related parties, other receivables and balances with banks.

The Company manages, limits and controls concentrations of risk wherever they are identified. For bank balances, parties only with good credit ratings are accepted. Other receivables represent advances to employees and refundable deposits. Management believes that the Company is not exposed to any significant credit risk in respect of other receivables and amounts due from related parties.

The table below shows the maximum exposure to credit risk by individual component of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreement.

		Gross maximum exposure	
		As at 31 December	
	Note	2017	2016
Margin deposit	14	490,037	490,037
Other receivables	7	19,545	13,281
Amounts due from related parties	6	3,306,765	2,880,692
Cash at banks	8	152,976	62,817
		3,969,323	3,446,827

Credit quality of financial instruments

It is not the practice of the Company to obtain collateral over loans and receivables. Credit exposures classified as 'rated' quality are those where the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be low. These include facilities to corporate entities with financial condition, risk indicators and capacity to repay which are considered to be good. Credit exposures defined as "not rated" and classified under 'standard' quality comprise all other facilities whose payment performance is fully compliant with contractual conditions and which are not 'impaired'. The ultimate risk of possible financial loss on "not rated" or "standard' quality is assessed to be higher than that for the exposures classified within the 'rated' quality range.

Not rated assets are classified according to internal credit ratings of the counterparties since there is no independent rating for customers. Management of the Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

The table below shows the credit risk exposure by credit quality of financial assets that are neither past due nor impaired by class, grade and status.

3 Financial risk management (continued)

3.1 Credit risk (continued)

	Neither past due nor impaired		
	Rated	**Standard grade**	**Total**
31 December 2017			
Margin deposit	-	490,037	490,037
Amounts due from related parties	-	3,306,765	3,306,765
Other receivables	-	19,545	19,545
Bank balances	152,976	-	152,976
	152,976	3,816,347	3,969,323

	Neither past due nor impaired		
	Rated	**Standard grade**	**Total**
31 December 2016			
Margin deposit	-	490,037	490,037
Amounts due from related parties	-	2,880,692	2,880,692
Other receivables	-	13,281	13,281
Bank balances	62,817	-	62,817
	62,817	3,384,010	3,446,827

Analysis by credit quality of financial assets is as follows:

	As at 31 December	
	2017	**2016**
Receivables		
Neither past due nor impaired:		
- Amounts due from related parties	3,306,765	2,880,692
Total neither past due nor impaired	3,306,765	2,880,692
Individually determined to be impaired:		
Gross amounts due from related parties determined to be impaired	-	308,614
Provision for impairment of amounts due from related parties (Note 13)	-	(308,614)
Total individually determined to be impaired, net of provision for doubtful debt	-	-
Total, net of provision for doubtful debt	3,306,765	2,880,692
Margin deposit	490,037	490,037
Bank balances	152,976	62,817
Other receivables	19,545	13,281

The Company did not have any past due but not impaired receivables as at 31 December 2017 (2016: nil). For receivable write-off, please refer to notes 6 and 7.

3 Financial risk management (continued)

3.2 Market risk

The Company is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and foreign exchange, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and price risk.

(a) Foreign exchange 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 results and equity due to change in the fair value of amounts due from and to related parties is as follows:

	Increase/decrease in Euro rate to the Bahraini Dinar	Effect on results for the year and equity
31 December 2017	+5%	260,338
	-5%	(260,338)
31 December 2016	+5%	(196,618)
	-5%	196,618

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

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to change in market interest rates. The Company does not have significant interest bearing assets or liabilities.

Accordingly, the Company has limited exposures to interest rate risk.

(c) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company has no exposure to price risk as there is no price sensitive financial instruments.

3.3 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due. The Company monitors future cash flows and liquidity on a regular basis.

Liquidity of the Company is managed at group level through a largely centralised system to ensure a continuous supply of cash for the Company and other entities of the Terna group.

All the Company’s financial assets and financial liabilities are due within one year from the date of the statement of financial position.

3 Financial risk management (continued)

3.3 Liquidity risk (continued)

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the financial position date to the contractual maturity date. Balances due within 12 months from financial position date equal their carrying balances, as the impact of discounting is not significant. The amounts disclosed in the below tables are the contractual undiscounted cash flows.

At 31 December 2017	**Less than 1 year**	**More than 1 year**	**Total**
Liabilities			
Accounts and other payables	336,950	-	336,950
Amounts due to related parties	3,870,284	-	3,870,284
Total liabilities	4,207,234	-	4,207,234

At 31 December 2016	**Less than 1 year**	**More than 1 year**	**Total**
Liabilities			
Accounts and other payables	232,768	-	232,768
Amounts due to related parties	3,700,469	-	3,700,469
Total liabilities	3,933,237	-	3,933,237

3.4 Capital risk management

The Company's objective when managing its capital, which comprises shareholders' equity, is to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders. In terms of the Bahrain Commercial Companies Law, the Company maintains a statutory reserve that is not available for distribution.

No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016. During the year ended 2017, the Company's shareholders have resolved to increase the share capital of the Company through cash injections amounting to BHD 3,700,000 to additional capital contribution (2016: BHD 1,652,300 by converting amounts due to a shareholder to share capital). The equity of the Company comprises of share capital, additional capital contribution, statutory reserve and accumulated losses and is measured at BHD 4,361,942 as at 31 December 2017 (2016: BHD 1,613,444).

3.5 Fair value estimation

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 view of the Company's management, the fair values of the Company's financial assets and financial liabilities are not materially different from their carrying amounts as these are short term.

3.6 Financial instruments by category

As at 31 December 2017 and 2016, all the Company's financial assets were loans and receivables and financial liabilities measured at amortised cost, respectively.

4 Critical accounting estimated and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(a) Impairment of investments in subsidiaries

For investment in subsidiaries, Company's 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 calculates the amount of impairment as a difference between the recoverable amount of the subsidiary and its carrying value and recognises the amount in the statement of comprehensive income.

(b) Impairment of due from related parties and other receivables

The Company reviews the carrying amounts of due from related parties and other receivables at each reporting date to determine whether the receivables have been impaired. The Company identifies the receivables, which have been impaired based on the age of the receivables, the financial condition of the counterparty and estimated future cash flows. If any impairment exists, the recoverable amount of the impaired receivable is estimated based on the future cash flows estimated.

5 Investments in subsidiaries

	Percentage holding		**2017**	**2016**
	2017	**2016**		
Terna Contracting W.L.L.*	99.99%	99.99%	4,499,900	1,999,900
Terna Ventures W.L.L.	99.95%	99.95%	99,950	99,950
			4,599,850	2,099,850

*During the year ended 31 December 2017, the shareholders of the Company resolved to increase the investment in Terna Contracting W.L.L. through a cash contribution of BHD 2,500,000 (2016: BHD 350,000 cash contribution with the balance of BHD 650,000 contributed subsequent to 31 December 2016). The regulatory formalities relating to the subsidiary's increase in share capital were in progress as of 31 December 2017.

6 Amounts due from related parties

	2017	**2016**
Terna S.A. (Sharjah branch)	1,891,357	1,890,282
Terna Qatar Company L.L.C.	-	963,317
Terna Saudi Arabia L.L.C. (Note 13) – transferred from other receivables (Note 7)	-	308,614
Terna S.A. (Abu Dhabi branch)	12,714	16,048
Terna CGCE JV (AMAS - 2)	17,760	11,045
Terna Contracting Company W.L.L.	1,384,934	-
	3,306,765	3,189,306
Provision for impairment (Note 13)	-	(308,614)
As at 31 December	3,306,765	2,880,692

During the year ended 31 December 2016, the Company wrote off the amounts not recoverable from Terna Mechanical and Electrical W.L.L. (liquidated subsidiary of the Company) amounting to BHD 104,508.

6 Amounts due from related parties (continued)

Movement in provision for impairment, during the year is as follows:

	2017	2016
As at 1 January	(308,614)	-
Provision for the year (Note 13)	-	(308,614)
Written-off during the year (Note 13)	308,614	-
As at 31 December	-	(308,614)

7 Other receivables

As at 31 December 2016, other receivables mainly consist of receivables relating to expenses incurred by the Company in prior years on behalf of Terna Saudi Arabia L.L.C. before its incorporation.

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

	2017	2016
As at 1 January	13,281	772,678
Net movements during the year	6,264	34,917
Transfer to amounts due from related parties (Note 6)	-	(308,614)
Written-off during the year (Note 13)	-	(485,700)
As at 31 December	19,545	13,281

8 Bank balances and cash

	2017	2016
Bank balances (current accounts)		
-Euros	26,019	12,317
-Bahraini Dinars	126,942	50,485
-UAE dirhams	15	15
Cash on hand	3	4
	152,979	62,821

9 Share capital and additional capital contribution

	2017	2016
Issued and paid-up:		
8,477 ordinary shares of BHD 100 each fully paid (2016: 8,477 ordinary shares of BHD 100 each fully paid)	847,700	847,700

During the year, the shareholders resolved to increase the share capital of the Company through cash injections amounting to BHD 3,700,000 to additional capital contribution (2016: BHD 1,652,300 by converting amounts due to a shareholder to share capital). The regulatory formalities relating to the above were in progress as of 31 December 2017.

During the year ended 31 December 2016, the shareholders resolved to convert the currency of the Company's share capital from Euros to Bahraini Dinars and reduction in the number of paid up shares from 8,500 to 8,477. This has resulted in an adjustment of BD 42 to the share capital.

10 Statutory reserve

The Bahrain Commercial Companies Law and the Company's memorandum of association requires that 10% of the Company's profit be transferred to the statutory reserve. The reserve cannot be utilised for the purpose of distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law. During the year, the Company did not make any transfer to the statutory reserve as the Company has incurred a loss (2016: BHD Nil).

11 Accounts and other payables

	2017	2016
Account payables	17,720	16,859
Payroll payable	207,442	104,121
Accrued expenses	111,788	111,788
	336,950	232,768

12 Amounts due to related parties

	Relationship	2017	2016
Terna Overseas Ltd.	Parent	3,323,366	2,532,070
Terna Contracting W.L.L.	Subsidiary	-	911,885
Terna S.A, Saudi Branch	Affiliate	288,298	92,734
Terna Ventures W.L.L.	Subsidiary	97,450	97,950
Terna S.A.	Affiliate	161,170	65,830
		3,870,284	3,700,469

13 Related party transactions

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

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

Nature	Relationship	2017	2016
Terna S.A.	Affiliate	95,340	41,135
Terna Contracting W.L.L.	Subsidiary	473,049	3,519
Terna S.A. (Abu Dhabi branch)	Affiliate	3,333	-
Terna CGCE JV (AMAS - 2)	Affiliate	6,715	-
Terna S.A. (Sharjah branch)	Affiliate	1,075	-
Terna Qatar Company L.L.C.	Affiliate	963,317	-
Terna Saudi Arabia L.L.C.	Affiliate	308,614	-
		1,851,443	44,654

Balances with related parties included in the separate statement of financial position are disclosed in (Note 6) and (Note 12). The Company is in the process of increasing its share capital and in this respect has additional capital contribution from its Parent Company amounting to BHD 5,352,300 (2016: BHD 1,652,300).

Outstanding balances at the year-end are unsecured, interest free and payable on demand. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2016, the Company has recorded an impairment of BHD 308,614 relating to amounts owed by a related party, which was written off in 2017 (Note 6).

During the year ended 31 December 2016, the Company wrote off amounts not recoverable from Terna Mechanical and Electrical W.L.L. totaling to BHD 104,508 (Note 6). Furthermore, the Company wrote off other receivables and investment in a subsidiary amounting to BHD 485,700 (Note 7) and BHD 179,420, respectively.

During the year ended 31 December 2017, the shareholders resolved to increase the share capital of the Company through cash injections amounting to BHD 3,700,000 to share capital (2016: BHD 1,652,300 by converting amounts due to a shareholder to share capital).

13 Related party transactions (continued)

During the year ended 31 December 2017, the shareholders of the Company resolved to increase the investment in Terna Contracting W.L.L. through a cash contribution of BHD 2,500,000 (2016: BHD 350,000 cash contribution with the balance of BHD 650,000 contributed subsequent to 31 December 2016). The regulatory formalities relating to the subsidiary's increase in share capital were in progress as of 31 December 2017 (Note 5).

13.1 Compensation of key management personnel

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

	2017	2016
Short-term benefits	149,062	149,175

14 Margin deposit

The Company provided a non-interest bearing margin deposit of BHD 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 (2016: BHD 490,037).

15 Other income

	2017	2016
Income from other branches/group entities for the rental of equipment	187,616	11,503

16 General and administrative expenses

	2017	2016
Repairs and maintenance	4,657	2,885
Other staff cost	4,007	2,731
Travelling expenses	356	2,834
Other expenses	94,058	37,085
	103,078	45,535