

**Terna Mechanical and Electrical W.L.L.**

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

**31 DECEMBER 2015**

**Terna Mechanical and Electrical W.L.L**  
**REPORT OF THE BOARD OF DIRECTORS**

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The Board of Directors has pleasure in submitting its report and the audited financial statements of Terna Mechanical and Electrical W.L.L. ('the Company') for the year ended 31 December 2015.

**Principal activities**

The company is engaged in construction contracting activities. The Company is a subsidiary of Terna Bahrain Holding W.L.L. ('the Parent Company') incorporated in the Kingdom of Bahrain. The ultimate parent company is GEK TERNA Holdings Real Estate Construction SA, a company incorporated in and under the laws of the Republic of Greece.

**Results and accumulated losses**

The Company had a profit of BD 542,812 during the year ended 31 December 2015 compared to a loss of BD 220,899 during the year ended 31 December 2014.

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

	<b>2015</b> <b>BD</b>
Balance as at 1 January	<b>(3,089,569)</b>
Profit for the year	<b>542,812</b>
Balance as at 31 December	<b><u>(2,546,757)</u></b>

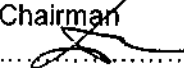
**Loss of capital and going concern**

The Directors are aware of the fact that as of 31 December 2015, the Company's accumulated losses exceeded its share capital by BD 2,346,757 and the Company's total liabilities exceeded total assets by BD 2,191,162. However, the Company's financial statements for the year ended 31 December 2015 have been prepared on a going-concern basis, as the shareholder of the Parent Company has agreed to provide financial support to the Company to meet its obligations as and when they fall due.

**Auditors**

Ernst & Young have expressed their willingness to continue in office, and a resolution proposing their appointment, as auditors of the Company for the year ending 31 December 2016, will be submitted at the Annual General Meeting.

Signed on behalf of the Board of Directors

D. Antonakos  
Chairman  
  
..... 2016

25 FEBRUARY 2016

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TERNA MECHANICAL AND ELECTRICAL W.L.L.**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Terna Mechanical and Electrical W.L.L. ("the Company"), which comprise the statement of financial position as at 31 December 2015 and the 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 Financial Statements*

The Company's Board of Directors is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the 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 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 Board of Directors, as well as evaluating the overall presentation of the 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 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.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
TERNA MECHANICAL AND ELECTRICAL W.L.L. (continued)**

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to note 2 to the financial statements. As of 31 December 2015, the Company's accumulated losses exceeded its share capital by BD 2,346,757 and total liabilities exceeded total assets by BD 2,191,162. In addition, the Company depends on support from the shareholder of the Parent Company. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. These financial statements have been prepared on a going concern basis as the shareholder of the Parent Company has agreed to provide financial support to the Company to meet its obligations as and when they fall due.

**Report on Other Regulatory Requirements**

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

- a) the Company has maintained proper accounting records and the financial statements are in agreement therewith; and
- b) the financial information contained in the Report of the Board of Directors is consistent with the 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 management in response to all our requests.



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




**Terna Mechanical and Electrical W.L.L.**

**STATEMENT OF FINANCIAL POSITION**

At 31 December 2015

	Note	2015 BD	2014 BD
<b>ASSETS</b>			
<b>Current assets</b>			
Due from customers for contract work	5	98,888	455,956
Contract and other receivables	6	2,045,470	1,063,299
Bank balances and cash		37	95
<b>TOTAL ASSETS</b>		<b>2,144,395</b>	<b>1,519,350</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	7	200,000	200,000
Statutory reserve	8	155,595	155,595
Accumulated losses		(2,546,757)	(3,089,569)
<b>Total equity</b>		<b>(2,191,162)</b>	<b>(2,733,974)</b>
<b>Current liabilities</b>			
Contract and other payables	9	4,335,557	4,253,324
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,144,395</b>	<b>1,519,350</b>


  
D. Antonakos  
Chairman

  
K. Iliadis  
Director

The attached notes 1 to 12 form part of these financial statements.

**Terna Mechanical and Electrical W.L.L.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the Year Ended 31 December 2015

	<i>Note</i>	<b>2015 BD</b>	<b>2014 BD</b>
Contract revenue	10	<b>108,154</b>	7,077
Project material and equipment expenses		-	(556)
<b>GROSS PROFIT</b>		<b>108,154</b>	<b>6,521</b>
Recovery of bad debt from related party	10	<b>865,792</b>	-
Other income		<b>7,300</b>	3,575
Foreign exchange (loss) gain		<b>(11,327)</b>	58,286
Write off of amounts due from customers for contract work	5	<b>(357,068)</b>	-
Write off of contract and other receivables	6	-	(262,735)
General and administrative expenses		<b>(69,938)</b>	(26,511)
Bank charges		<b>(101)</b>	(35)
<b>NET PROFIT (LOSS) FOR THE YEAR</b>		<b>542,812</b>	<b>(220,899)</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>		<b>542,812</b>	<b>(220,899)</b>

  
D. Antonakos  
Chairman

  
K. Iliadis  
Director

The attached notes 1 to 12 form part of these financial statements.

Terna Mechanical and Electrical W.L.L.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2015

	<i>Share capital BD</i>	<i>Statutory reserve BD</i>	<i>Accumulated losses BD</i>	<i>Total BD</i>
Balance as at 1 January 2014	200,000	155,595	(2,868,670)	(2,513,075)
Total comprehensive loss for the year	-	-	(220,899)	(220,899)
Balance as at 31 December 2014	200,000	155,595	(3,089,569)	(2,733,974)
Total comprehensive income for the year	-	-	542,812	542,812
<b>Balance as at 31 December 2015</b>	<b>200,000</b>	<b>155,595</b>	<b>(2,546,757)</b>	<b>(2,191,162)</b>

The attached notes 1 to 12 form part of these financial statements.

**Terna Mechanical and Electrical W.L.L.**

**STATEMENT OF CASH FLOWS**

For the Year Ended 31 December 2015

	<i>Note</i>	<b>2015 BD</b>	<b>2014 BD</b>
<b>OPERATING ACTIVITIES</b>			
Profit (loss) for the year		<b>542,812</b>	(220,899)
Adjustments for:			
Write off of amounts due from customers for contract work	5	<b>357,068</b>	-
Write off of contract and other receivables	6	<b>-</b>	262,735
Operating profit before working capital changes		<b>899,880</b>	41,836
Working capital changes:			
Contract and other receivables		<b>(982,171)</b>	88,601
Due from customers for contract work		<b>-</b>	(7,077)
Contract and other payables		<b>82,233</b>	(123,717)
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES AND DECREASE IN BANK BALANCES AND CASH</b>		<b>(58)</b>	(357)
Bank balances and cash at 1 January		<b>95</b>	452
<b>BANK BALANCES AND CASH AT 31 DECEMBER</b>		<b>37</b>	95

The attached notes 1 to 12 form part of these financial statements.



## **1 ACTIVITIES**

Terna Mechanical and Electrical W.L.L. ("the Company") is a limited liability company incorporated in the Kingdom of Bahrain on 15 October 2008 and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 70100. The Company is engaged in construction contracting activities.

The Company is a wholly owned subsidiary of Terna Bahrain Holding W.L.L. ("the Parent Company"), a company incorporated in the Kingdom of Bahrain. The ultimate parent company is GEK TERNA Holdings Real Estate Construction SA, a company incorporated in and under the laws of the Republic of Greece.

The Company's registered office is at Villa 418, Road 3207, Block 332, Zinj Area, Kingdom of Bahrain.

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

## **2 FUNDAMENTAL ACCOUNTING CONCEPT**

As at 31 December 2015, the Company's accumulated losses exceeded its share capital by BD 2,346,757 and total liabilities of the Company exceeded its total assets by BD 2,191,162. In addition, the Company depends on support from the shareholder of the Parent Company ("Terna Overseas Limited"). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis as the shareholder of the Parent Company has agreed to provide financial support to the Company to meet its obligations to third parties as and when they fall due.

The Bahrain Commercial Companies Law requires that in the case of a company that has lost a substantial portion of its capital, a meeting of the shareholders should be convened by the Board of Directors at which the shareholders are required to resolve whether or not to continue the operations of the Company. This meeting was convened on 18 March 2016 and the shareholders have resolved to continue with the operations of the Company.

## **3 SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of compliance**

The 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**

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

### **New and amended standards and interpretations effective as of 1 January 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.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **New and amended standards and interpretations effective as of 1 January 2015 (continued)**

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 - Revised guidance on single model accounting for leases (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);*
- IAS 12 *Amendments to IAS 12 Income Taxes - recognition of deferred tax assets for unrealised losses (effective 1 January 2017); and*
- IAS 7 *Amendments to IAS 7 Statement of Cash Flows - disclosures that enable users to evaluate changes in liabilities arising from financing activities (effective 1 January 2017).*

**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).*

**Current versus non-current classification**

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

An asset is classified as current when it is:

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

All other assets are classified as non-current.

### **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.

#### **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.

#### **Due from / due to customers for contract work**

The aggregate of the costs incurred and the profit/loss recognised on the contract is compared against the progress billings up to the period-end. Where the sum of the costs incurred and recognised profit or recognised loss exceeds the progress billings, the balance is shown as due from customers for contract work. Where the progress billings exceed the sum of costs incurred and recognised profit or recognised loss, the balance is shown as due to customers for contract work.

#### **Financial assets**

The Company's financial assets include contract and retention receivables, bank balances and cash.

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.

#### *Contract and retention receivables*

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

### **3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Impairment of 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, an impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows:

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

#### **Financial liabilities**

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

The Company's financial liabilities includes contract and other payables.

#### *Contract and other payables*

Liabilities for contract and other payables 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 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.

### **3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Derecognition of financial instruments (continued)**

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

#### **Provisions**

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

#### **Revenue recognition**

##### *Construction contracts*

The Company principally operates fixed price contracts. If the outcome of such a contract can be reliably measured, revenue associated with the construction contract is recognised by reference to the stage of completion of the contract activity at year end (the percentage of completion method).

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. When the outcome of a construction cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on the proportion of total contract costs incurred to date and the estimated costs to complete.

#### **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 JUDGEMENTS AND ESTIMATES**

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

#### 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

##### **Judgements**

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

##### *Going concern*

The Company's Board of Directors has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue the business for the foreseeable future based on the facts mentioned in note 2. Accordingly, the 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 date of the statement of financial position, 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:

##### *Contract revenue and costs-to-complete*

The contract revenue for the year is determined by reference to the percentage of completion method. Percentage of completion is measured by reference to costs incurred to date as a percentage of total estimated costs for each contract. In particular, significant judgement by the management is required in the estimation of the amount of future costs and revenues when determining the percentage of completion and the amount of revenue to be recognised on contracts in progress at the year-end.

##### *Impairment of contract and other receivables*

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

At the statement of financial position date, gross contract and other receivables were BD 2,045,470 (2014: BD 1,063,299).

During the year, the Company had no impairment of contract and retention receivables from related parties (2014: the Company had written off contract and retention receivables from related parties amounting to BD 45,979 and other receivables of BD 216,756).

Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

##### *Impairment of due from customers for contract work*

The Company reviews the recoverability of amounts due from customers for contract work every year end. This estimation is done on an individual basis and a provision is applied according to the degree of ageing, based on historical recovery rates.

At the statement of financial position date, amounts due from customers for contract work were BD 98,888 (2014: BD 455,956 ) and management did not consider any provision was required at the reporting date.



**Terna Mechanical and Electrical W.L.L.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
At 31 December 2015

**5 DUE FROM CUSTOMERS FOR CONTRACT WORK**

	<b>2015</b> <b>BD</b>	<b>2014</b> <b>BD</b>
Contract costs incurred to date	<b>1,925,701</b>	1,918,652
Recognised loss	<b>(288,147)</b>	(32,184)
Total value of work executed to date	<b>1,637,554</b>	1,886,468
Progress billings	<b>(1,538,666)</b>	(1,430,512)
	<b>98,888</b>	455,956

Unbilled work in progress relating to the Jasmi Villa Project of BD 251,112 has been written off as a result of the court's decision and BD 105,956 relating to Al Beeah project was written of as the project was considered completed (2014: nil).

**6 CONTRACT AND OTHER RECEIVABLES**

	<b>2015</b> <b>BD</b>	<b>2014</b> <b>BD</b>
Contract receivables from related parties (note 10)	<b>1,884,618</b>	903,228
Retentions receivable from related parties (note 10)	<b>160,852</b>	159,921
Advances to employees	-	150
	<b>2,045,470</b>	1,063,299

Contract receivables are normally settled within 90 to 120 days from the date of invoice. Retentions are normally recovered within 12 months from the completion of a project.

For further terms and conditions of related parties, please refer to note 10.

As at 31 December 2015 and as of 31 December 2014, none of the outstanding contract receivables were impaired and were outstanding for more than 120 days from the past due date.

Unimpaired contract receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over contract receivables and the majority are, therefore, unsecured.

The Company had written off the following contract and other receivables in 2014, as in the opinion of the directors, the outstanding amounts were not recoverable :

	<b>2015</b> <b>BD</b>	<b>2014</b> <b>BD</b>
Contract receivables from related parties (note 10)	-	45,979
Advances to suppliers	-	216,756
	-	262,735

Advances to suppliers written off in 2014 pertain to Al Rayan Project and Al Beeah Project.

Terna Mechanical and Electrical W.L.L.  
**NOTES TO THE FINANCIAL STATEMENTS**  
At 31 December 2015

**7 SHARE CAPITAL**

	<b>2015</b>	<b>2014</b>
	<b>BD</b>	<b>BD</b>
Issued and fully paid:		
2,000 ordinary shares of BD 100 each	<b>200,000</b>	200,000

**8 STATUTORY RESERVE**

The Bahrain Commercial Companies Law and the Company's memorandum of association requires that 10% of the Company's annual profits be transferred to a statutory reserve until such time the reserve equals 50% of the paid-up capital. The Company has discontinued further transfers as its limit has been achieved. The reserve cannot be utilised for the purpose of distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

**9 CONTRACT AND OTHER PAYABLES**

	<b>2015</b>	<b>2014</b>
	<b>BD</b>	<b>BD</b>
Contract payables - related parties (note 10)	<b>4,183,193</b>	4,065,072
Contract payables - others	<b>86,690</b>	96,812
Payable to sub-contractors	<b>26,720</b>	51,883
Retentions payable	<b>38,954</b>	39,557
	<b>4,335,557</b>	4,253,324

Contract payables are non-interest bearing and are normally settled on 60 days term.

Retention payable is non interest bearing and payable in accordance with the terms of contracts.

For terms and conditions for amounts due to related parties see note 10.

**10 RELATED PARTY TRANSACTIONS**

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

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

	<i>Contract revenue</i>		<i>Recovery of bad debt from a related party</i>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>
<b>Group Companies</b>				
Terna SA (Sharjah branch)	<b>108,154</b>	7,077	<b>865,792</b>	-

During the year, the Company received the final certification from Terna S.A. (Sharjah Branch) signifying the completion of the Al Beeah project. All revenue earned but not yet billed is nullified through the release of the final billing amounting to BD 108,154 during the year (2014: nil).

Recovery of bad debt from a related party relates to amounts received from Madinat Zayed by Terna S.A.(Abu Dhabi Branch) on behalf of the Company (2014: nil) relating to amounts written off by the Company in prior years.

**10 RELATED PARTY TRANSACTIONS (continued)**

Amounts due from and due to related parties included in the statement of financial position are as follows:

	2015			2014	
	<i>Contract and retentions receivable BD</i>	<i>Other Receivable BD</i>	<i>Contract payables BD</i>	<i>Contract and retentions receivables BD</i>	<i>Contract payables BD</i>
Terna S.A (Sharjah branch)	1,177,733	-	3,493,857	1,063,149	3,442,876
Terna S.A (Abu Dhabi branch)	-	867,737	333,757	-	269,052
Terna Contracting W.L.L.	-	-	224,264	-	224,369
Terna Bahrain Holding Company W.L.L.	-	-	103,958	-	98,457
Terna S.A. - Head office	-	-	27,357	-	30,318
	<b>1,177,733</b>	<b>867,737</b>	<b>4,183,193</b>	<b>1,063,149</b>	<b>4,065,072</b>

**Terms and conditions of transactions with related parties**

Revenue from related parties are made on terms agreed by the Board of Directors of the Company. 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 contract receivables from related parties (2014: BD 45,979 on amounts due from Terna Qatar L.L.C.)

**Compensation of key management personnel**

The directors do not receive remuneration for their services to the Company. The Company did not employ any other key management personnel during the year ended 31 December 2015 and during the year ended 31 December 2014.

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

The Company's principal financial liabilities comprises of contract and other payables. The Company has contract and other receivables and cash and bank balances that arise directly from its operations. The Company manages risk through a process of ongoing identification and monitoring of risks it faces. The Company is exposed to credit risk and liquidity risk.

**Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Company is exposed to credit risk on its contract receivables and bank balances.

The Company seeks to limit its credit risk by requesting advance payments, raising progress billings and monitoring outstanding receivables on an ongoing basis. At 31 December 2015, one related party customer accounts for 100% of the outstanding contract receivables (2014: 100%).

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 contract and other receivables and bank balances is limited to their carrying amounts as disclosed in the statement of financial position.

**Liquidity risk**

Liquidity risk is the risk that an entity will have difficulties in meeting its commitments. The Company limits its liquidity risk by ensuring that adequate funds are available from the shareholder of the parent company. Trade payables are normally settled within 60 days of the date of purchase.

**Terna Mechanical and Electrical W.L.L.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 At 31 December 2015

**11 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**Liquidity risk (continued)**

The table below summarises the maturities of the Company's undiscounted financial liabilities at the reporting date, based on contractual payment dates and current market interest rate.

<b>31 December 2015</b>	<b>Less than 3 months BD</b>	<b>3 to 12 months BD</b>	<b>Total BD</b>
Contract payables - related parties	4,183,193	-	4,183,193
Contract payables - others	86,690	-	86,690
Payable to subcontractors	-	26,720	26,720
Retentions payable	-	38,954	38,954
	<b>4,269,883</b>	<b>65,674</b>	<b>4,335,557</b>

<b>31 December 2014</b>	<b>Less than 3 months BD</b>	<b>3 to 12 months BD</b>	<b>Total BD</b>
Contract payables - related parties	4,065,072	-	4,065,072
Contract payables - others	96,812	-	96,812
Payable to subcontractors	-	51,883	51,883
Retentions payable	-	39,557	39,557
	<b>4,161,884</b>	<b>91,440</b>	<b>4,253,324</b>

**Capital management**

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

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in business conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders.

No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014. The Company had a negative equity of BD 2,191,162 as at 31 December 2015 (2014: negative equity of BD 2,733,974).

**12 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances and cash, contract and other receivables. Financial liabilities consist of contract and other payables.

The fair values of the Company's financial assets and liabilities are not materially different from their carrying values as of the statements of financial position dates largely due to the short term maturities.