Terna Ventures WLL

FINANCIAL STATEMENTS

31 December 2018

FINANCIAL STATEMENTS
As at 31 December 2018

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

In accordance with Article 286 of the Commercial Companies Law, on behalf of the board of directors, I have pleasure in presenting the audited financial statements of Terna Ventures WLL (the "Company") for the year ended 31 December 2018 as set out on pages 4 to 20.

Financial highlights	2018	2017
Loss for the year	**(533)**	(1,420)
Total assets	**96,662**	97,675
Total equity	**95,762**	96,295

Representations and audit

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

There have been no events subsequent to 31 December 2018, which would in any way invalidate the financial statements as set out on pages 4 to 20.

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

On behalf of the board of directors:

Georgios Stratigos
Director

Dimitrios Salamanos
Director

7 February 2019

KPMG Fakhro
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CR No. 6220

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Terna Ventures WLL
Manama, Kingdom of Bahrain

Report on the audit of the financial statements

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRS).

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

Other matter
The financial statements for the year ended 31 December 2017 were audited by another auditor whose report on the financial statements dated 28 March 2018 expressed an unmodified opinion.

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)

Terna Ventures WLL
Manama, Kingdom of Bahrain

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

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

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

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

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

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

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

Report on other regulatory requirements

As required by the Bahrain Commercial Companies Law 2001 (as amended), we report that:

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

KPMG Fakhro
Partner Registration No. 136
7 February 2019

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

Bahraini Dinars

	Note	31 December 2018	31 December 2017
ASSETS			
Current assets			
Due from a related party	5 a)	96,437	97,450
Cash and cash equivalents	6	225	225
Total current assets		**96,662**	97,675
Total assets		**96,662**	97,675
EQUITY AND LIABILITIES			
Equity			
Share capital	1	100,000	100,000
Accumulated losses		(4,238)	(3,705)
Total equity (page 6)		**95,762**	96,295
Liabilities			
Current liabilities			
Due to a related party	5 b)	500	500
Other payables		400	880
Total current liabilities		**900**	1,380
Total liabilities		**900**	1,380
Total equity and liabilities		**96,662**	97,675

The financial statements were approved by the Board of Directors on 7 February 2019 and signed on its behalf by:

Georgios Stratigos
Director

Dimitrios Salamanos
Director

The accompanying notes 1 to 8 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

Bahraini Dinars

	Note	2018	2017
Professional fees		(400)	(1,380)
Impairment allowance		(133)	-
Bank charges		-	(40)
Loss for the year		**(533)**	(1,420)
Other comprehensive income		-	-
Total comprehensive income for the year		**(533)**	(1,420)

Georgios Stratigos
Director

Dimitrios Salamanos
Director

The accompanying notes 1 to 8 are an integral part of these financial statements.

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

Bahraini Dinars

2018	**Share capital**	**Accumulated losses**	**Total**
At 1 January 2018	100,000	(3,705)	96,295
Total comprehensive income for the year (page 5)	-	(533)	(533)
At 31 December 2018	**100,000**	**(4,238)**	**95,762**

2017	Share capital	Accumulated losses	Total
At 1 January 2017	100,000	(2,285)	97,715
Total comprehensive income for the year (page 5)	-	(1,420)	(1,420)
At 31 December 2017	100,000	(3,705)	96,295

The accompanying notes 1 to 8 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended at 31 December 2018

Bahraini Dinars

	Note	2018	2017
OPERATING ACTIVITES			
Other receipts		(880)	(540)
Net cash flow used in operating activities		**(880)**	(540)
FINANCING ACTIVITIES			
Receipts from related parties, net		880	500
Net cash flow generated from financing activities		**880**	500
Net decrease in cash and equivalents during the year		-	(40)
Cash and cash equivalents at 1 January		225	265
Cash and cash equivalents at 31 December	6	**225**	225

The accompanying notes 1 to 8 are an integral part of these financial statements.

1 STATUS AND OPERATIONS

Terna Ventures WLL (the "Company") is a limited liability company registered in the Kingdom of Bahrain with the Ministry of Industry, Commerce and Tourism under commercial registration number 80600-1 on 13 March 2012.

The Company's authorized , issued and fully paid-up share capital of BD 100,000 is divided into 2,000 shares of BD 50 each and are held as follows:

Shareholders	Number of shares	Shareholding (%)	Amount (BD)
Terna Bahrain Holding WLL	1,999	0.05	99.950
Konstantions Iliadis	1	99.95	50
Total	**2,000**	**100**	**100,000**

The Company is engaged in sale or trade of construction materials, hardware, plumbing and heating equipment and supplies; sale or trade in other machinery and equipment and parts: sale or trade of electrical and electronic household appliances and sale or trade of motor vehicles.

2 BASIS OF PREPARATION

a) Statement of compliance

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

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements have been consistently applied during the reporting period.

a) Foreign currency transactions and balances

Transactions in foreign currencies are translated to Bahraini Dinars at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Bahraini Dinars at the foreign exchange rate ruling at that date. All foreign exchange differences arising on conversion and translation are recognized in the statement of profit or loss and other comprehensive income.

b) Adoption of IFRS 9

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which has not resulted in changes in accounting policies or adjustments to the amounts previously recognised in the financial statements as of and for the year ended 31 December 2017.

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

Set out below are the IFRS 9 transition impact disclosures for the Company.

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

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial assets and liabilities.

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

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

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount	Re-measurement	New carrying amount
Bank balances	Loans and receivables	Amortised cost	225	-	225
Due from related parties	Loans and receivables	Amortised cost	97,450	-	97,450
			97,675	-	97,675

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

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

The financial assets at amortised cost consist of bank balances at amortised cost.

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

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

c) Financial instruments

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

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

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

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

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

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

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

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

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

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

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

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

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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

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

Financial instruments –Policy applicable before 1 January 2018

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

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

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

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

(ii) Loans and receivables

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

(iii) Non-derivative financial liabilities

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

d) Impairment of financial assets

Policy applicable from 1 January 2018

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The financial assets at amortised cost consist of debt securities, cash and cash equivalents, and other receivables.
Under IFRS 9, loss allowances are measured on either of the following bases:

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

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

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

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

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

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

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

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

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

Policy applicable before 1 January 2018

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

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

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

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however; the Company has not early applied the following new or amended standards in preparing these financial statements.

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

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

The Company does not expect to have a significant impact on its financial statements from adoption of this standards.

f) Provisions

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

g) Foreign currency transactions and balances

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

h) Statutory reserve

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

i) Offsetting financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT IN APPLYING SIGNIFICANT ACCOUNTING POLICIES

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

a) Provision for expected credit losses of due from a related party

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

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

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

5 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These represent transactions with the shareholders, and Companies in which they have significant influence or control. The Company enters into transactions with related parties in the normal course of business at agreed terms.

a) Due from a related party	***Relationship***	**2018**	2017
Terna Bahrain Holding	*Under common management*	96,570	97,450
Less: Impairment allowance		(133)	-
		96,437	97,450

b) Due to a related party	***Relationship***	**2018**	2017
Terna Contracting Company	*Under common management*	500	500
		500	500

Related parties balances are interest free and are settled on demand.

NOTES TO THE 2018 FINANCIAL STATEMENTS Bahraini Dinars

5 RELATED PARTIES (continued)

c) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel comprise of the directors and no compensation was paid during the year (2017: BD nil).

6 CASH AND EQUIVALENTS	2018	2017
Bank balances	225	225
Cash and cash equivalents as per the statement of financial position	**225**	225

7 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

2018	**Amortized cost**	**Other financial liabilities**	**Total carrying amount**
Assets			
Due from a related party	96,570	-	96,570
Cash and cash equivalents	225	-	225
	96,795	-	**96,795**
Liabilities			
Due to a related party	-	500	500
Other payables	-	400	400
	-	**900**	**900**

2017	Loans and receivables	Others at amortised cost	Total carrying amount
Assets			
Due from a related party	97,450	-	97,450
Cash and cash equivalents	225	-	225
	97,675	-	97,675
Liabilities			
Due to a related party	-	500	500
Other payables	-	880	880
	-	1,380	1,380

NOTES TO THE 2018 FINANCIAL STATEMENTS Bahraini Dinars
7 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

a) Credit risk

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

(i) Related party receivables represent amount receivable from the entities under common management and the shareholders of the Company and therefore the Company is exposed to a very limited credit risk on this amount.

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

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

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

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

	2018	2017
Due from related parties	96,570	97,450
Cash at bank	225	225
	96,795	97,675

NOTES TO THE 2018 FINANCIAL STATEMENTS Bahraini Dinars

7 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Movements on the allowance for impairment in respect of due from related parties

The movement in the allowance for impairment in respect of due from related parties during the year was as follows. Comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39.

	2018	2017
Balance at 1 January per IAS 39	-	-
Adjustment on initial application of IFRS 9	-	-
Balance at 1 January per IFRS 9	-	-
impairment allowance	133	-
Balance at 31 December	**133**	-

Comparative information under IAS 39

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

2017	Total	Neither past due nor impaired	Past due but not impaired	Past due and impaired
Due from related parties	97,450	97,450	-	-

Cash and Bank balances

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

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

b) Liquidity risk

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

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

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

2018	**Carrying amount**	**Contractual undiscounted cash flows**	**6 months or less**
Other payables	400	400	400
Due to a related party	500	500	500
	900	**900**	**900**

NOTES TO THE 2018 FINANCIAL STATEMENTS Bahraini Dinars
7 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

2017	Carrying amount	Contractual undiscounted cash flows	6 months or less
Other payables	880	880	880
Due to a related party	500	500	500
	1,380	1,380	1,380

c) Market risk

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

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

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

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

d) Capital management

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

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

e) Fair values of financial instruments

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

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

8 COMPARATIVES

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