TERNA OVERSEAS LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2011

TERNA OVERSEAS LIMITED

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TERNA OVERSEAS LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Androulla (Andri) Efthimiou Xenia Koustai Stelios Panayides Panagiotis Pothos Konstantinos Iliadis (appointed 10/06/2011) Garyfallia Pamvouxoglou (resigned 10/06/2011)
Company Secretary:	Pinelopi Katsaounou Annis Komninis, 37 Elenion Building, 2nd floor Flat/Office 7, Nicosia Cyprus
Independent Auditors:	CKZ Audit Ltd
Registered office:	Annis Komninis, 37 Elenion Building, 2nd floor Flat/Office 7, Nicosia Cyprus

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2011.

Principal activities
The principal activities of the Company, which are unchanged from last year, are the provision of consultancy services in the construction field, the execution and supervision of public and private technical projects and land development including any interest earning activities.

The Company did not operate through any branches during the year.

Review of current position, future developments and significant risks
The net profit for the Company for year ended 31 December 2011 was €1,053,201 (2010: €444,161). On 31 December 2011 the total assets of the Company were €58,197,582 (2010: €61,432,678) and the net assets were the Company were €52,241,592 (2010: net liabilities €53,518,791). The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in note 3 of the financial statements.

Future development
The Board of Directors does not expect any significant changes or development in the operations, financial position and performance of the company in the foreseeable future.

Results and Dividends
The Company's results for the year are set out on page 6. The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital
On 14 February 2011, the Company increased its share capital from 136.800 to 146.510 ordinary shares, by issuing 9.710 ordinary shares of a nominal value €10 each, at a premium of €230 each, totalling €2.330.400.

On 15 February 2011, the Company reduced its share capital from 146.510 to 136.800 ordinary shares, by cancelling 9.710 ordinary shares of a nominal value €10 each.

Board of Directors
The members of the Company's Board of Directors as at 30 June 2011 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2011. Mrs. Garyfallia Pamvouxoglou who was appointed director at the date of incorporation resigned on 10 June 2011 and on the same date Mr. Konstantinos Iliadis was appointed in her place.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 24 to the financial statements.

REPORT OF THE BOARD OF DIRECTORS

Independent Auditors
During the year the Independent Auditors of the Company, PricewaterhouseCoopers Ltd, resigned and CKZ Audit Ltd was appointed in their place.

The Independent Auditors, CKZ Audit Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Stelios Panayides
Director

Nicosia, 21 March 2012

Independent auditor's report

To the Members of Terna Overseas Limited

Report on the financial statements

We have audited the accompanying financial statements of the parent company Terna Overseas Limited (the "Company") on pages 6 to 29, which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113., 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.

Auditor's 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 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 auditor's judgment, 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 of financial statements that give a true and fair view 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.

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Independent auditor's report (continued)

To the Members of Terna Overseas Limited

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the parent company Terna Overseas Limited as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal and regulatory requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors pages 2 to 3 is consistent with the financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Andreas Zenieris
Certified Public Accountant and Registered Auditor
for and on behalf of
CKZ Audit Ltd
Certified Public Accountants and Registered Auditors

Nicosia, 21 March 2012

TERNA OVERSEAS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2011

	Note	**2011**	2010
		€	€
Revenue	5	**4,081,342**	4,758,757
Cost of sales		**(3,667,661)**	(4,265,373)
Gross profit		**413,681**	493,384
Other income	6	**767,877**	174,574
Administration expenses		**(96,471)**	(80,615)
Operating profit		**1,085,087**	587,343
Net finance income / (cost)	9	**85,326**	(79,436)
Profit before tax		**1,170,413**	507,907
Tax	10	**(117,212)**	(63,746)
Net profit for the year		**1,053,201**	444,161
Other comprehensive income		**-**	-
Total comprehensive income for the year		**1,053,201**	444,161

The notes on pages 10 to 29 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
31 December 2011

	Note	2011 €	2010 €
ASSETS			
Non-current assets			
Investments in subsidiaries	13	**33,608,837**	33,607,937
Loans receivable	14	**7,370,602**	15,686,280
		40,979,439	49,294,217
Current assets			
Trade and other receivables	15	**6,846,915**	8,806,189
Loans receivable	14	**7,784,100**	-
Cash and cash equivalents	16	**2,587,128**	3,332,272
		17,218,143	12,138,461
Total assets		**58,197,582**	61,432,678
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium	17	**32,602,000**	32,602,000
Retained earnings		**19,639,592**	20,916,791
Total equity		**52,241,592**	53,518,791
Non-current liabilities			
Borrowings	18	**-**	2,829,750
		-	2,829,750
Current liabilities			
Trade and other payables	19	**2,909,762**	2,214,881
Borrowings	18	**2,896,125**	2,829,750
Current tax liabilities	20	**150,103**	39,506
		5,955,990	5,084,137
Total liabilities		**5,955,990**	7,913,887
Total equity and liabilities		**58,197,582**	61,432,678

On 21 March 2012 the Board of Directors of Terna Overseas Limited authorised these financial statements for issue.

....
Xenia Koustai
Director

....
Stelios Panayides
Director

The notes on pages 10 to 29 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2011

	Note	Share capital €	Share premium €	Advances for the increase of share capital €	Retained earnings €	Total €
Balance at 1 January 2010		**95,000**	**1,955,000**	**2,500,000**	**20,472,630**	**25,022,630**
Comprehensive income						
Net profit for the year		-	-	-	444,161	444,161
Transactions with owners						
Issue of share capital	17	1,273,000	29,279,000	(2,500,000)	-	28,052,000
Balance at 31 December 2010		**1,368,000**	**31,234,000**	**-**	**20,916,791**	**53,518,791**
Comprehensive income						
Net profit for the year		-	-	-	1,053,201	1,053,201
Transactions with owners						
Issue of share capital	17	97,100	2,233,300	-	(2,330,400)	-
Decrease of share capital		(97,100)	(2,233,300)	-	-	(2,330,400)
Balance at 31 December 2011		**1,368,000**	**31,234,000**	**-**	**19,639,592**	**52,241,592**

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 15% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

TERNA OVERSEAS LIMITED

CASH FLOW STATEMENT
Year ended 31 December 2011

	Note	**2011**	2010
		€	€
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,170,413**	507,907
Adjustments for:			
Unrealised exchange loss		**1,047**	-
Interest income	6	**(684,055)**	(143,653)
Interest expense	9	**81,789**	96,294
Exchange gains on financing activites		**-**	(1,289)
Cash flows from operations before working capital changes		**569,194**	459,259
Decrease in trade and other receivables		**1,959,274**	18,464,351
Increase / (decrease) in trade and other payables		**693,981**	(3,384,656)
Cash flows from operations		**3,222,449**	15,538,954
Tax paid		**(6,615)**	(76,457)
Net cash flows from operating activities		**3,215,834**	15,462,497
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of investments in subsidiaries	13	**-**	(31,314,196)
Loans advanced to related parties		**(1,700,000)**	(10,000,000)
Loans repayments received		**2,855,338**	2,961,002
Interest received		**59,248**	21,370
Net cash flows from / (used in) investing activities		**1,214,586**	(38,331,824)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share Capital and Share Premium reduction		**(2,330,400)**	28,052,000
Repayments of borrowings		**(2,767,185)**	(2,822,889)
Interest paid		**(77,979)**	(96,294)
Net cash flows (used in) / from financing activities		**(5,175,564)**	25,132,817
Net (decrease) / increase in cash and cash equivalents		**(745,144)**	2,263,490
Cash and cash equivalents:			
At beginning of the year		**3,332,272**	1,068,782
At end of the year	16	**2,587,128**	3,332,272

The notes on pages 10 to 29 form an integral part of these financial statements.

1. Incorporation and principal activities

Country of incorporation

The Company Terna Overseas Limited (the "Company") was incorporated in Cyprus on 20 May 2006 as a private limited liability Company under the Cyprus Companies Law, Cap. 113. Its registered office is at Annis Komninis, 37, Elenion Building, 2nd floor, Flat/Office 7, Nicosia, Cyprus.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the provision of consultancy services in the construction field, the execution and supervision of public and private technical projects and land development including any interest earning activities.

2. Accounting policies

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

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

The Company is not required by the Cyprus Companies Law, Cap.113, to prepare consolidated financial statements because the ultimate parent company publishes consolidated financial statements in accordance with Generally Accepted Accounting Principles in Greeceand the Company does not intend to issue consolidated financial statements for the year ended 31 December 2011.

Since the EU 7th Directive permits the preparation of such consolidated financial statements in accordance with the Directive or in a manner equivalent to that Directive and since the Cyprus Companies Law, Cap.113, provides for the aforementioned exemption, the provisions in IAS 27 "Consolidated and Separate Financial Statements" requiring the preparation of such consolidated financial statements in accordance with IFRS do not apply.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Adoption of new and revised IFRSs

As from 1 January 2011, the Company adopted all the following IFRSs and International Accounting Standards (IAS), which are relevant to its operations. The adoption of these Standards did not have a material effect on the financial statements.

At the date of approval of these financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Adopted by the European Union
Amendments
- *Amendment to IFRS 7 - Financial Instruments: Disclosures - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011).*

(ii) Not adopted by the European Union
New standards
- *IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015).*
- *IFRS 10,"Consolidated financial statements" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 11, "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 12, "Disclosure of Interests in Other entities" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 13, "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 27, "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 28, "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013).*

Amendments
- *Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014).*
- *Amendments to IFRS 7 – Disclosures-Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013).*
- *Amendments to IAS 19 - Employee Benefits (effective for annual periods beginning on or after 1 January 2013).*
- *Amendments to IAS 1, Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012).*
- *Amendments to IAS 12 - "Deferred tax": Recovery of Underlying Assets: (effective for annual periods beginning on or after 1 January 2012).*
- *Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (effective for annual periods beginning on or after 1 July 2011).*

The Board of Directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the Company.

Subsidiary companies

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable services provided in the normal course of business, net of discounts and sales related taxes. Revenues earned by the Company are recognised on the following bases:

2. Accounting policies (continued)

Revenue recognition (continued)

- **Rendering of services**

  Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

- **Interest income**

  Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

Foreign currency translation

(1) **Functional and presentation currency**
Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

(2) **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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. Accounting policies (continued)

Tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Prepayments from clients

Payments received in advance on development contracts for which no revenue has been recognised yet, are recorded as prepayments from clients as at the reporting date and carried under liabilities. Payments received in advance on development contracts for which revenue has been recognised, are recorded as prepayments from clients to the extent that they exceed revenue that was recognised in profit or loss as at the reporting date.

Loans granted

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Financial assets

(1) Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

- Loans and receivables

  Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the reporting date. These are classified as non current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

(2) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses on available-for-sale financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available for sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects 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.

2. Accounting policies (continued)

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3. Financial risk management

Financial risk factors

The Company is exposed to interest rate risk, credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

3.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	2011	2010
	€	€
Fixed rate instruments		
Financial assets	**12,229,905**	10,000,000
Variable rate instruments		
Financial assets	**2,924,797**	5,686,280
Financial liabilities	**(2,896,125)**	(5,659,500)
	12,258,577	10,026,780

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2011 would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit.

	Profit or loss	
	2011	2010
	€	€
Variable rate instruments	**287**	268

3.2 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

3. Financial risk management (continued)

3.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

31 December 2011	Carrying amounts	Contractual cash flows	Less than 1 year	Between 1-5 years	More than 5 years
	€	€	€	€	€
Bank loans	2,896,125	2,896,125	2,896,125	-	-
Trade and other payables	1,362,828	1,362,828	1,362,828	-	-
Payables to related companies	201,118	1,362,828	1,362,828	-	-
	4,460,071	**5,621,781**	**5,621,781**	**-**	**-**

31 December 2010	Carrying amounts	Contractual cash flows	Less than 1 year	Between 1-5 years	More than 5 years
	€	€	€	€	€
Bank loans	5,659,500	5,659,500	2,829,750	2,829,750	-
Trade and other payables	1,505,425	1,505,425	1,505,425	-	-
Payables to related companies	19,550	1,505,425	1,505,425	-	-
	7,184,475	**8,670,350**	**5,840,600**	**2,829,750**	**-**

3.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2011	2010	**2011**	2010
	€	€	**€**	€
United States Dollars	**(2,896,125)**	(5,659,500)	**3,001,861**	5,761,585
	(2,896,125)	(5,659,500)	**3,001,861**	5,761,585

3. Financial risk management (continued)

Sensitivity analysis
A 10% strengthening of the Euro against the following currencies at 31 December 2011 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the relevant currency, there would be an equal and opposite impact on the profit.

	Profit or loss	
	2011	2010
	€	€
United States Dollars	**9,613**	9,280
	9,613	9,280

3.5 Capital risk management
The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders 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, return capital to shareholders or issue new shares, or sell assets to decrease its borrowings.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

The the Company's gearing ratio is calculated as follows:

	2011	2010
	€	€
Total borrowings (Note 18)	**2,896,125**	5,659,500
Less: Cash and cash equivalents (Note 16)	**(2,587,128)**	(3,332,272)
Net debt	**308,997**	2,327,228
Total equity	**52,241,592**	53,518,791
Total capital	**52,550,589**	55,846,019
Gearing ratio	**0.59%**	4.17%

The decrease in the gearing ratio during year ended 31 December 2011 resulted primarily from the issue of share capital at premium within the year.

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

4. Critical accounting estimates and judgements

Estimates and judgements 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 assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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:

4. Critical accounting estimates and judgements (continued)

- **Income taxes**

  Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Impairment of available-for-sale financial assets**

  The Company follows the guidance of IAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

5. Revenue

	2011	2010
	€	€
Rentering of generators	2,428,994	-
Sale of consultancy services	1,652,348	4,758,757
	4,081,342	4,758,757

6. Other income

	2011	2010
	€	€
Interest income	684,055	143,653
Other income	83,822	30,921
	767,877	174,574

Interest revenue is analysed as follows:

	2011	2010
	€	€
Bank deposits	59,248	21,370
Loans related party	624,807	122,283
	684,055	143,653

7. Expenses by nature

	2011	2010
	€	€
Staff costs (Note 8)	**2,012,214**	3,186,006
Auditors' remuneration	**5,000**	10,000
Accounting and administration fees (1)	**52,754**	38,866
Services received	**763,903**	962,073
Transportation expenses	**73,791**	117,294
Rent expense on generators	**541,671**	-
Other expenses on generators	**276,762**	-
Other expenses	**38,037**	31,749
Total expenses	**3,764,132**	4,345,988

(1) 2010 expenses relate to other non-assurance services charged by the Company's previous statutory auditors.

8. Staff costs

	2011	2010
	€	€
Wages and salaries	**1,995,542**	3,186,788
Social insurance costs and other funds	**16,672**	-
	2,012,214	3,186,788

9. Finance costs

	2011	2010
	€	€
Net foreign exchange transaction losses	**(167,115)**	(16,857)
Interest expense	**81,789**	96,293
	(85,326)	79,436

10. Tax

	2011	2010
	€	€
Corporation tax - current year	**110,597**	61,609
Defence contribution - current year	**6,615**	2,137
Charge for the year	**117,212**	63,746

10. Tax (continued)

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2011	2010
	€	€
Profit before tax	**1,170,413**	507,907
Tax calculated at the applicable tax rates	**117,041**	50,791
Tax effect of expenses not deductible for tax purposes	**-**	12,955
Tax effect of allowances and income not subject to tax	**30,649**	(2,137)
Defence contribution current year	**6,615**	2,137
Overseas tax in excess of credit claim used during the year	**(37,093)**	-
Tax charge	**117,212**	63,746

The corporation tax rate is 10%.

Under certain conditions interest income may be subject to defence contribution at the rate of 10%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 15%.

11. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

31 December 2011	Loans and receivables	Total
	€	**€**
Assets as per statement of financial position:		
Other receivables (excluding prepayments)	6,775,019	6,775,019
Loans receivable	15,154,702	15,154,702
Cash and cash equivalents	2,587,168	2,587,168
Total	**24,470,059**	**24,470,059**

	Borrowings and other financial liabilities	Total
	€	**€**
Liabilities as per statement of financial position:		
Borrowings	2,896,125	2,896,125
Trade payables (excluding accruals)	2,889,835	2,889,835
Total	**5,185,699**	**5,185,699**

11. Financial instruments by category (continued)

31 December 2010	Loans and receivables €	Total €
Assets as per statement of financial position:		
Other receivables (excluding prepayments)	8,756,189	8,756,189
Loans receivable	15,686,280	15,686,280
Cash and cash equivalents	3,332,271	3,332,271
Total	**27,774,740**	**27,774,740**

	Borrowings and other financial liabilities €	Total €
Liabilities as per statement of financial position:		
Borrowings	5,659,500	5,659,500
Trade payables (excluding accruals)	2,195,393	2,195,393
Total	**7,854,893**	**7,854,893**

12. Credit quality of financial assets

The credit quality of financials assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

	2011	2010
Cash at bank and short term bank deposits [(1)]		
A3	-	34,994
Baa3	-	3,052,701
Ba1	-	207,560
Baa1	**38,523**	37,016
Ba2	**34,484**	-
B3	**1,275,477**	-
Caa2	**1,235,830**	-
	2,584,314	3,332,271

The rest of the statement of financial position item "Cash and cash equivalents" is cash in hand.

None of the financial assets that are fully performing has been renegotiated.

13. Investments in subsidiaries

	2011 €	2010 €
Balance at 1 January	**33,607,937**	2,293,741
Additions	**900**	31,314,196
Balance at 31 December	**33,608,837**	33,607,937

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2011 Holding %	2010 Holding %
Terna Bahrain Holding W.L.L	Bahrain	Services	**99.99**	99.99
Terna Qatar LLC	Qatar	Services	**100**	100
Malcem Construction Materials Ltd	Malta	Construction	**75**	75
Terna Contracting W.L.L	Bahrain	Services	**100**	100
QE Energy Europe Ltd	Cyprus	Supply of gas	**90**	-

14. Loans receivable

	2011 €	2010 €
Loans to associated undertakings (Note 21)	**12,229,905**	10,000,000
Loans to fellow subsidiaries (Note 21)	**2,924,797**	5,686,280
	15,154,702	15,686,280
Less current portion	**(7,784,100)**	-
Non-current portion	**7,370,602**	15,686,280
The loans are repayable as follows:		
Within one year	**7,784,100**	-
Between one and five years	**-**	8,686,280
After five years	**7,370,602**	7,000,000
	15,154,702	15,686,280

The exposure of the Company to credit risk is reported in note 3 of the financial statements.

The fair values of non-current receivables approximate to their carrying amounts as presented above.

The loan to Terna Bahrain Holding W.L.L. carries interest at rate of LIBOR + 1.2%, is unsecured and is repayable by 20 September 2012.

The loan to Icon Borovets Eood carries interest at rate of 5% on a six month basis. The loan is unsecured and is repayable by 20 December 2017.

The loan to Icon Eood carries interest at rate of 5% on a six month basis. The loan is unsecured and is repayable by 20 December 2012.

14. Loans receivable (continued)

The carrying amounts of the Commpany's loan receivables are denominated in the following currencies:

	2011	2010
	€	€
Euro - functional and presentation currency	12,229,905	10,000,000
US Dollar	2,924,797	5,686,280
	15,154,702	15,686,280

15. Trade and other receivables

	2011	2010
	€	€
Trade receivables	**700,511**	-
Receivables from own subsidiaries (Note 21)	**3,413,338**	4,287,887
Receivables from related companies (Note 21)	**812,880**	867,686
Shareholders' current accounts - debit balances (Note 21)	**1,811,329**	3,293,429
Prepayments	**71,896**	50,000
Other receivables	**36,961**	-
Refundable VAT	**-**	307,187
	6,846,915	8,806,189

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

16. Cash and cash equivalents

Cash balances are analysed as follows:

	2011	2010
	€	€
Cash at bank and in hand	**2,587,128**	328,647
Bank deposits	**-**	3,003,625
	2,587,128	3,332,272

17. Share capital and share premium

Issued and fully paid	Number of shares	Advances for the increase of share capital	Share capital €	Share premium €	Total €
Balance at 1 January 2010	9,500	2,500,000	95,000	1,955,000	4,550,000
Issue of shares	127,300	-	1,273,000	29,279,000	30,552,000
Advances for the increase of share capital	-	(2,500,000)	-	-	(2,500,000)
Balance at 31 December 2010/ 1 January 2011	**136,800**	**-**	**1,368,000**	**31,234,000**	**32,602,000**
Issue of shares	9,710	-	97,100	2,233,300	2,330,400
Share capital and premium reduction	(9,710)	-	(97,100)	(2,233,300)	(2,330,400)
Balance at 31 December 2011	**136,800**	**-**	**1,368,000**	**31,234,000**	**32,602,000**

The total authorised number of ordinary shares is 136 800 shares with a par value of €10 per share. All issued shares are fully paid.

18. Borrowings

	2011 €	2010 €
Current borrowings		
Bank loans	**2,896,125**	2,829,750
Non current borrowings		
Bank loans	**-**	2,829,750
Total	**2,896,125**	5,659,500

Maturity of non-current borrowings:		
Between one to two years	-	2,829,750
	-	2,829,750

The Company borrowings are denominated in the following currencies:

	2011 €	2010 €
United States Dollars	**2,896,125**	5,659,500
	2,896,125	5,659,500

The Company's bank borrowings are repayable by semi-annual installments by 20 September 2012. The bank loans are secured with guarantees from the Company's sole shareholder, Terna S.A.

The bank borrowings carry interest of LIBOR + 0,9%.

The Company's bank borrowings are arranged at floating rates. Borrowings at floating rates expose the Company to cash flow interest rate risk.

19. Trade and other payables

	2011	2010
	€	€
Trade payables	**36,280**	483,286
Prepayments (1)	**1,009,163**	1,009,163
VAT	**296,928**	-
Shareholders' current accounts - credit balances (Note 21)	**1,028,961**	670,416
Accruals	**19,927**	19,490
Other creditors	**317,385**	12,976
Payables to related companies (Note 21)	**201,118**	19,550
	2,909,762	2,214,881

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

(1) The Company has signed an agreement with Bin Kamil Group ('third paty') for the sale of the 24% shareholding in Malcem Construction Materials Limited for €3.199.000. According to the agreement the third party has advanced to the Company an amount of €1.009.163. The agreement has not been executed and is currently under renegotiation by the two parties.

20. Current tax liabilities

	2011	2010
	€	€
Corporation tax	**150,103**	39,506
	150,103	39,506

21. Related party transactions

The Company is controlled by Terna S.A., incorporated in Greece, which owns 100% of the Company's shares. The Company's ultimate controlling party is Gek Terna S.A., which is listed in the Athens Stock Exchange.

The following transactions were carried out with related parties:

21.1 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	2011	2010
	€	€
Directors' fees	**680**	782
	680	782

21. Related party transactions (continued)

21.2 Sales of goods and services

	2011 €	2010 €
Terna Qatar LLC	**353,400**	296,487
PPC Terna Contracting Co WLL	**-**	29,086
Terna S.A.	**1,266,032**	4,395,684
Terna Contracting WLL	**-**	37,500
Terna SA Abu Dhabi	**32,917**	-
	1,652,349	4,758,757

21.3 Purchases

	Nature of transactions	2011 €	2010 €
Terna S.A.	Rents	**541,671**	-
		541,671	-

21.4 Receivables from own subsidiaries

	Nature of transactions	2011 €	2010 €
Malcem Construction Material Ltd (subsidiary)	Finance	**76,819**	79,819
Terna Qatar LLC (subsidiary)	Trade	**353,400**	798,566
PCC Terna Contracting Co WLL (subsidiary)	Trade	**-**	62,515
Terna Bahrain Holding WLL (subsidiary)	Finance	**2,732,414**	3,259,487
Terna Contracting WLL (subsidiary)	Trade	**87,500**	87,500
QE Energy Europe Ltd (subsidiary)	Trade	**163,206**	-
		3,413,339	4,287,887

21.5 Receivables from related parties (Note 15)

Name	Nature of transactions	2011 €	2010 €
Terna SA Sharjan Branch (under common control)	Trade	**99,770**	99,770
Terna SA Libya branch (under common control)	Finance	**679,480**	767,916
Terna SA Serbia branch (under common control)	Finance	**713**	-
Terna SA Abu Dhabi (under common control)	Trade	**32,917**	-
		812,880	867,686

21. Related party transactions (continued)

21.6 Loans to associated undertakings (Note 14)

	2011	2010
	€	€
Loans to subsidiary:		
Balance at 1 January	**5,686,280**	7,890,446
Repayments	**(2,855,338)**	(2,961,002)
Interest charged	**94,902**	122,283
Net foreign exchange differences	**(1,047)**	634,553
Balance at 31 December	**2,924,797**	5,686,280

	2011	2010
	€	€
Loans to related party:		
Balance at 1 January	**10,000,000**	-
Additions	**1,700,000**	10,000,000
Interest charged	**529,905**	-
Balance at 31 December	**12,229,905**	10,000,000

	2011	2010
	€	€
Terna Bahrain Holding WLL (principal amount)	**2,896,125**	5,659,500
Terna Bahrain Holding WLL (interest)	**28,672**	26,780
"ICON BOROVETS" EOOD (principal amount)	**7,000,000**	7,000,000
"ICON BOROVETS" EOOD (interest)	**370,602**	-
"ICON EOOD" (principal amount)	**4,700,000**	3,000,000
"ICON EOOD" (interest)	**159,303**	-
	15,154,702	15,686,280

21.7 Payables to related parties (Note 19)

	2011	2010
Name	**€**	€
Valeplus Ltd (under common control)	**19,550**	19,550
Terna Bahrain Holding WLL	**181,568**	-
	201,118	19,550

21.8 Shareholders' current accounts - debit balances (Note 15)

	2011	2010
	€	€
Terna S.A.	**1,811,329**	3,293,429
	1,811,329	3,293,429

The shareholders' current accounts are interest free, and have no specified repayment date.

21. Related party transactions (continued)

21.9 Shareholders' current accounts - credit balances (Note 19)

	2011	2010
	€	€
Terna S.A.	**1,028,961**	670,416
	1,028,961	670,416

The shareholders' current accounts are interest free, and have no specified repayment date.

22. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2011.

23. Commitments

The Company had no capital or other commitments as at 31 December 2011.

24. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent Auditor's report on pages 4 and 5

TERNA OVERSEAS LIMITED

DETAILED INCOME STATEMENT

Year ended 31 December 2011

	Page	2011 €	2010 €
Revenue			
Rentering of generators		**2,428,994**	-
Sale of consultancy services		**1,652,348**	4,758,757
Cost of sales	31	**(3,667,661)**	(4,265,373)
Gross profit		**413,681**	493,384
Other operating income			
Bank interest		**59,248**	21,370
Other interest income		**624,807**	122,283
Other income		**83,822**	30,921
		1,181,558	667,958
Operating expenses			
Administration expenses	32	**(96,471)**	(80,615)
Operating profit		**1,085,087**	587,343
Finance costs	33	**85,326**	(79,436)
Net profit for the year before tax		**1,170,413**	507,907

TERNA OVERSEAS LIMITED

COST OF SALES
Year ended 31 December 2011

	2011	2010
	€	€
Cost of sales		
Direct costs		
Wages and salaries	**1,994,862**	3,186,006
Social insurance etc	**16,672**	-
Services received	**763,903**	962,073
Transportation expenses	**73,791**	117,294
Rent expense on generators	**541,671**	-
Other expenses on generators	**276,762**	-
	3,667,661	4,265,373

OPERATING EXPENSES
Year ended 31 December 2011

	2011	2010
	€	€
Administration expenses		
Directors' fees	**680**	782
Professional licence fee	**444**	444
Sundry expenses	**7,439**	5,851
Courier expenses	**693**	-
Stationery and printing	**1,985**	1,536
Subscriptions and contributions	**430**	430
Certification and legalisation expenses	**2,200**	1,503
Auditors' remuneration	**5,000**	10,000
Accounting fees	**43,315**	33,015
Legal fees	**2,000**	-
Other professional fees	**-**	30
Secretarial fees	**340**	340
Registered office fees	**350**	350
Revenue stamps	**166**	90
Irrecoverable VAT	**2,752**	-
Overprovision of other income	**3,000**	-
Levy	**350**	-
Bank charges	**25,327**	26,244
	96,471	80,615

TERNA OVERSEAS LIMITED

FINANCE COSTS
Year ended 31 December 2011

	2011	2010
	€	€
Finance costs		
Interest expense		
Loan interest	**81,789**	100,613
Interest on taxes	**-**	(4,320)
Net foreign exchange transaction losses		
Realised exchange loss	**957**	(31)
Unrealised exchange loss	**(168,072)**	(16,826)
	(85,326)	79,436