Terna Contracting W.L.L.

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2012

REPORT OF THE BOARD OF DIRECTORS

The Directors have the pleasure in submitting their report and the audited financial statements of Terna Contracting W.L.L. ('the Company') for the year ended 31 December 2012.

Principal activities

The Company is a wholly owned subsidiary of Terna Bahrain Holding W.L.L and is engaged in construction contracting activities in the Kingdom of Bahrain.

Results and retained earnings

During the year, the Company generated contract revenue of BD 13,546,508 (2011: BD 15,688,227) and incurred a loss of BD 1,226,909 during the year (2011: profit of BD 1,924,774).

The movements in retained earnings are as follows:

	2012 ***BD***	*2011* *BD*
Balance at 1 January	**3,451,940**	1,719,643
(Loss) profit for the year	**(1,226,909)**	1,924,774
Transfer to statutory reserve	**-**	(192,477)
Balance at 31 December	**2,225,031**	3,451,940

Auditors

Ernst & Young have expressed their willingness to continue in office, and a resolution proposing their appointment, as auditors of the Company for the year ending 31 December 2013, will be submitted at the Annual General Meeting.

Signed on behalf of the Board of Directors

Chairman

21 March 2013

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TERNA CONTRACTING W.L.L.

Report on the Financial Statements

We have audited the accompanying financial statements of Terna Contracting W.L.L. ('the Company'), which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's 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.

ERNST & YOUNG

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2012, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Regulatory Requirements
As required by the Bahrain Commercial Companies Law, we report that:

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

We are not aware of any violations of the Bahrain Commercial Companies Law or the terms of the Company's memorandum and articles of association during the year ended 31 December 2012 that might have had a material adverse effect on the business of the Company or on its financial position. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

Ernst + Young

21 March 2013
Manama, Kingdom of Bahrain

Terna Contracting W.L.L.

STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Note	2012 BD	2011 BD
ASSETS			
Non-current assets			
Property, plant and equipment	5	**309,282**	605,610
Intangible assets	6	**4,167**	-
		313,449	605,610
Current assets			
Inventories		**242,014**	310,866
Due from customers for contract work	7	**2,313,674**	2,035,017
Contract and other receivables	8	**4,510,597**	9,128,522
Bank balances and cash	9	**926,226**	412,861
		7,992,511	11,887,266
TOTAL ASSETS		**8,305,960**	12,492,876
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**1,000,000**	1,000,000
Statutory reserve	11	**383,549**	383,549
Retained earnings		**2,225,031**	3,451,940
Total equity		**3,608,580**	4,835,489
Non-current liability			
Employees' end of service benefits	12	**542,376**	381,828
Current liabilities			
Due to customers for contract work	7	**-**	156,409
Trade and other payables	13	**4,128,228**	7,119,150
Bank overdraft	9	**26,776**	-
		4,155,004	7,275,559
Total liabilities		**4,697,380**	7,657,387
TOTAL EQUITY AND LIABILITIES		**8,305,960**	12,492,876

D. Antonakos
Chairman

D.Xoudis
Director

The attached notes 1 to 21 form part of these financial statements.

Terna Contracting W.L.L.

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2012

	Note	**2012** **BD**	2011 BD
Contract revenue		**13,546,508**	15,688,227
Operating costs	14	**(10,758,413)**	(9,449,929)
Project material and equipment expenses	15	**(2,575,208)**	(3,091,975)
		212,887	3,146,323
Other income	16	**271,341**	638,566
Exchange (loss) gain		**(3,807)**	1,519
General and administrative expenses		**(1,566,368)**	(1,723,956)
Finance costs		**(89,060)**	(144,567)
Provision for (write back) of future projected losses on projects		**(51,902)**	6,889
(LOSS) PROFIT FOR THE YEAR	17	**(1,226,909)**	1,924,774
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(1,226,909)**	1,924,774

D. Antonakos
Chairman

D.Xoudis
Director

The attached notes 1 to 21 form part of these financial statements.

Terna Contracting W.L.L.

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2012

	Note	**2012 BD**	2011 BD
OPERATING ACTIVITIES			
(Loss) profit for the year		**(1,226,909)**	1,924,774
Adjustments for:			
Depreciation	5	**312,660**	186,886
Write off of property, plant and equipment		**-**	19,767
Amortisation	6	**1,833**	458
Provision for employees' end of service benefits	12	**165,961**	93,244
Operating (loss) profit before working capital changes		**(746,455)**	2,225,129
Working capital changes:			
Inventories		**68,852**	(310,866)
Contract and other receivables		**4,636,549**	(5,998,417)
Due from customers for contract work		**(278,657)**	(817,137)
Due to customers for contract work		**(156,409)**	156,409
Trade and other payables		**(2,998,444)**	5,109,006
Cash from operating activities		**525,436**	364,124
Employees' end of service benefits paid	12	**(19,993)**	(5,348)
Net cash flows from operating activities		**505,443**	358,776
INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	**(12,854)**	(265,833)
Addition to intangible assets	6	**(6,000)**	-
Net cash flows used in investing activities		**(18,854)**	(265,833)
INCREASE IN CASH AND CASH EQUIVALENTS		**486,589**	92,943
Cash and cash equivalents at l January		**412,861**	319,918
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	**899,450**	412,861

Non-cash items:

Non-cash items not included in the above statement of cash flows include:

(i) Transfer of employees' end of service benefits to Terna Qatar W.L.L. amounting to BD 4,044 (note 12) which was adjusted against trade and other payables above (2011: nil)

(ii) Transfer of property, plant and equipment of BD 3,478 (2011: BD 220,760) (note 18) from a related party adjusted against trade and other payables.

(iii) Employees' end of service benefits of BD 18,624 (2011: BD 204,760) (note 12) transferred from group companies has been adjusted against trade and other receivables.

Terna Contracting W.L.L.
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2012

	Share capital BD	*Statutory reserve BD*	*Retained earnings BD*	*Total BD*
As at 1 January 2012	1,000,000	383,549	3,451,940	4,835,489
Total comprehensive income for the year	-	-	(1,226,909)	(1,226,909)
As at 31 December 2012	**1,000,000**	**383,549**	**2,225,031**	**3,608,580**
As at 1 January 2011	1,000,000	191,072	1,719,643	2,910,715
Total comprehensive income for the year	-	-	1,924,774	1,924,774
Transfer to statutory reserve (note 11)	-	192,477	(192,477)	-
As at 31 December 2011	1,000,000	383,549	3,451,940	4,835,489

The attached notes 1 to 21 form part of these financial statements.

1 ACTIVITIES

Terna Contracting W.L.L. ("the Company") is a limited liability company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 68262 on 2 April 2008. The company is engaged in construction contracting activities.

The Company is a subsidiary of Terna Bahrain Holding W.L.L. ('Parent Company'), a company incorporated in the Kingdom of Bahrain. The ultimate parent company is Terna SA, a company incorporated in and under the laws of Greece. Its registered office is at 85 Mesogeion Av, T.K. 115-26, Athens, Greece.

The Company's registered office is at Villa 418, Road 3207, Block 332, Zinj Area, P O Box 54368, Manama, Kingdom of Bahrain.

The shares of the Company are owned as follows:

Name of the shareholder	*Percentage of shareholding*
Terna Bahrain Holding W.L.L.	99.99%
Terna Overseas Limited	0.01%

On 14 September 2011, the Parent Company's Board of Directors resolved to liquidate one of its subsidiaries, PCC Terna Contracting W.L.L. (PCC Terna) as at 30 September 2011 and also resolved to transfer all of PCC Terna's assets and liabilities to Terna Contracting W.L.L. effective 1 October 2011. Consequently, all the assets and liabilities of PCC Terna were transferred to the Company at their carrying values as of 1 October 2011 and the resultant payable was included as amounts due to shareholder in the statement of financial position.

The financial statements were authorised for issue by the Board of Directors on 21 March 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
These financial statements have been prepared under the historical cost convention.

The financial statements have been presented in Bahrain Dinars (BD), being the functional currency of the Company.

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in conformity with the Bahrain Commercial Companies Law.

New and amended standards and interpretation effective as of 1 January 2012
The accounting policies adopted are consistent with those of the previous financial year. There are certain standards, amendment to standards and International Financial Reporting Interpretation Committe (IFRIC) interpretations issued as of 1 January 2012, which do not have an impact on the Company's financial statements.

Foreign currencies
Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is provided on a straight-line basis over the estimated useful lives of assets as follows:

Porta cabins	5 years
Plant and equipment	1 to 5 years
Furniture, fixtures and office equipment	1 to 5 years
Motor vehicles	5 years

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

Intangible assets
Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition and are stated at weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Cash and cash equivalents
For the purpose of statement of the cash flows , cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts, if any.

Impairment and uncollectibility of financial assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

The Company's financial liabilities include trade and other payables.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fair value of financial instruments
The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

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

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

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

Employees end of service benefits
The Company makes contributions to the Social Insurance Organisation (SIO) for its employees calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

The Company also provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and rebates. The following specific recognition criteria must also be met before revenue is recognised:

Contract revenue
Contract revenue is recognised under the percentage of completion method.

When the outcome of the contract can be reliably estimated profit is recognised by reference to completion of the physical proportion of the contract work. When the contract is at an early stage (normally below 20% completion) and its outcome cannot be reliably estimated, revenue is recognised to the extent of costs incurred up to the period-end, which is considered recoverable. Revenue arising from contract, variations/claim is not accounted for unless it is probable that the customer will approve the variations/claim and the amount of revenue arising from the variation/claim can be measured reliably.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

At the reporting date, gross contract receivables were BD 3,122,284 (2011: BD 7,281,581) and the provision for doubtful debts was nil (2011: nil). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Construction contracts
Revenue and profit recognition on an incomplete project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the management team's experience and the nature of the construction activity undertaken, the management makes estimates of the point at which it considers the work is sufficiently advanced such that the cost to complete, rectification costs and revenue can be reliably estimated. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the statement of financial position date, which would affect the revenue and the profit recognised in the future years as an adjustment to the amounts recorded to date. As at 31 December 2012, the management considered that all costs to complete and revenue can be reliably measured.

Impairment of property, plant and equipment
The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the assets' recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Management does not believe there is any indication of impairment of property, plant and equipment as at the reporting date.

Useful lives of property, plant and equipment and intangible assets
The Company's management determines the estimated useful lives of its property, plant and equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges/amortisation would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete these are written off. For slow-moving inventories, estimation is made on a collective basis based on the type of inventories and its expected usage and a provision is recognised.

At the reporting date, gross inventories were BD 242,014 (2011: BD 310,866) with no provisions for slow-moving inventories (2011: nil). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards (where applicable) when they become effective:

- *IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 effective for annual periods beginning on or after 1 July 2012;*
- *IAS 19 Employee Benefits (Revised) effective for annual periods beginning on or after 1 January 2013;*
- *IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) effective for annual periods beginning on or after 1 January 2013;*
- *IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32 effective for annual periods beginning on or after 1 January 2014;*
- *IFRS 1 Government Loans – Amendments to IFRS 1 effective for annual periods on or after 1 January 2013;*
- *IFRS 9 Financial Instruments: Classification and Measurement 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 12 Disclosure of Interests in Other Entities effective for annual periods beginning on or after 1 January 2013; and*
- *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine effective for annual periods beginning on or after 1 January 2013.*

Annual Improvements May 2012
These improvements will not have an impact on the Company, but include:

- *IFRS 1First-time Adoption of IFRS;*
- *IAS 1 Presentation of Financial Statements;*
- *IAS 16 Property Plant and Equipment;*
- *IAS 32 Financial Instruments, Presentation; and*
- *IAS 34 Interim Financial Reporting.*

These improvements are effective for annual periods beginning on or after 1 January 2013.

Other standards and interpretations that have been issued but are not yet effective are not likely to have any significant impact on the financial statements of the Company in the period of their initial application.

5 PROPERTY, PLANT AND EQUIPMENT

2012	*Porta cabins BD*	*Plant and equipment BD*	*Furniture, fixtures and office equipment BD*	*Motor vehicles BD*	*Total BD*
Cost:					
At 1 January 2012	330,910	1,816,353	169,761	395,191	2,712,215
Additions during the year	-	12,600	254	-	12,854
Transfer from a related party (note 18)	-	-	-	3,478	3,478
Disposals during the year	-	-	-	(10,045)	(10,045)
At 31 December 2012	330,910	1,828,953	170,015	388,624	2,718,502
Depreciation:					
At 1 January 2012	264,447	1,382,285	150,904	308,969	2,106,605
Depreciation charge for the year	46,587	195,813	11,950	58,310	312,660
Relating to disposals	-	-	-	(10,045)	(10,045)
At 31 December 2012	311,034	1,578,098	162,854	357,234	2,409,220
Net book values:					
At 31 December 2012	**19,876**	**250,855**	**7,161**	**31,390**	**309,282**

2011	*Porta cabins BD*	*Plant and equipment BD*	*Fixtures and fittings BD*	*Motor vehicles BD*	*Total BD*
Cost:					
At 1 January 2011	57,186	422,327	29,759	66,682	575,954
Additions during the year	-	216,344	24,890	24,599	265,833
Transfer from a related party	368,780	1,331,425	152,805	313,360	2,166,370
Written off during the year	(95,056)	(153,743)	(37,693)	(9,450)	(295,942)
At 31 December 2011	330,910	1,816,353	169,761	395,191	2,712,215
Depreciation:					
At 1 January 2011	22,083	172,625	26,149	29,427	250,284
Depreciation charge for the year	18,825	133,588	9,643	24,830	186,886
Transfer from a related party	312,126	1,216,517	152,805	264,162	1,945,610
Relating to write off	(88,587)	(140,445)	(37,693)	(9,450)	(276,175)
At 31 December 2011	264,447	1,382,285	150,904	308,969	2,106,605
Net book values:					
At 31 December 2011	66,463	434,068	18,857	86,222	605,610

Depreciation expense for the year has been included in the following accounts in the statement of comprehensive income:

	***2012* BD**	*2011 BD*
Project material and equipment expenses (note 15)	**261,696**	164,437
General and administrative expenses	**50,964**	22,449
	312,660	186,886

6 INTANGIBLE ASSETS

	2012 BD	2011 BD
Cost:		
At 1 January	**4,200**	4,200
Additions	**6,000**	-
At 31 December	**10,200**	4,200
Amortisation:		
At 1 January	**4,200**	3,742
Amortisation for the year	**1,833**	458
At 31 December	**6,033**	4,200
Net carrying values:		
At 31 December	**4,167**	-

During the current year, the Company purchased a new accounting software and is being amortised over 3 years, which is the expected useful life of the software.

7 DUE FROM CUSTOMERS FOR CONTRACT WORK

	2012 BD	2011 BD
Contract costs incurred till date	**34,830,656**	19,841,607
Recognised profit	**322,922**	1,765,463
Future projected loss provided for	**(51,902)**	-
Total value of work executed till date including profit	**35,101,676**	21,607,070
Progress billings	**(32,788,002)**	(19,728,462)
	2,313,674	1,878,608
Due from customers for contract work	**2,313,674**	2,035,017
Due to customers for contract work	**-**	(156,409)
	2,313,674	1,878,608

8 CONTRACT AND OTHER RECEIVABLES

	2012 BD	2011 BD
Contract receivables	**3,122,284**	7,281,581
Due from related parties (note 18)	**808,540**	175,479
Retentions	**371,311**	635,628
Advances to suppliers	**120,988**	653,617
Prepayments	**43,458**	65,224
Other receivables	**44,016**	316,993
	4,510,597	9,128,522

Contract receivables are non-interest bearing and are due to be settled within 15 days of approval of work completion certificate.

Terms and conditions relating to due from related parties are disclosed in note 18.

8 CONTRACT AND OTHER RECEIVABLES (continued)

As at 31 December 2012, none of the contract receivables were impaired (2011: nil) and the ageing of unimpaired contract receivables is as follows:

			Past due but not impaired			
	Total BD	*Neither past due nor impaired BD*	*< 30 days BD*	*30 – 60 days BD*	*60 – 90 days BD*	*90 – 180 days BD*
31 December 2012	**3,122,284**	**911,431**	**4,845**	**163,829**	**-**	**2,042,179**
31 December 2011	7,281,581	5,473,664	472,107	491,102	737,888	106,820

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

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise of the following statement of financial position amounts:

	2012 BD	*2011 BD*
Bank balances - Bahraini Dinars	**925,217**	392,449
Cash in hand	**1,009**	20,412
Bank balances and cash	**926,226**	412,861
Bank overdraft	**(26,776)**	-
Cash and cash equivalents	**899,450**	412,861

The bank overdraft is denominated in Bahraini Dinars and has an effective interest rate of 8% per annum (2011: nil).

At 31 December 2012, the Company had BD 884,809 (2011: nil) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

10 SHARE CAPITAL

	2012 BD	*2011 BD*
Authorised, issued and fully paid: 20,000 shares of BD 50 each	**1,000,000**	1,000,000

11 STATUTORY RESERVE

As required by the Bahrain Commercial Companies Law and the Company's memorandum and articles of association, 10% of the net profit for the year has to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The reserve cannot be utilised for the purpose of distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law. No transfer was made in the current year as the Company has incurred a loss.

12 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position are as follows:

	2012 BD	*2011 BD*
At 1 January	**381,828**	89,172
Provided during the year (note 17)	**165,961**	93,244
Transferred from a group company (note 18)	**18,624**	204,760
Transferred to a group company (note 18)	**(4,044)**	-
Paid during the year	**(19,993)**	(5,348)
At 31 December	**542,376**	381,828

13 TRADE AND OTHER PAYABLES

	2012 BD	*2011 BD*
Contract payables	**1,682,663**	4,045,439
Accrued expenditure	**952,313**	495,000
Retention payable	**893,029**	720,333
Accruals for employee benefits	**301,364**	271,193
Other payables - related parties (note 18)	**117,986**	79,551
Other payables	**105,284**	120,193
Contract advances	**75,589**	1,387,441
	4,128,228	7,119,150

Contract payables and accrued expenses (including amounts due to related parties) are non-interest bearing and are normally settled on 60-day terms.

Contract advances comprise of sums received from customers as per contractual agreements. They are adjusted according to the contractual provisions at the time of issuance of each invoice.

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

For terms and conditions for amounts due to related parties see note 18.

14 OPERATING COSTS

	2012 BD	*2011 BD*
Sub-contractors' work	**6,958,968**	5,248,613
Staff costs (note 17)	**3,081,664**	3,110,980
Motor vehicle hire and expenses	**185,877**	312,581
Consumables	**171,603**	377,301
Consultants fee and technician charges	**102,195**	31,852
Travel	**86,895**	104,425
Communication	**71,955**	83,260
Other expenses	**28,445**	20,061
Repairs and maintenance	**70,811**	160,856
	10,758,413	9,449,929

15 PROJECT MATERIALS AND EQUIPMENT EXPENSES

	2012	2011
	BD	*BD*
Materials	**2,260,962**	2,913,813
Depreciation (note 5)	**261,696**	164,437
Piling	**52,550**	13,725
	2,575,208	3,091,975

16 OTHER INCOME

	2012	2011
	BD	*BD*
Ancillary works not related to contracts	**266,352**	634,297
Sale of scrap	**1,417**	4,195
Miscellaneous	**3,572**	74
	271,341	638,566

17 (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year is stated after charging staff costs and operating lease rentals.

Staff costs have been included in the following accounts in the statement of comprehensive income:

	2012	*2011*
	BD	*BD*
Operating costs (note 14)	**3,081,664**	3,110,980
General and administrative expenses	**1,154,654**	1,126,959
	4,236,318	4,237,939
Staff costs comprise of the following:		
Salaries and wages	**2,683,319**	2,614,202
Other staff benefits and expenses	**829,346**	757,941
Hire of labour	**429,325**	675,159
Contribution to Social Insurance Organisation	**128,367**	97,393
Employees' end of service benefits (note 12)	**165,961**	93,244
	4,236,318	4,237,939
Rentals-operating leases	**73,620**	79,491

18 RELATED PARTY TRANSACTIONS

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

18 RELATED PARTY TRANSACTIONS (continued)

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

	2012		2011	
	Expenses BD	**Other income BD**	*Expenses BD*	*Other income BD*
Terna Mechanical and Electrical W.L.L	**17,568**	-	170,258	785

Transfer of assets and liabilities of PCC Terna

As explained in note 1, the details of assets transferred and liabilities assumed by the Company as of 1 October 2011 are as follows:

	BD
ASSETS	
Property, plant and equipment	220,760
Inter company receivables	2,454,839
Advances to suppliers and subcontractors	24,456
Prepayments	261
Cash at bank	17,802
Cash at hand	2,538
LIABILITIES	
Performance retentions	(172,737)
Payables	(166,261)
Net assets acquired - due to a shareholder	2,381,658

Amounts due from and due to related parties, as disclosed in notes 8 and 13 respectively, are as follows:

	2012		2011	
	Receivables BD	**Payables BD**	*Receivables BD*	*Payables BD*
Parent entities				
Terna S.A. (Abu Dhabi branch)	**15,608**	-	613	-
Terna S.A.	-	**74,393**	-	36,974
Terna Overseas Ltd	-	**43,593**	-	42,577
Terna Bahrain Holding Company W.L.L	**485,149**	-	12,192	-
Group company				
Terna Qatar Company L.L.C	**144,398**	-	2,283	-
Fellow subsidiaries				
Terna Mechanical and Electrical W.L.L	**163,385**	-	160,391	-
	808,540	**117,986**	175,479	79,551

During the year, the following intercompany transfers were made :

a. End of service benefits of BD 4,044 (note 12) relating to employees transferred from the Company to Terna Qatar Company L.L.C.

b. End of service benefits of BD 18,624 (note 18) and other employee benefits of BD 16,160 relating to employees transferred from Terna Mechanicial and Electrical W.L.L. to the Company

c. Property, plant and equipment at net book value of BD 3,478 (note 5) from Terna Mechanicial and Electrical W.L.L. to the Company (2011: BD 220,760 from PCC-Terna Contracting W.L.L. to the Company)

18 RELATED PARTY TRANSACTIONS (continued)

Terms and conditions of transactions with related parties:
Outstanding balances at the year end are unsecured, interest free and payable on demand except for balances with Terna Mechanical and Electrical W.L.L. ("MEP"). Balances with MEP are trade payables and are normally payable within 30 to 60 days of invoice. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2012, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2011: nil).

Compensation of key management personnel
The remuneration of key management personnel during the year was as follows;

	2012 ***BD***	*2011* *BD*
Short-term benefits	**266,110**	265,722
Employees' end of service benefits	**58,642**	21,875
	324,752	287,597

19 CONTINGENCIES AND COMMITMENTS

a) Guarantees
The Company's bankers have given performance and advance payment guarantees amounting to BD 3,309,739 (2011: BD 2,785,452) in respect of various contracts undertaken for execution. These are secured by joint and several guarantees from the shareholders.

b) Lease rental commitments
Future minimum rentals payable under non-cancellable operating leases as of the reporting date are as follows:

	2012 ***BD***	*2011* *BD*
Not later than one year	**78,600**	106,200
Later than one year and not later than five years	**151,966**	289,200
Later than five years	**-**	110,400
	230,566	505,800

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction
The Company manages risk through a process of ongoing identification and monitoring of the risks it faces. The Company is exposed to credit risk, liquidity risk and currency risk.

The Company's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)
Credit risk related to receivables is managed according to the Company's policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed by the management. Outstanding customer receivables are regularly monitored. The Company does not perceive any risk with respect to related party receivables. Its three largest customers account for 89% outstanding accounts receivables at 31 December 2012 (2011: 96%).

Credit risk related to balances with banks is managed by ensuring that the balances are kept with reputed banks. The Company's maximum exposure to credit risk with respect to contract and other receivables and bank balances is limited to their carrying amounts as disclosed in the statement of financial position.

Liquidity risk
Liquidity risk (also referred to as funding risk) is the risk that an entity will encounter difficulties in meeting its commitments associated with financial liabilities.

The Company limits its liquidity risk by ensuring that sufficient bank balances and bank facilities are available. The Company's terms of contract agreements require amounts to be paid within 15 days of approval of work completion certificate. Trade payables are normally settled within 60 days of the date of invoice.

The table below summarises the maturities of the Company's undiscounted financial liabilities, based on the payment dates:

31 December 2012	***Less than 3 months BD***	***3 to 12 months BD***	***1 to 5 years BD***	***Total BD***
Contract payables	**1,682,663**	**-**	**-**	**1,682,663**
Other payables - related parties	**117,986**	**-**	**-**	**117,986**
Retentions payable	**-**	**893,029**	**-**	**893,029**
Accrued expenses and other payables	**1,057,597**	**-**	**-**	**1,057,597**
	2,858,246	**893,029**	**-**	**3,751,275**
Contractual guarantees	**491,296**	**2,316,696**	**501,747**	**3,309,739**

31 December 2011	*Less than 3 months BD*	*3 to 12 months BD*	*1 to 5 years BD*	*Total BD*
Contract payables	4,045,439	-	-	4,045,439
Other payables - related parties	79,551	-	-	79,551
Retentions payable	-	720,333	-	720,333
Accrued expenses and other payables	615,193	-	-	615,193
	4,740,183	720,333	-	5,460,516
Contractual guarantees	423,089	734,123	1,628,240	2,785,452

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk
Foreign currency risk is that the fair value or future cash flows of a financial instrument will fluctuate due to change in foreign exchange rates.

The Company's exposure to foreign currency risk is limited to its balances with related parties that are denominated in Euro.

The net sensitivity to a reasonably possible change in Euro/Bahraini Dinar exchange rate with all other variables held constant, of the Company's profit due to change in the fair value of amounts due to related parties is as follows:

	Increase/ decrease in Euro rate to the Bahraini Dinar	*Effect on profit BD*
31 December 2012	**+5%**	**(5,899)**
	-5%	**5,899**
31 December 2011	+5%	(3,977)
	-5%	3,977

The Company also has balances denominated in United Arab Emirates Dirhams (AED) and United States Dollars (US$). As the AED is pegged to the US$, no significant foreign currency risk exists against balances in AED.

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

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011. Capital comprises equity and is measured at BD 3,608,580 as at 31 December 2012 (2011: BD 4,835,489).

21 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances and cash and contract and other receivables and amounts due from customers for contract work. Financial liabilities consist of trade and other payables, bank overdraft and due to related parties.

The fair values of the Company's financial assets and liabilities are not materially different from their carrying values as of the reporting date.