Terna Mechanical and Electrical W.L.L.

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2014

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Terna Mechanical and Electrical W.L.L

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors has pleasure in submitting its report and the audited financial statements of Terna Mechanical and Electrical W.L.L. ('the Company') for the year ended 31 December 2014.

Principal activities

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

Results and accumulated losses

The Company incurred a loss of BD 220,899 during the year ended 31 December 2014 compared to a loss of BD 2,813,212 during the year ended 31 December 2013.

Movement in accumulated losses during the year ended 31 December 2014 was as follows:

	2014 *BD*
Balance as at 1 January 2014	**(2,868,670)**
Loss for the year	**(220,899)**
Balance as at 31 December 2014	**(3,089,569)**

Loss of capital and going concern

The Directors are aware of the fact that the Company incurred a loss of BD 220,899 during the year ended 31 December 2014 and as of that date, the Company's accumulated losses exceeded its share capital by BD 2,889,569 and the Company's total liabilities exceeded total assets by BD 2,733,974. However, the Company's financial statements for the year ended 31 December 2014 have been prepared on a going-concern basis, as the shareholder of the Parent Company has agreed to provide financial support to the Company to meet its obligations as and when they fall due.

Auditors

Ernst & Young have expressed their willingness to continue in office, and a resolution proposing their appointment, as auditors of the Company for the year ending 31 December 2015, will be submitted at the Annual General Meeting.

Signed on behalf of the Board of Directors

D. Antonakos
Chairman
9 March 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of Terna Mechanical and Electrical W.L.L. ("the Company"), which comprise the statement of financial position as at 31 December 2014 and the statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2 to the financial statements. The Company incurred a loss of BD 220,899 during the year ended 31 December 2014 and as of that date, the Company's accumulated losses exceeded its share capital by BD 2,889,569 and total liabilities exceeded total assets by BD 2,733,974. In addition, the Company depends on support from the shareholder of the Parent Company. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. These financial statements have been prepared on a going concern basis as the shareholder of the Parent Company has agreed to provide financial support to the Company to meet its obligations as and when they fall due.

Report on Other Regulatory Requirements

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

a) the Company has maintained proper accounting records and the financial statements are in agreement therewith; and

b) the financial information contained in the Report of Board of Directors is consistent with the financial statements.

We are not aware of any violations of the Bahrain Commercial Companies Law or the terms of the Company's memorandum of association during the year ended 31 December 2014 that might have had a material adverse effect on the business of the Company or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests.

Ernst + Young

Auditor's Registration No. 186
9 March 2015
Manama, Kingdom of Bahrain

Terna Mechanical and Electrical W.L.L.

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 BD	2013 BD
ASSETS			
Current assets			
Due from customers for contract work	5	455,956	448,879
Contract and other receivables	6	1,063,299	1,414,635
Bank balances and cash	7	95	452
TOTAL ASSETS		1,519,350	1,863,966
EQUITY AND LIABILITIES			
Equity			
Share capital	8	200,000	200,000
Statutory reserve	9	155,595	155,595
Accumulated losses		(3,089,569)	(2,868,670)
Total equity		(2,733,974)	(2,513,075)
Current liabilities			
Contract and other payables	10	4,253,324	4,377,041
TOTAL EQUITY AND LIABILITIES		1,519,350	1,863,966

D. Antonakos
Chairman

K. Iliadis
Director

The attached notes 1 to 15 form part of these financial statements.

Terna Mechanical and Electrical W.L.L.

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2014

	Note	*2014 BD*	*2013 BD*
Contract revenue	12	7,077	26,549
Project material and equipment expenses		(556)	(8,405)
Operating costs	11	-	(26,513)
GROSS PROFIT (LOSS)		6,521	(8,369)
Other income		3,575	2,404
Foreign exchange gain (loss)		58,286	(11,438)
General and administrative expenses		(26,511)	(38,819)
Bank charges		(35)	(123)
Write off of amounts due from customers for contract work	5	-	(1,099,663)
Write off of trade and other receivables	6	(262,735)	(1,657,204)
LOSS FOR THE YEAR		(220,899)	(2,813,212)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(220,899)	(2,813,212)

D. Antonakos
Chairman

K. Iliadis
Director

Terna Mechanical and Electrical W.L.L.

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2014

	Note	*2014* *BD*	*2013* *BD*
OPERATING ACTIVITIES			
Loss for the year and operating loss before working capital changes		**(220,899)**	(2,813,212)
Working capital changes:			
Contract and other receivables		**351,336**	1,645,432
Due from customers for contract work		**(7,077)**	1,098,300
Contract and other payables		**(123,717)**	86,219
Due to customers for contract work		**-**	(25,185)
Net cash flows used in operating activities and decrease in bank balances and cash		**(357)**	(8,446)
Bank balances and cash at 1 January		**452**	8,898
BANK BALANCES AND CASH AT 31 DECEMBER	7	**95**	452

The attached notes 1 to 15 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2014

	Share capital BD	*Statutory reserve BD*	*Accumulated losses BD*	*Total BD*
Balance as at 1 January 2013	200,000	155,595	(55,458)	300,137
Total comprehensive loss for the year	-	-	(2,813,212)	(2,813,212)
Balance as at 31 December 2013	200,000	155,595	(2,868,670)	(2,513,075)
Total comprehensive loss for the year	-	-	(220,899)	(220,899)
Balance as at 31 December 2014	**200,000**	**155,595**	**(3,089,569)**	**(2,733,974)**

1 ACTIVITIES

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

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

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

The financial statements were authorised for issue by the Board of Directors on 9 March 2015.

2 FUNDAMENTAL ACCOUNTING CONCEPT

The Company incurred a loss of BD 220,899 for the year ended 31 December 2014 and, as of that date, the Company's accumulated losses exceeded the share capital by BD 2,889,569 and total liabilities of the Company exceeded its total assets by BD 2,733,974. In addition, the Company depends on support from the shareholder of the Parent Company ("Terna Overseas Limited"). These conditions indicate the existence of a material uncertainity which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis as the shareholder of the Parent Company has agreed to provide financial support to the Company to meet its obligations to third parties as and when they fall due.

The Bahrain Commercial Companies Law requires that in the case of a company that has lost a substantial portion of its capital, a meeting of the shareholders should be convened by the Board of Directors at which the shareholders are required to resolve whether or not to continue the operations of the Company. This meeting was convened on 9 March 2015 and the shareholders have resolved to continue with the operations of the Company.

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

New and amended standards and interpretations as of 1 January 2014
The accounting policies adopted are consistent with those of the previous financial year, except for the following IASB's new and amended standards which are effective as of 1 January 2014. Their adoption did not have any effect on the Company's financial position, financial performance or disclosures.

IAS 19 *Defined Benefit Plans: Employee Contributions (Amendments) - clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.*

IAS 32 *Financial Instruments: Presentation (Amendment) - Guidance on the offsetting of financial assets and financial liabilities.*

3 **SIGNIFICANT ACCOUNTING POLICIES (continued)**

New and amended standards and interpretations as of 1 January 2014

IAS 36	*Impairment of Assets (Amendment) - on recoverable amount disclosures.*
IAS 39	*Financial Instruments: Recognition and Measurement (Amendment) - novation of derivatives and discontinuance of hedge accounting.*
IFRS 10, IFRS 12, IAS 27	*Investment Entities (Amendments) - Amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity.*
IFRIC 21	*Levies - Interpretation on the accounting for leview imposed by Governments.*

Standards issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards if applicable, when they become effective:

IFRS 3	*Amended by Annual Improvements to IFRSs 2010–2012 Cycle (contingent consideration) and 2011–2013 Cycle (scope exception for joint ventures) (Applicable for business combinations for which the acquisition date is on or after 1 July 2014).*
IFRS 9	*Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2018).*
IAS 19	*Defined Benefit Plans: Employee Contributions- amendments to IAS 19 (effective for annual periods beginning on or after 1 July 2014).*
IAS 16	*Amended by Annual Improvements to IFRSs 2010–2012 Cycle (proportionate restatement of accumulated depreciation under the revaluation method) (effective for annual periods beginning on or after 1 July 2014).*
IAS 16, IAS 38	*Amended by Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016).*
IAS 16, IAS 41	*Amended by Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) (effective for annual periods beginning on or after 1 January 2016).*
IAS 24	*Amended by Annual Improvements to IFRSs 2010–2012 Cycle (entities providing key management personnel services) (effective for annual periods beginning on or after 1 July 2014).*
IFRS 13	*Amended by Annual Improvements to IFRSs 2011–2013 Cycle (scope of portfolio exception in paragraph 52) (effective for annual period beginning on or after 1 July 2014).*
IFRS 15	*Revenue from Contracts with Customers: (effective for annual periods beginning on or after 1 July 2017).*
IAS 40	*Amended by Annual Improvements to IFRSs 2011–2013 Cycle (interrelationship between IFRS 3 and IAS 40) (effective for annual periods beginning on or after 1 July 2014).*
IFRS 14	*Regulatory Deferral Accounts issued (effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2016).*
IFRS 2	*Amended by Annual Improvements to IFRSs 2010–2012 Cycle (definition of vesting condition) (effective for annual periods beginning on or after 1 July 2014).*
IFRS 11	*Amended by Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) (effective for annual periods beginning on or after 1 January 2016)*
IAS 27	*Amended by Equity Method in Separate Financial Statements (Amendments to IAS 27) (effective for annual periods beginning on or after 1 January 2016, with earlier application permitted)*

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification
The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is presented as current when it is:

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

All other assets are classified as non-current. A liability is presented as current when:

- it is expected to be settled in a normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability; or
b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

If such evidence exists, impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows:

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

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

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

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

3 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.

Derecognition of financial instruments
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

Non-monetory items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of the initial transactions. Non-monetory items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value is determined.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Going concern
The Company's Board of Directors has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue the business for the foreseeable future based on the facts mentioned in note 2. Accordingly, the financial statements have been prepared on a going concern basis.

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

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

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

At the statement of financial position date, gross contract and other receivables were BD 1,063,149 (2013: BD 1,414,485) and there was no provision for doubtful debts (2013: nil).

During the year, the Company had written off contract receivables from related parties amounting to BD 45,979 and advances to suppliers of BD 216,756 (2013: the Company had written off contract and retention receivables from related parties amounting to BD 1,415,153 and BD 242,051, respectively).

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimates and assumptions (continued)

Impairment of contract and other receivables (continued)

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

Impairment of due from customers for contract work

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

At the statement of financial position date, amounts due from customers for contract work were BD 455,956 (2013: BD 448,879) and no amounts was written off (2013: BD 1,099,663 was written off).

5 DUE FROM CUSTOMERS FOR CONTRACT WORK

	2014 *BD*	*2013* *BD*
Contract costs incurred to date	**1,918,652**	1,912,142
Recognised loss	**(32,184)**	(32,751)
Total value of work executed to date	**1,886,468**	1,879,391
Progress billings	**(1,430,512)**	(1,430,512)
	455,956	448,879

During the previous year, due from customers for contract work of BD 1,099,663 pertaining to Al Rayan Project and guaranteed by Terna S.A. (Sharjah branch) was written off, as the amount was impaired and Terna S.A. (Sharjah branch) revoked the guarantee provided by them in prior years.

6 CONTRACT AND OTHER RECEIVABLES

	2014 *BD*	*2013* *BD*
Contract receivables from related parties (note 12)	**903,228**	966,591
Retentions receivable from related parties (note 12)	**159,921**	162,999
Advances to employees	**150**	150
Advances to suppliers	**-**	284,895
	1,063,299	1,414,635

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

For further terms and conditions of related parties, please refer to note 12.

As at 31 December 2014 and as of 31 December 2013, none of the outstanding contract receivables were impaired and were outstanding for more than 120 days from the past due date.

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

6 CONTRACT AND OTHER RECEIVABLES (continued)

During the year, the Company has written off the following contract and other receivables as in the opinion of the directors, the outstanding amounts are not recoverable:

	2014 *BD*	*2013* *BD*
Advances to suppliers	**216,756**	-
Contract receivables from related parties (note 12)	**45,979**	1,415,153
Retention receivables from related parties (note 12)	**-**	242,051
	262,735	1,657,204

During the current year, advances to suppliers written off pertains to Al Rayan Project and Al Beeah Project.

7 BANK BALANCES AND CASH

	2014 *BD*	*2013* *BD*
Bank balances :		
- UAE Dirhams	**55**	55
- Bahraini Dinars	**-**	342
Cash in hand	**40**	55
	95	452

8 SHARE CAPITAL

	2014 *BD*	*2013* *BD*
Issued and fully paid:		
2,000 ordinary shares of BD 100 each	**200,000**	200,000

9 STATUTORY RESERVE

The Bahrain Commercial Companies Law and the Company's memorandum of association requires that 10% of the Company's annual profits be transferred to a statutory reserve until such time the reserve equals 50% of the paid-up capital. In prior years, the Company has transferred BD 55,595 to the statutory reserve in excess of the required percentage. The reserve cannot be utilised for the purpose of distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

10 CONTRACT AND OTHER PAYABLES

	2014 *BD*	*2013* *BD*
Contract payables - related parties (note 12)	**4,065,072**	4,062,541
Contract payables - others	**96,812**	194,468
Payable to sub-contractors	**51,883**	70,241
Retentions payable	**39,557**	49,791
	4,253,324	4,377,041

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

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

For terms and conditions for amounts due to related parties see note 12.

11 OPERATING COSTS

	2014	*2013*
	BD	*BD*
Sub-contractors work	-	25,250
Consultants fees and technician charges	-	1,263
	-	26,513

12 RELATED PARTY TRANSACTIONS

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

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

	Contract revenue	
	2014	*2013*
	BD	*BD*
Group Companies		
Terna SA (Sharjah branch)	**7,077**	1,363
Terna S.A. (Abu Dhabi branch)	-	25,186
	7,077	26,549

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

	2014		*2013*	
	Contract and retentions receivables	***Contract payables***	*Contract and retentions receivables*	*Contract payables*
	BD	***BD***	*BD*	*BD*
Terna S.A (Sharjah branch)	**1,063,149**	**3,442,876**	1,083,611	3,458,392
Terna S.A (Abu Dhabi branch)	-	**269,052**	-	253,332
Terna Contracting W.L.L.	-	**224,369**	-	217,619
Terna Bahrain Holding Company W.L.L	-	**98,457**	-	98,770
Terna S.A. - Head office	-	**30,318**	-	34,252
Terna Qatar L.L.C	-	-	45,979	176
	1,063,149	**4,065,072**	1,129,590	4,062,541

Terms and conditions of transactions with related parties

Revenue from related parties are made on terms agreed by the Board of Directors of the Company. Outstanding balances at the year end are unsecured, interest free and payable on demand. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2014, the Company has recorded impairment of contract receivables relating to amounts owed by Terna Qatar L.L.C. amounting to BD 45,979.

12 RELATED PARTY TRANSACTIONS (continued)

Terms and conditions of transactions with related parties (continued)
During the previous year, the Company had written off contract receivables amounting to BD 1,415,153 and retention receivable amounting to BD 242,051 pertaining to Madinat Zayed project which was guaranteed by Terna S.A. (Abu Dhabi branch) in prior years. However, Terna S.A (Abu Dhabi branch) revoked the guarantee resulting in the write off.

Compensation of key management personnel
The directors do not receive remuneration for their services to the Company. The Company did not employ any other key management personnel diring the year ended 31 December 2014 and during the year ended 31 December 2013.

13 CONTINGENCIES

Bank guarantees
At 31 December 2014, the Company had no contingent liability (2013: contingent liability in the form of a bank guarantee issued for Madinat Zayed project amounting to BD 511,550).

14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

The Company seeks to limit its credit risk by requesting advance payments, raising progress billings and monitoring outstanding receivables on an ongoing basis. At 31 December 2014, one related party customer accounts for 100% of the outstanding contract receivables (2013: 95%).

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

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

14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Liquidity risk (continued)

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

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

31 December 2013	*Less than 3 months BD*	*3 to 12 months BD*	*Total BD*
Contract payables - related parties	4,062,541	-	4,062,541
Contract payables - others	194,468	-	194,468
Payable to subcontractors	-	70,241	70,241
Retentions payable	-	49,791	49,791
	4,257,009	120,032	4,377,041

Capital management

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

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013. The Company had a negative equity of BD 2,733,974 as at 31 December 2014 (2013: negative equity of BD 2,513,075).

15 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

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

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