Terna Bahrain Holding W.L.L.

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2012

The Board of Directors has pleasure in submitting its annual report and the audited financial statements of Terna Bahrain Holding W.L.L. ('the Company') for the year ended 31 December 2012.

Principal activities

The Company was incorporated on 23 November 2006 to act as a holding company and carry out business activities through subsidiaries and investments in other entities. Details of the Company's investments in subsidiaries and an associate are included in note 1 to the accompanying financial statements.

Results and accumulated losses

During the year, the Company incurred a loss of BD 1,904,290 (2011: BD 634,700)

The movement in accumulated losses is as follows:

	2012	*2011*
	BD	*BD*
Balance as at 1 January	**(5,226,359)**	(4,591,659)
Loss for the year	**(1,904,290)**	(634,700)
Balance as at 31 December	**(7,130,649)**	(5,226,359)

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

Ernst & Young

P.O. Box 140
14th Floor - The Tower
Bahrain Commercial Complex
Manama, Kingdom of Bahrain
Tel: +973 1753 5455 Fax: +973 1753 5405
manama@bh.ey.com
www.ey.com/me
C.R. No. 6700

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

Report on the Financial Statements

We have audited the accompanying financial statements of Terna Bahrain Holding 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.

Directors' Responsibility for the Financial Statements

The 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TERNA BAHRAIN HOLDING 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 Bahrain Holding W.L.L.
STATEMENT OF FINANCIAL POSITION
At 31 December 2012

	Note	*2012 BD*	*2011 BD*
ASSETS			
Non-current assets			
Investment in subsidiaries	6	**1,239,850**	1,139,900
Investment in an associate	7	**-**	4,376,974
		1,239,850	5,516,874
Current assets			
Amounts due from related parties	8	**3,459,640**	3,510,673
Amounts due from an associate	9	**-**	2,932,194
Other receivables		**476,967**	294,036
Receivable from Bin Kamil Group	10	**8,678,150**	-
Claims receivable	10	**-**	2,500,000
Bank balances, short-term deposits and cash	11	**83,194**	87,695
		12,697,951	9,324,598
TOTAL ASSETS		**13,937,801**	14,841,472
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**847,742**	847,742
Statutory reserve	13	**35,610**	35,610
Contributed surplus	14	**15,576,877**	15,576,877
Accumulated losses		**(7,130,649)**	(5,226,359)
Total equity		**9,329,580**	11,233,870
Non-current liabilities			
Employees' end of service benefits		**9,373**	6,647
Current liability			
Accounts payable	15	**365,747**	332,660
Accrued expenses		**6,550**	9,764
Amounts due to related parties	16	**3,473,708**	1,259,589
Loan from Parent Company	17	**752,843**	1,423,625
Bank overdraft	11	**-**	575,317
		4,598,848	3,600,955
Total liabilities		**4,608,221**	3,607,602
TOTAL EQUITY AND LIABILITIES		**13,937,801**	14,841,472

D. Antonakos
Chairman

K Iliadis
Director

The attached notes 1 to 20 form part of these financial statements.

Terna Bahrain Holding W.L.L.

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2012

	Note	***2012 BD***	*2011 BD*
Foreign exchange gain		**46,208**	355,965
Expense reimbursements		**15,205**	-
Other income		**7,599**	511,127
Interest income		**677**	817
Write off of amounts not recoverable	10	**(1,131,018)**	-
Legal and professional fees		**(654,474)**	(1,017,018)
Staff costs		**(105,659)**	(94,798)
General and administrative expenses		**(48,260)**	(340,924)
Finance costs		**(33,290)**	(49,236)
Bank charges		**(1,278)**	(633)
LOSS FOR THE YEAR		**(1,904,290)**	(634,700)
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(1,904,290)**	(634,700)

D. Antonakos
Chairman

K. Iliadis
Director

The attached notes 1 to 20 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2012

	Note	**2012 BD**	*2011 BD*
OPERATING ACTIVITIES			
Loss for the year		**(1,904,290)**	(634,700)
Adjustments for:			
Write off of amount not recoverable		**1,131,018**	-
Finance costs		**33,290**	49,236
Provision for end of service benefits		**2,726**	2,709
Interest income		**(677)**	(817)
Loss on disposal of investment in a subsidiary	6	**-**	279,416
Unrealised foreign exchange loss		**-**	(3,053)
Operating loss before working capital changes:		**(737,933)**	(307,209)
Working capital changes:			
Amounts due from related parties		**51,033**	13,704,666
Amounts due from an associate		**-**	(448)
Prepayment and other receivables		**(182,931)**	(109,224)
Accounts payables and accrued expenses		**29,873**	(494,140)
Amounts due to related parties		**2,214,119**	(12,653,478)
Net cash flows from operating activities		**1,374,161**	140,167
INVESTING ACTIVITIES			
Investment in a subsidiary		**(99,950)**	-
Interest received		**677**	817
Proceeds from disposal of investment in a subsidiary		**-**	731,540
Net cash flows (used in) from investing activities		**(99,273)**	732,357
FINANCING ACTIVITIES			
Loan repaid to Parent Company		**(670,782)**	(1,433,608)
Finance costs paid		**(33,290)**	(49,236)
Net cash flows used in financing activities		**(704,072)**	(1,482,844)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**570,816**	(610,320)
Cash and cash equivalents at 1 January		**(487,622)**	122,698
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	11	**83,194**	(487,622)

Non cash items:

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

a) Write of BD 2,932,194 during the current year which was adjusted against amounts due from an associate above;

b) Write of BD 2,500,000 written off during the current year which was adjusted against claims receivable above;

c) Write back of investment in an associate amounting to BD 4,301,176 which was adjusted against investment in an associate above;

d) Transfer of BD 8,678,150 from investment in an associate which was adjusted against receivable from Bin Kamil Group; and

e) In 2011, disposal of investment in a subsidiary amounting to BD 1,561,044 which was adjusted against amounts due from related parties above.

Terna Bahrain Holding W.L.L.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2012

	Share capital *BD*	*Statutory reserve* *BD*	*Contributed surplus* *BD*	*Accumulated losses* *BD*	*Total* *BD*
Balance as at 1 January 2012	847,742	35,610	15,576,877	(5,226,359)	11,233,870
Total comprehensive income for the year	-	-	-	(1,904,290)	(1,904,290)
Balance as at 31 December 2012	**847,742**	**35,610**	**15,576,877**	**(7,130,649)**	**9,329,580**
Balance as at 1 January 2011	847,742	35,610	15,576,877	(4,591,659)	11,868,570
Total comprehensive income for the year	-	-	-	(634,700)	(634,700)
Balance as at 31 December 2011	847,742	35,610	15,576,877	(5,226,359)	11,233,870

The attached notes 1 to 20 form part of these financial statements.

1 ACTIVITIES

Terna Bahrain Holding W.L.L. ('the Company') is a limited liability company incorporated in the Kingdom of Bahrain on 23 November 2006 and is registered with the Ministry of Industry and Commerce under commercial registration (CR) number 63267. The Company acts as a holding company and carries out its business activities through its subsidiaries and investments in other entities.

The Company is a wholly owned subsidiary of Terna Overseas Limited (the 'Shareholder' or 'Parent Company'), a company incorporated in and operating under the laws of Cyprus. The ultimate parent company is Terna SA, a company incorporated in and operating under the laws of Greece. The ultimate holding company's registered office is at 85 Mesogeion Avenue, T.K. 115-26, Athens, Greece.

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

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 21 March 2013.

The Company has the following subsidiaries and an associate as of year end:

Name	***Country of incorporation***	***Ownership interest***		***Date of effective control***	***Principal activity***
		2012	***2011***		
Subsidiaries					
Terna Contracting W.L.L. ("Terna Contracting")	Kingdom of Bahrain	**99.99%**	99.99%	2 April 2008	Contracting and construction business
Terna Ventures W.L.L. ("Terna Ventures")	Kingdom of Bahrain	**99.95%**	-	13 March 2012	Import and export business
Terna MEP W.L.L. ("Terna MEP")	Kingdom of Bahrain	**70%**	70%	5 October 2008	Contracting of mechanical and electrical business
Associate					
Hamriyah Cement Company FZC	United Arab Emirates	**0%**	40%	19 June 2007	Production and sale of cement

These are the financial statements of the Company only and have been prepared to determine the operating results of the Company's activities. The ultimate parent company has prepared consolidated financial statements under International Financial Reporting Standards that include the financial statements of the subsidiaries and accounting for the associate company on an equity basis. As permitted by IAS 27 "Consolidated and Separate Financial Statements", no consolidated financial statements of the Company have been prepared.

2 FUNDAMENTAL ACCOUNTING CONCEPT

The Company incurred a loss of BD 1,904,290 for the year ended 31 December 2012 (2011: BD 634,700) and, as of that date, the Company's accumulated losses have exceeded the Company's share capital by BD 6,282,907 (2011: BD 4,378,617). In addition, the Company depends on financial support from related parties. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements have been prepared on a going concern basis as the 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 case of a company that has lost a substantial portion of its capital, an Extraordinary General Meeting of the shareholder should be convened by the Board of Directors at which the shareholder resolve whether or not to continue the operations of the Company. The Company's shareholder resolved on 30 November 2012 to continue with the operations of the Company.

3 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, 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 interpretations 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 Committee (IFRIC) interpretations issued as of 1 January 2012, which do not have an impact on the Company's financial statements.

Investments in subsidiaries
Investments in subsidiaries and associate are carried at cost less provision for impairment, if any.

Subsidiaries
Subsidiaries are entities, including unincorporated entities such as partnerships, that are controlled by the Company. Investments in subsidiaries are recorded at cost less any provision for impairment.

Associate
Associate is an entity over which the Company exercises significant influence and which is neither a subsidiary nor a joint venture. The investment in the associate is recorded at cost less any provision for impairment.

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 rate 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.

3 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 bank balances, cash and short term deposits and receivables.

Receivables

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 the statement of 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.

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

The Company's financial liabilities include loan from parent company, bank overdraft, amounts due to related parties and accounts payable.

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.

Interest bearing loans and borrowings

All loans and borrowings are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses, other than the borrowing costs eligible for capitalisation, are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortisation process.

Accounts payable

Liabilities for accounts 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.

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.

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 statement of financial position 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 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 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.

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:

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)
Interest income
Interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Other income
Other income is recognised on an accrual basis when income is earned.

4 PROSPECTIVE CHANGES IN ACCOUNTING POLICIES

Standards issued but not yet effective up to the date of the issuance of Company's financial statements are listed below. The 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 when they become effective.

- *IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income effective for annual periods beginning on or after 1 July 2012;*
- *IAS 19 Employee Benefits (Amendment) effective for annual periods beginning on or after 1 January 2013;*
- *IAS 27 Separate Financial Statements (as revised in 2012) effective for annual periods beginning on or after 1 January 2013;*
- *IAS 28 Investments in Associates and Joint Ventures (as revised in 2012) effective for annual periods beginning 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: This standard becomes 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 Involvement with 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.*

It is not expected the implementation of these revisions and amendments will have any impact on the Company's financial performance or financial position.

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.

5 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 financial 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 investments in subsidiaries and an associate
The Company reviews its investments in subsidiaries and an associate at each year-end to determine if there is any evidence of impairment. The investments are considered impaired if there has been a significant prolonged decline in the entity's performance or where other objective evidence of impairment exists. In addition the Company evaluates other factors, including future cash flows and discount factors for similar investments.

During the current year, the management has written back provision for impairment of investment in an associate amounting to BD 4,301,176 (2011: nil).

6 INVESTMENT IN SUBSIDIARIES

	Percentage holding		***2012***	*2011*
	2012	*2011*	***BD***	*BD*
Terna Contracting W.L.L.	**99.99%**	99.99%	**999,900**	999,900
Terna Ventures W.L.L.	**99.95%**	-	**99,950**	-
Terna Mechanical and Electrical W.L.L.	**70%**	70%	**140,000**	140,000
			1,239,850	1,139,900

During the year, the Company invested BD 99,950 in the share capital of Terna Ventures W.L.L., a newly incorporated company in the Kingdom of Bahrain.

In 2011, a subsidiary of the Company "PCC Terna Contracting Company W.L.L." was liquidated and all its assets and liabilities were transferred to a fellow subsidiary, Terna Contracting W.L.L., at a net book value of BD 2,292,584 resulting in a loss of BD 279,416.

7 INVESTMENT IN AN ASSOCIATE

	Percentage holding		***2012***	*2011*
	2012	*2011*	***BD***	*BD*
Hamriyah Cement Company FZC	0%	40%	**8,876,974**	8,876,974
Transfer to receivable from Bin Kamil Group (note 10)			**(8,678,150)**	-
Written off against provision during the year			**(198,824)**	-
			-	8,876,974
Less: provision for impairment			**-**	(4,500,000)
			-	4,376,974

7 INVESTMENT IN AN ASSOCIATE (continued)

Movements in the provision for impairment of investment in an associate is as follows:

	2012 BD	2011 BD
Balance as at 1 January	**4,500,000**	4,500,000
Written back during the year (note 10)	**(4,301,176)**	-
Written off during the year (note 10)	**(198,824)**	-
Balance as at 31 December	**-**	4,500,000

8 AMOUNTS DUE FROM RELATED PARTIES

	2012 BD	2011 BD
Terna S.A. (Sharjah branch)	**2,224,390**	2,216,609
Terna Qatar Company L.L.C.	**956,863**	960,745
Terna S.A. (Abu Dhabi branch)	**183,548**	182,905
Terna Mechanical and Electrical W.L.L.	**94,839**	150,414
	3,459,640	3,510,673

For terms and conditions refer note 18.

9 AMOUNTS DUE FROM AN ASSOCIATE

	2012 BD	2011 BD
Hamriyah Cement Company FZC	**-**	2,932,194

During the year, the Company has written off amounts due from an associate amounting to BD 2,932,194 (2011: nil). For further details, refer note 10.

10 RECEIVABLE FROM BIN KAMIL GROUP

The Company was in arbitration with the Bin Kamil group ("BKG") in relation to disputes that arose out of a Shareholders Agreement ("SHA") and Share Purchase Agreement ("SPA") entered into between them concerning their relationship as shareholders of Hamriyah Cement Company FZC ("HCC"), a joint venture company operating in Sharjah, the U.A.E.

In 2009 the Company filed a request for arbitration against BKG before the International Chamber of Commerce ('ICC') for damages incurred due to breaches of the SHA and the SPA calculated at AED 73,611,956 (approximately BD 7.5 million). In response, BKG filed a counterclaim for damages against the Company for AED 149,946,956 (approximately BD 15.2 million) at the same forum.

10 RECEIVABLE FROM BIN KAMIL GROUP (continued)

In April 2012, the proceedings were finalised and the Final Arbitral Award ('the Award') was granted in favour of the Company by the ICC. In accordance with the Award, the Company is entitled to rescind the SPA and receive the following amounts from BKG :

a. BD 1,945,601 (AED 19,000,000) as reimbursement of the purchase price paid by the Company for 40% of HCC shares;
b. BD 6,685,216 (AED 65,285,282)as reimbursement of additional contributions;
c. BD 1,387,240 (USD 3,691,750) for legal fees and expenses; and
d. Simple interest at 9% p.a. from the date the Company filed its request for arbitration i.e. 13 July 2009 until the date of final and full payment by BKG.
BKG had filed a lawsuit before the UAE Courts for annulment of the Award.

The Award does not include BD 2,748,596 claimed by the Company as receivable from BKG, as it was not considered part of the arbitration by the ICC since this amount was advanced to HCC by the Company's parent, Terna S.A., on behalf of the Company. The Company had filed a separate lawsuit before the UAE Courts, for recovering this amount from BKG.

In May 2012, the Company received an execution order ('the Order') from the High Court of Justice, United Kingdom to enforce the ICC Award with a time frame of 22 days after service of the Order for BKG to apply for rescinding this order. However, no such request was filed by BKG in the given time.

Subsequent to the court decision, the Company entered into a settlement agreement with BKG. It was mutually agreed that BKG would pay an amount of BD 8,678,150 (AED 84,500,000) to the Company against all the liabilities. As such, the Company recognised the following amounts as of 31 December 2012:

a. Receivable from BKG of BD 8,678,150 being the net amount recoverable towards reimbursement of investment, damages and other costs awarded by the ICC;

b. Reversal of provision for impairment of the investment in HCC of BD 4,301,176 (note 7) created in prior years as management considered that it was no longer necessary;

c. Reversal of recoverable cost amounting to BD 2,500,000 pertaining to the legal and other associated cost of the court case;
d. Write off of amount due from an associate amounting to BD 2,932,194 (note 9); and
e. Write off of investment in an associate amounting to BD 198,824 (note 7) against provision for impairment of investment in an associate.

The impact of the above adjustments on the statement of comprehensive income is as follows:

	2012 *BD*	*2011* *BD*
Reversal of investment in an associate (note 7)	**(4,376,974)**	-
Write off of amount due from an associate (note 9)	**(2,932,194)**	-
Write off of recoverable cost	**(2,500,000)**	-
	(9,809,168)	-
Less: receivable from Bin Kamil Group	**8,678,150**	-
Write off of amount not recoverable	**(1,131,018)**	-

As a result of the settlement agreement, both the parties have mutually withdrawn all legal proceedings filed before UAE courts.

11 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	**70,085**	23,022
- Euros	**5,787**	6,083
- US Dollars	**4,530**	11,714
- UAE Dirhams	**2,788**	15,915
Short term deposits	-	30,957
Cash in hand	**4**	4
	83,194	87,695
Bank overdraft	-	(575,317)
	83,194	(487,622)

In 2011, short term deposits were held with a commercial bank in the Kingdom of Bahrain and were denominated in Bahraini Dinars. The deposits were for periods ranging between 1 to 30 days at an effective interest rate of 3.25%.

In 2011, bank overdraft was obtained from a commercial bank in the Kingdom of Bahrain, was denominated in Bahraini Dinars, was unsecured and carried interest at the rate of 1.5% p.a.

12 SHARE CAPITAL

	2012 *BD*	*2011* *BD*
Authorised, issued and fully paid:		
8,500 ordinary shares of Euro 200 each	**847,742**	847,742

13 STATUTORY RESERVE

The Bahrain Commercial Companies Law and the Company's memorandum of association requires that 10% of the Company's profit be transferred to the statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve equals 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 has been made in the current year and the previous year as the Company has incurred losses.

14 CONTRIBUTED SURPLUS

Contributed surplus represents funds provided by the parent company and is repayable at the discretion of the Company.

15 ACCOUNTS PAYABLE

Accounts payable primarily relate to amounts payable for legal and administrative expenses. These are normally payable on 30 to 60 day terms.

16 AMOUNTS DUE TO RELATED PARTIES

	2012	*2011*
	BD	*BD*
Terna Overseas Ltd.	**2,885,853**	1,241,365
Terna Contracting W.L.L.	**485,150**	12,192
Terna S.A. (Sharjah branch)	**78,226**	511
Terna S.A.	**23,967**	5,521
Terna S.A. (Abu Dhabi branch)	**512**	-
	3,473,708	1,259,589

For terms and conditions refer note 18.

17 LOAN FROM PARENT COMPANY

The loan from the parent company is unsecured, denominated in US Dollars, carries interest at LIBOR plus 1.2% per annum and was repayable by 20 September 2012. However, the amount was not repaid during the current year. The effective interest rate at 31 December 2012 was 2.4% (2011: 2.2%) per annum. The Company expects to repay the loan in the coming year.

18 RELATED PARTY TRANSACTIONS

Related parties represent the ultimate parent company, the parent company, the subsidiaries, the associate, 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 management.

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

	Finance charges	
	2012	*2011*
	BD	*BD*
Parent company	**33,290**	49,236

Balances with related parties included in the statement of financial position are as follows:

		2012	
	Due from	***Due to***	***Loan***
	BD	***BD***	***BD***
Parent Company	-	**2,885,853**	**752,843**
Other related parties	**3,459,640**	**587,855**	**-**
	3,459,640	**3,473,708**	**752,843**

		2011	
	Due from	*Due to*	*Loan*
	BD	*BD*	*BD*
Parent Company	-	1,241,365	1,423,625
Other related parties	3,510,673	18,224	-
Associate	2,932,194	-	-
	6,442,867	1,259,589	1,423,625

18 RELATED PARTY TRANSACTIONS (continued)

Outstanding balances at the year end are unsecured, interest free (except loan from the parent company) and settlement occurs in cash. The loan carries interest at LIBOR plus 1.2% per annum. 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 paid to a director during the year was as follows:

	2012 ***BD***	*2011* *BD*
Short term benefits	**45,373**	42,586

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles. The Company's senior management oversees the management of these risks, which are summarised below:

Interest rate risk
The Company is exposed to interest rate risk on its interest bearing short-term deposits and loan from Parent Company. The effective interest rates are disclosed in the respective notes above.

The following table demonstrates the net sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Company's profit:

	Increase / decrease in basis points	*Effect on profit BD*
2012		
	+ 50	**37,642**
	- 50	**(37,642)**
2011		
	+ 50	69,633
	- 50	(69,633)

Liquidity risk
Liquidity risk (also referred to as funding risk) is the risk that an enterprise will encounter difficulty in raising commitments associated with financial liabilities.

The Company limits its liquidity risk by ensuring that bank facilities are available. The Company's terms of sale require amounts to be paid within 60-90 days from the date of invoice. Trade accounts payable are normally settled within 60 days of the date of purchase. The table below summarises the maturities of the Company's undiscounted financial liabilities at year-end, based on payment dates and current market interest rates.

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

2012	***Less than 3 months BD***	***3 to 12 months BD***	***Total BD***
Amounts due to related parties	**3,473,708**	**-**	**3,473,708**
Accounts payable	**365,747**	**-**	**365,747**
Loan from parent company	**756,607**	**-**	**756,607**
	4,596,062	**-**	**4,596,062**

2011	*Less than 3 months BD*	*3 to 12 months BD*	*Total BD*
Amounts due to related parties	1,259,589	-	1,259,589
Accounts payable	332,660	-	332,660
Loan from parent company	484,982	969,963	1,454,945
Bank overdraft	577,474	-	577,474
	2,654,705	969,963	3,624,668

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. The Company is exposed to credit risk on its bank balances including short-term deposits and receivables.

The Company has receivables of BD 12,137,790 due from related parties. All the receivables are without security which renders them fully exposed to credit risk due to default by the counterparties. The Company does not perceive any risk with respect to related party receivables. 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 receivables and bank balances including short-term deposits is limited to their carrying amounts as disclosed in the statement of financial position.

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 is exposed to currency risk on its balances with related parties denominated in Euros.

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 and from related parties is as follows:

	Increase/ decrease in Euro rate to the Bahraini Dinar	*Effect on profit BD*
31 December 2012	**+5%**	**39,498**
	-5%	**(39,498)**
31 December 2011	+5%	56,259
	-5%	(56,259)

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)
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 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 the shareholders.

No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011. Capital represents equity of the Company and is measured at BD 9,329,580 as at 31 December 2012 (2011: BD 11,233,870).

20 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprises of financial assets and financial liabilities.

Financial assets consist of bank balances, short-term deposits and cash and receivables. Financial liabilities consist of trade payables, amounts due to related parties, bank overdraft and loan from Parent Company.

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