Terna Bahrain Holding W.L.L.

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2013

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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 2013.

Principal activities

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

Results and accumulated losses

During the year, the Company incurred a loss of BD 987,865 (2012: BD 1,904,290)

The movement in accumulated losses is as follows:

	2013 BD	*2012 BD*
Balance as at 1 January	**(7,130,649)**	(5,226,359)
Absorption of accumulated losses by the shareholder	**7,130,649**	-
Loss for the year	**(987,865)**	(1,904,290)
Balance as at 31 December	**(987,865)**	(7,130,649)

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 2014, will be submitted at the Annual General Meeting.

Signed on behalf of the Board of Directors

Chairman
9 March 2014

EY
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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 2013 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2013, 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 BAHRAIN HOLDING W.L.L. (continued)

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 2 to the financial statements. As of the reporting date, the Company's total liabilities exceeded its total assets by BD 104,513 and its accumulated losses exceeded its share capital by BD 140,213. In addition, the Company depends on support from its shareholder. 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. However, these financial statements have been prepared on a going concern basis as the shareholder 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 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 2013 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

9 March 2014
Manama, Kingdom of Bahrain

STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	*2013* *BD*	*2012* *BD*
ASSETS			
Non-current asset			
Investment in subsidiaries	6	**1,279,270**	1,239,850
Current assets			
Amounts due from related parties	7	**3,893,111**	3,459,640
Other receivables		**702,398**	476,967
Receivable from Bin Kamil Group	8	**-**	8,678,150
Bank balances and cash	9	**40,871**	83,194
		4,636,380	12,697,951
TOTAL ASSETS		**5,915,650**	13,937,801
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**847,742**	847,742
Statutory reserve	11	**35,610**	35,610
Contributed surplus	12	**-**	15,576,877
Accumulated losses		**(987,865)**	(7,130,649)
Total equity		**(104,513)**	9,329,580
Non-current liability			
Employees' end of service benefits		**-**	9,373
Current liability			
Accounts payable	13	**120,365**	365,747
Accrued expenses		**11,696**	6,550
Amounts due to related parties	14	**5,708,682**	3,473,708
Loan from Parent Company	15	**-**	752,843
Payable to KT Holding Bahrain W.L.L	17	**179,420**	-
		6,020,163	4,598,848
Total liabilities		**6,020,163**	4,608,221
TOTAL EQUITY AND LIABILITIES		**5,915,650**	13,937,801

D. Antonakos
Chairman

K. Iliadis
Director

The attached notes 1 to 19 form part of these financial statements.

Terna Bahrain Holding W.L.L.

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2013

	Note	*2013* BD	*2012* BD
Other income		**120,770**	8,276
Expense reimbursements		**-**	15,205
Write off of amounts not recoverable	8	**-**	(1,131,018)
Legal and professional fees		**(391,049)**	(654,474)
Foreign exchange (loss) gain		**(402,948)**	46,208
Impairment of investment in subsidiaries		**(140,000)**	-
Staff costs		**(132,787)**	(105,659)
General and administrative expenses		**(38,771)**	(48,260)
Finance costs		**(2,414)**	(33,290)
Bank charges		**(666)**	(1,278)
LOSS FOR THE YEAR		**(987,865)**	(1,904,290)
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(987,865)**	(1,904,290)

D. Antonakos
Chairman

K. Iliadis
Director

The attached notes 1 to 19 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2013

	Note	2013 BD	2012 BD
OPERATING ACTIVITIES			
Loss for the year		**(987,865)**	(1,904,290)
Adjustments for:			
Write off of amount not recoverable	8	-	1,131,018
Finance costs		**2,414**	33,290
Provision for employees' end of service benefits		-	2,726
Investment in subsidiaries written off	6	**140,000**	-
Operating loss before working capital changes:		**(845,451)**	(737,256)
Working capital changes:			
Amounts due from related parties		**(433,471)**	51,033
Receivable from Bin Kamil Group	8	**8,678,150**	-
Other receivables		**(225,431)**	(182,931)
Accounts payable and accrued expenses		**(240,236)**	29,873
Amounts due to related parties		**2,234,974**	2,214,119
Employees' end of service benefits paid		**(9,373)**	-
Net cash flows from operating activities		**9,159,162**	1,374,838
INVESTING ACTIVITY			
Investment in a subsidiary		-	(99,950)
FINANCING ACTIVITIES			
Repayment of contributed surplus		**(8,446,228)**	-
Loan repaid to Parent Company		**(752,843)**	(670,782)
Finance costs paid		**(2,414)**	(33,290)
Net cash flows used in financing activities		**(9,201,485)**	(704,072)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(42,323)**	570,816
Cash and cash equivalents at 1 January		**83,194**	(487,622)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	**40,871**	83,194

Non cash items:

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

a) Absorption of accumulated losses as of 31 December 2013 amounting to BD 7,130,649 which was adjusted against contributed surplus (note 12); and

b) Purchase of remaining 30% of the share capital of the subsidiary "Terna Mechanical and Electrical W.L.L." from KT Holding Bahrain W.L.L ('the other shareholder') for a consideration of BD 179,420 which was adjusted against Payable to .

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2013

	Share capital BD	*Statutory reserve BD*	*Contributed surplus BD*	*Accumulated losses BD*	*Total BD*
Balance as at 1 January 2013	847,742	35,610	15,576,877	(7,130,649)	9,329,580
Accumulated losses absorbed by the shareholder (note 16)	-	-	(7,130,649)	7,130,649	-
Repayment to the shareholder	-	-	(8,446,228)	-	(8,446,228)
Total comprehensive loss for the year	-	-	-	(987,865)	(987,865)
Balance as at 31 December 2013	**847,742**	**35,610**	**-**	**(987,865)**	**(104,513)**
Balance as at 1 January 2012	847,742	35,610	15,576,877	(5,226,359)	11,233,870
Total comprehensive loss 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

The attached notes 1 to 19 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. The Company's registered office is at Building 418, Road 3207, Block 332 P.O. Box 54368, Manama, Kingdom of Bahrain.

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 parent company's registered office is at 85 Mesogeion Avenue, T.K. 115-26, Athens, Greece.

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 9 March 2014.

The Company has the following subsidiaries as of year end:

Name	*Country of incorporation*	*Ownership interest*		*Principal activity*
		2013	*2012*	
Subsidiaries				
Terna Contracting W.L.L.	Kingdom of Bahrain	**99.99%**	99.99%	Contracting and construction business
Terna Ventures W.L.L.	Kingdom of Bahrain	**99.95%**	99.95%	Import and export business
Terna Mechanical and Electrical W.L.L.	Kingdom of Bahrain	**70%**	70%	Contracting of mechanical and electrical business

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, Terna S.A., Greece, has prepared consolidated financial statements under International Financial Reporting Standards that include the financial statements of the subsidiaries which is available for public use at www.terna.gr. As permitted by IFRS 10 "Consolidated Financial Statements", no consolidated financial statements of the Company have been prepared.

2 FUNDAMENTAL ACCOUNTING CONCEPT

As of the reporting date, the Company's total liabilities exceeded its total assets by BD 104,513 and its accumulated losses exceeded its share capital by BD 140,213. In addition, the Company depends on financial support from the shareholder. 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 Bahrain Commercial Companies Law requires that in the case of a company that has lost a substantial portion of its capital, an Extraordinary General Meeting of the shareholders should be convened by the Board of Directors at which the shareholders resolve whether or not to continue the operations of the Company. This meeting was convened on 26 February 2014 and the Company's shareholder resolved to continue with the operations of the Company.

2 FUNDAMENTAL ACCOUNTING CONCEPT (continued)

The shareholder has agreed to provide financial support to the Company to meet its obligations as and when they fall due. During the year, the shareholder resolved to absorb the Company's accumulated losses up to 31 December 2012 amounting to BD 7,130,649 against contributed surplus. Accordingly, the financial statements have been prepared on a going concern basis.

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
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS's and IFRIC interpretations effective as of 1 January 2013:

IAS 1 Presentation of Financial Statements
The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments have no impact on the Company's financial position or performance.

IFRS 7 Financial Instruments: Disclosures (Amendments) - Offsetting Financial Assets and Financial Liabilities
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.

The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company's financial position or financial performance.

IFRS 10 Consolidated Financial Statements
IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. These amendments will not impact the Company's financial position or financial performance.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IFRS 11 Joint Arrangements

IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement and improves on IAS 31 Interests in Joint Ventures by establishing principles that are applicable to the accounting for all joint arrangements.

IFRS 11 classifies joint arrangements into two types - joint operations and joint ventures; and defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. These amendments will not impact the Company's financial position or financial performance.

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. The Company does not have subsidiaries with material non-controlling interests or unconsolidated structured entities.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Company.

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.

Current versus non-current classification

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

- Expected to be realised or intended to sold or consumed in 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)
All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in 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.

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 and cash, amounts due from related parties, other receivables and receivable from Bin Kamil Group.

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 and at bank.

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.

If such evidence exists, any 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; and
(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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities
The Company's financial liabilities include accounts and other payable, loan from Parent Company and amounts due to related parties.

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

Interest bearing loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process. Interest incurred on borrowings is charged to the statement of comprehensive income except where it relates to qualifying assets, in which case it will be capitalised as part of that asset.

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.

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.

Fair value measurement
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. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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:

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 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:

IFRS 9 Financial Instruments
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 mandatory effective date of IFRS 9 and transition disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. On November 19, 2013, the International Accounting Standards Board (IASB) issued amendments to IFRS 9 that introduced a new general hedge accounting and removed the 1 January 2015, mandatory effective date from IFRS 9. The new hedge accounting model significantly differs from the IAS 39 hedge accounting model in a number of aspects including eligibility of hedging instruments and hedged items, accounting for the time value component of options and forward contracts, qualifying criteria for applying hedge accounting, modification and discontinuation of hedging relationships etc. Under the amendments, entities that adopt IFRS 9 (as amended in November 2013) can choose an accounting policy of either adopting the new IFRS 9 hedge accounting model now or continuing to apply the hedge accounting model in IAS 39 for the time being.

4 PROSPECTIVE CHANGES IN ACCOUNTING POLICIES (continued)

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Company.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Company since none of the entities in the Company would qualify to be an investment entity under IFRS 10.

IFRIC Interpretation 21 Levies (IFRIC 21)
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Company has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

Other standards and interpretations that have been issued but 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 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 investment in subsidiaries
The Company determines whether it is necessary to recognise an impairment loss on the Company's investments in subsidiaries. The Company determines at each reporting date whether there is any objective evidence that the investment in a subsidiary is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value and recognises the amount in the statement of comprehensive income. The Directors reassessed the value of the investment in Terna Mechanical and Electrical W.L.L. and wrote off BD 140,000 being the impairment in the investment, as at 31 December 2013 (2012: nil).

6 INVESTMENT IN SUBSIDIARIES

	Percentage holding		2013	2012
	2012	2012	**BD**	BD
Terna Contracting W.L.L.	**99.99%**	99.99%	**999,900**	999,900
Terna Ventures W.L.L.	**99.95%**	99.95%	**99,950**	99,950
Terna Mechanical and Electrical W.L.L.	**70%**	70%	**319,420**	140,000
			1,419,270	1,239,850
Investment in Terna Mechanical and Electrical W.L.L. written off			**(140,000)**	-
			1,279,270	1,239,850

During the year ended 31 December 2013, the Company acquired 30% of the share capital of Terna Mechanical and Electrical W.L.L. (MEP) from K.T. Holding Bahrain W.L.L., the other shareholder of MEP, for a consideration of BD 179,420 (note 13). The Company also agreed to pay BD 385,079 to the other shareholder contingent upon certain conditions being met, as disclosed in note 17 to the financial statements. The legal formalities are not yet finalised and the Company expects this to be completed during the next financial year.

7 AMOUNTS DUE FROM RELATED PARTIES

	2013 BD	2012 BD
Terna S.A. (Sharjah branch)	**2,252,547**	2,224,390
Terna Qatar Company L.L.C.	**1,355,922**	956,863
Terna S.A. (Abu Dhabi branch)	**185,871**	183,548
Terna Mechanical and Electrical W.L.L.	**98,771**	94,839
	3,893,111	3,459,640

For terms and conditions refer to note 16.

8 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.

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.

8 RECEIVABLE FROM BIN KAMIL GROUP (continued)

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 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; and
e) Write off of investment in an associate amounting to BD 198,824 against provision for impairment of investment in an associate.

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

	2013 *BD*	*2012* *BD*
Reversal of investment in an associate	-	(4,376,974)
Write off of amount due from an associate	-	(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. BD 8,678,150 was collected in February 2013.

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:

	2013 *BD*	*2012* *BD*
Bank balances		
- Bahraini Dinars	**35,951**	70,085
- US Dollars	**4,491**	4,530
- Euros	**410**	5,787
- UAE Dirhams	**15**	2,788
Cash in hand	**4**	4
	40,871	83,194

Bank balances are held with a commercial bank in the Kingdom of Bahrain and are non interest-bearing.

10 SHARE CAPITAL

	2013 *BD*	*2012* *BD*
Authorised, issued and fully paid:		
8,500 ordinary shares of Euro 200 each	**847,742**	847,742

11 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 and previous year as the Company has incurred losses.

12 CONTRIBUTED SURPLUS

During the current year, the Company has utilised contributed surplus amounting to BD 7,130,649 to absorb accumulated losses as of 31 December 2012 and the remaining amount of BD 8,446,228 was repaid to the shareholder.

13 ACCOUNTS PAYABLE

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

14 AMOUNTS DUE TO RELATED PARTIES

	2013 BD	2012 BD
Terna Overseas Ltd.	**4,088,971**	2,885,853
Terna Contracting W.L.L.	**1,408,697**	485,150
Terna S.A. (Sharjah branch)	**204,589**	78,226
Terna S.A.	**5,906**	23,967
Terna S.A. (Abu Dhabi branch)	**519**	512
	5,708,682	3,473,708

For terms and conditions refer note 16.

15 LOAN FROM PARENT COMPANY

Loan from Parent Company was unsecured, denominated in US Dollars, and carried interest at LIBOR plus 1.2% per annum. The loan was repaid during the year (2012: effective interest rate was 2.4%).

16 RELATED PARTY TRANSACTIONS

Related parties represent the ultimate parent company, the parent company, the subsidiaries, 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	
	2013 BD	2012 BD
Parent company	**2,414**	33,290

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

	2013			2012		
	Due from BD	Due to BD	Loan BD	Due from BD	Due to BD	Loan BD
Parent Company	-	**4,088,971**	-	-	2,885,853	752,843
Other related parties	**3,893,111**	**1,619,711**	-	3,459,640	587,855	-
	3,893,111	**5,708,682**	-	3,459,640	3,473,708	752,843

The shareholder resolved to absorb the Company's accumulated losses up to 31 December 2012 amounting to BD 7,130,649 by adjusting it against contributed surplus in order to financially support the Company (refer note 12).

Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2013, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2012: nil).

16 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

The remuneration paid to key management personnel during the year was as follows:

	2013 *BD*	*2012* *BD*
Short term benefits	**132,787**	105,659

17 CONTINGENT LIABILITY

As part of the sale and transfer of shares agreement with the other shareholder of MEP (note 6), a contingent consideration has been agreed, which is subject to the completion of certain existing contracts of MEP and the final customers paying to MEP all outstanding amounts pertaining to the contracts, in full, without retaining any claims against MEP for defects rectification or otherwise. The Company's management expects the contingent consideration to approximate BD 385,079 and does not expect any material variation.

18 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 market risk, credit risk and liquidity 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:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market price risks comprise of interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company was exposed to interest rate risk on its interest bearing loan from the Parent Company. The effective interest rate is disclosed in note 15.

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 loss:

	Increase / decrease in basis points	*Effect on loss BD*
2013		
	+ 50	**-**
	- 50	**-**
2012		
	+ 50	(3,764)
	- 50	3,764

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (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 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, on the Company's loss 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 loss BD*
31 December 2013	**+5%**	**56,259**
	-5%	**(56,259)**
31 December 2012	+5%	39,498
	-5%	(39,498)

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

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 and receivables.

The Company has receivables of BD 3,893,111 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 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 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.

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

2013	***Less than 3 months BD***	***3 to 12 months BD***	***Total BD***
Amounts due to related parties	**5,708,682**	**-**	**5,708,682**
Accounts payable, accrued expenses and other payables	**311,481**	**-**	**311,481**
	6,020,163	**-**	**6,020,163**

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, accrued expenses and other payables	731,494	-	731,494
Loan from parent company	756,607	-	756,607
	4,961,809	-	4,961,809

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 shareholder's 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. The shareholder provides funds to the Company to meet its obligations as and when they fall due. During the year ended 31 December 2013, the shareholder absorbed the Company's accumulated losses of BD 7,130,649.

No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012. Capital represents equity of the Company and is measured at negative BD 104,513 as at 31 December 2013 (2012: positive BD 9,329,580).

19 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprises of financial assets and financial liabilities.

Financial assets consist of bank balances and cash, amounts due from related parties, other receivables and receivable from Bin Kamil Group. Financial liabilities consist of accounts and other payable, loan from Parent Company and amounts due to related parties.

The fair values of the Company's financial assets and financial liabilities are not materially different from their carrying values at the reporting date largely due to the short-term maturities of these instruments.