Terna Contracting W.L.L.

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2014

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

Principal activities

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

Results and retained earnings

The Company generated contract revenue of BD 9,865,215 and incurred a loss of BD 311,464 during the year ended 31 December 2014 as compared to a revenue of BD 6,154,305 and a loss of BD 1,086,778 during the year ended 31 December 2013.

Movement in retained earnings during the year is as follows:

	2014
	BD
Balance at 1 January	**1,138,253**
Loss for the year	**(311,464)**
Balance at 31 December	**826,789**

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

Chairman
....9 March.. 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of Terna Contracting W.L.L. ('the Company'), which comprise the statement of financial position as at 31 December 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.

Board of Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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 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 the management in response to all our requests.

Ernst + Young

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

Terna Contracting W.L.L.
STATEMENT OF FINANCIAL POSITION
At 31 December 2014

	Note	*2014* *BD*	*2013* *BD*
ASSETS			
Non-current assets			
Property, plant and equipment	4	524,613	192,253
Computer software	5	2,755	2,167
Retentions	7	1,116,723	756,377
		1,644,091	950,797
Current assets			
Inventories		282,803	131,954
Due from customers for contract work	6	2,718,000	1,696,238
Contract and other receivables	7	6,403,937	4,818,337
Bank balances and cash	8	205,899	303,763
		9,610,639	6,950,292
TOTAL ASSETS		11,254,730	7,901,089
EQUITY AND LIABILITIES			
Equity			
Share capital	9	1,000,000	1,000,000
Statutory reserve	10	383,549	383,549
Retained earnings		826,789	1,138,253
Total equity		2,210,338	2,521,802
Non-current liabilities			
Term loan	11	386,218	-
Employees' end of service benefits	12	562,438	533,544
Retentions payable	14	237,126	174,104
		1,185,782	707,648
Current liabilities			
Short term loan	13	200,000	-
Trade and other payables	14	6,924,443	3,922,655
Bank overdrafts	8	734,167	748,984
		7,858,610	4,671,639
Total liabilities		9,044,392	5,379,287
TOTAL EQUITY AND LIABILITIES		11,254,730	7,901,089

D. Antonakos
Chairman

D.Xeudis
Director

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

Terna Contracting W.L.L.

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2014

	Note	2014 BD	2013 BD
Contract revenue		9,865,215	6,154,305
Direct costs	15	(8,865,832)	(6,134,573)
		999,383	19,732
Other income	16	32,063	439,396
Exchange gain (loss)		15,567	(2,295)
General and administration expenses		(1,231,186)	(1,447,500)
Finance costs	17	(163,261)	(99,735)
Write off of contract and other receivables	7	(1,423)	(16,804)
Write back of future projected losses on projects	6	37,393	20,428
LOSS FOR THE YEAR	17	(311,464)	(1,086,778)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(311,464)	(1,086,778)

D. Antonakos
Chairman

D.Xoudis
Director

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

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2014

	Note	2014 BD	2013 BD
OPERATING ACTIVITIES			
Loss for the year		**(311,464)**	(1,086,778)
Adjustments for:			
Depreciation	4	**72,919**	147,916
Amortisation	5	**2,682**	2,000
Gain on disposals of property, plant and equipment		**(1,700)**	(4,000)
Provision for employees' end of service benefits	12	**146,001**	102,241
Interest expense	17	**48,897**	17,257
Operating loss before working capital changes		**(42,665)**	(821,364)
Working capital changes:			
Inventories		**(150,849)**	110,060
Due from customers for contract work		**(1,021,762)**	617,436
Contract and other receivables		**(1,945,946)**	(1,064,117)
Trade and other payables		**3,077,780**	(72,223)
Cash used in operations		**(83,442)**	(1,230,208)
Interest paid on bank overdrafts		**(44,792)**	(16,880)
Employees' end of service benefits paid	12	**(117,107)**	(111,073)
Net cash flows used in operating activities		**(245,341)**	(1,358,161)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	**(377,872)**	(30,887)
Proceeds from disposals of property, plant and equipment		**1,700**	4,000
Purchase of computer software	5	**(3,270)**	-
Net cash flows used in investing activities		**(379,442)**	(26,887)
FINANCING ACTIVITIES			
Term loan obtained	11	**386,218**	-
Short term loan obtained	13	**200,000**	-
Loan (paid to) from a related party, including interest	18	**(40,744)**	40,377
Interest paid on short term loan		**(3,738)**	-
Net cash flows from financing activities		**541,736**	40,377
DECREASE IN CASH AND CASH EQUIVALENTS		**(83,047)**	(1,344,671)
Cash and cash equivalents at 1 January		**(445,221)**	899,450
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	8	**(528,268)**	(445,221)

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

Terna Contracting W.L.L.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2014

	Share capital BD	*Statutory reserve BD*	*Retained earnings BD*	*Total BD*
As at 1 January 2014	1,000,000	383,549	1,138,253	2,521,802
Total comprehensive loss for the year	-	-	(311,464)	(311,464)
As at 31 December 2014	**1,000,000**	**383,549**	**826,789**	**2,210,338**

	Share capital BD	*Statutory reserve BD*	*Retained earnings BD*	*Total BD*
As at 1 January 2013	1,000,000	383,549	2,225,031	3,608,580
Total comprehensive loss for the year	-	-	(1,086,778)	(1,086,778)
As at 31 December 2013	1,000,000	383,549	1,138,253	2,521,802

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

1 ACTIVITIES

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

The Company is a subsidiary of Terna Bahrain Holding W.L.L. ('Parent Company'), a company incorporated in the Kingdom of Bahrain. The ultimate parent company is GEK TERNA Holdings Real Estate Construction SA, a company incorporated in and under the laws 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 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

New and amended standards and 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 significant 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.*
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.*

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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)*

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.

2 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.

Property, plant and equipment

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

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

Portacabins	5 years
Plant and equipment	3 to 5 years
Furniture, fixtures and office equipment	3 to 5 years
Motor vehicles	5 years

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

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

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

Intangible assets

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

Inventories

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Due from / to customers for contract work
The aggregate of the costs incurred and the profit/loss recognised on contracts 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
Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

Contract and other receivables
Contract and other receivables are stated at original invoice 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.

Cash and cash equivalents
For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand and at bank, 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.

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.

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 trade and other payables and retention payable.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognised as an expense in the statement of comprehensive income.

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

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.

3 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:

Operating lease - the Company as lessee:
The Company has entered into a commercial property lease on its office premises. The Company has determined, based on an evaluation of the terms and conditions of the arrangements that the lessor retains all the significant risks and rewards of ownership of these assets and so accounts for the contract as an operating lease.

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimates and assumptions

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

Impairment of retentions and contract receivables

An estimate of the collectible amount of retentions and contract 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 reporting date, gross retentions and contract receivables were BD 5,028,019 (2013: BD 2,919,869) and there was no doubtful receivables as of 31 December 2014 and as of 31 December 2013.

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.

Provision for expected losses

The Company's management reviews contracts in progress periodically to determine whether the cost estimates are accurate. Significant judgement is required for determining the future costs and any loss expected is recognised immediately in the statement of comprehensive income. Management's review of outstanding contracts as of 31 December 2014 has not identified any expected loss (2013: nil).

Impairment of property, plant and equipment

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

Useful lives of property, plant and equipment and intangible assets

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

Impairment of inventories

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimates and assumptions (continued)

Impairment of inventories (continued)

At the reporting date, gross inventories were BD 282,803 (2013: BD 131,954) and management's assessment indicate no slow moving inventories as of 31 December 2014 and as of 31 December 2013.

4 PROPERTY, PLANT AND EQUIPMENT

2014

	Portacabins BD	*Plant and equipment BD*	*Furniture, fixtures and office equipment BD*	*Motor vehicles BD*	*Total BD*
Cost:					
At 1 January 2014	330,910	1,838,360	170,670	398,279	2,738,219
Additions	113,565	186,797	35,968	68,949	405,279
Disposals	-	-	-	(14,157)	(14,157)
At 31 December 2014	444,475	2,025,157	206,638	453,071	3,129,341
Depreciation:					
At 1 January 2014	327,420	1,684,104	167,400	367,042	2,545,966
Charge for the year	8,571	36,113	9,711	18,524	72,919
Relating to disposals	-	-	-	(14,157)	(14,157)
At 31 December 2014	335,991	1,720,217	177,111	371,409	2,604,728
Net book values:					
At 31 December 2014	**108,484**	**304,940**	**29,527**	**81,662**	**524,613**

2013

	Portacabins BD	*Plant and equipment BD*	*Furniture, Fixtures and fittings BD*	*Motor vehicles BD*	*Total BD*
Cost:					
At 1 January 2013	330,910	1,828,953	170,015	388,624	2,718,502
Additions	-	9,407	1,780	19,700	30,887
Disposals	-	-	(1,125)	(10,045)	(11,170)
At 31 December 2013	330,910	1,838,360	170,670	398,279	2,738,219
Depreciation:					
At 1 January 2013	311,034	1,578,098	162,854	357,234	2,409,220
Charge for the year	16,386	106,006	5,671	19,853	147,916
Relating to disposals	-	-	(1,125)	(10,045)	(11,170)
At 31 December 2013	327,420	1,684,104	167,400	367,042	2,545,966
Net book values:					
At 31 December 2013	3,490	154,256	3,270	31,237	192,253

4 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charge for the year has been included in the statement of comprehensive income as follows:

	2014 *BD*	*2013* *BD*
Direct costs (note 15)	**55,797**	129,465
General and administration expenses	**17,122**	18,451
	72,919	147,916

5 COMPUTER SOFTWARE

	2014 *BD*	*2013* *BD*
Cost:		
At 1 January	**10,200**	10,200
Additions	**3,270**	-
At 31 December	**13,470**	10,200
Amortisation:		
At 1 January	**8,033**	6,033
Charge for the year	**2,682**	2,000
At 31 December	**10,715**	8,033
Net carrying values:		
At 31 December	**2,755**	2,167

Computer software is amortised over its expected useful life of three years.

6 DUE FROM CUSTOMERS FOR CONTRACT WORK

	2014 *BD*	*2013* *BD*
Contract costs incurred upto 31 December	**25,037,575**	41,355,824
Recognised (losses) profits	**(1,720,615)**	1,319,236
Write back of future projected losses	**37,392**	20,428
Total value of work executed until 31 December including profit	**23,354,352**	42,695,488
Progress billings	**(20,636,352)**	(40,999,250)
	2,718,000	1,696,238

7 CONTRACT AND OTHER RECEIVABLES

	2014 *BD*	*2013* *BD*
Contract receivables	**3,696,727**	2,163,492
Retentions	**1,331,292**	756,377
	5,028,019	2,919,869
Due from related parties (note 18)	**1,715,516**	2,509,703
Advances to suppliers	**504,881**	27,100
Prepayments	**240,805**	81,769
Other receivables	**31,439**	36,273
	7,520,660	5,574,714
Less: Non-current retentions	**1,116,723**	756,377
	6,403,937	4,818,337

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

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

During 2014, the Company has written off other receivables amounting to BD 1,423 (2013: contract receivables of BD 16,804 were written off) as the management assessed that these are no longer collectible.

As at 31 December 2014 and as of 31 December 2013, none of the contract receivables and retentions were impaired and the aging of unimpaired contract receivables and retentions is as follows:

			Past due but not impaired			
	Total *BD*	*Neither past due nor impaired* *BD*	*Under 30 days* *BD*	*30 – 60 days* *BD*	*61 – 90 days* *BD*	*over 90 days* *BD*
31 December 2014	**5,028,019**	**2,359,297**	**-**	**251,299**	**1,278,909**	**1,138,514**
31 December 2013	2,919,869	965,618	421,305	104,583	516,322	912,041

Unimpaired contract receivables and retentions 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 retentions and the majority are, therefore, unsecured. Proceeds on contract receivables and retentions were used as a security for bank overdraft facility, term loan and short term loan availed by the Company (note 8).

8 CASH AND CASH EQUIVALENTS

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

	2014 *BD*	*2013* *BD*
Bank balances	**200,769**	299,906
Cash in hand	**5,130**	3,857
Bank balances and cash	**205,899**	303,763
Bank overdrafts	**(734,167)**	(748,984)
Cash and cash equivalents	**(528,268)**	(445,221)

Bank overdrafts are denominated in Bahraini Dinars and have interest rates of one month Bahrain Interbank Offer Rate (BIBOR) plus 5% per annum and 8% per annum (2013: same). The facility is secured by assignment of contract proceeds (note 7) and subcontractors bonds / guarantees to the bank and guarantee of the parent company.

At 31 December 2014, the Company had BD 515,833 (2013: BD 1,016) of undrawn committed borrowing facilities.

9 SHARE CAPITAL

	2014 *BD*	*2013* *BD*
Issued and paid-up:		
20,000 shares of BD 50 each fully paid	**1,000,000**	1,000,000

The shareholders and their shareholding percentages are as follows:

	2014	*2013*
Terna Bahrain Holding W.L.L.	**99.99%**	99.99%
Terna Overseas Limited	**0.01%**	0.01%
	100.00%	100.00%

10 STATUTORY RESERVE

The Bahrain Commercial Companies Law and the Company's memorandum of association, require the Company to transfer 10% of the profit for the year to the statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up share capital. No transfers were made in the current and prior years as the Company incurred losses. The reserve cannot be utilised for the purpose of distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

11 TERM LOAN

This loan was obtained from a commercial bank in the Kingdom of Bahrain to finance the purchase of assets for the construction of a project at an agreed interest rate of one month BIBOR (Bahrain Interbank Offer Rate) plus 5.5% per annum. The loan plus interest is payable in 10 equal monthly instalments. The first instalment is payable after 18 months from the date of the first drawdown which was 30 September 2014. The effective interest rate of the loan is 6.25% as of 31 December 2014 (2013: nil).

Term loan is secured by assignment of contract proceeds and subcontractor's bonds / guarantees.

12 EMPLOYEES' END OF SERVICE BENEFITS

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

	2014 *BD*	*2013* *BD*
At 1 January	**533,544**	542,376
Provided during the year (note 17)	**146,001**	102,241
Paid during the year	**(117,107)**	(111,073)
At 31 December	**562,438**	533,544

13 SHORT TERM LOAN

This loan was obtained from a commercial bank in the Kingdom of Bahrain to finance the construction of a project at an agreed interest rate of three months BIBOR plus 5.5% per annum. The principal and interest is payable within 90 days. This loan is secured by assignment of contract proceeds. The effective interest rate of the loan is 6.53% as of 31 December 2014 (2013: nil).

14 TRADE AND OTHER PAYABLES

	2014 *BD*	*2013* *BD*
Contract payables	**2,701,781**	1,749,625
Contract advances	**2,109,553**	762,313
Accrued expenditure	**1,306,344**	545,533
Retentions payable	**400,897**	549,157
Employee related accruals	**300,238**	274,590
Other payables - related parties (note 18)	**195,113**	127,286
Other payables	**147,643**	47,878
Loan from a related party (note 18)	**-**	40,377
	7,161,569	4,096,759
Less: Non-current retentions payable	**237,126**	174,104
	6,924,443	3,922,655

Contract payables are non-interest bearing and are normally settled on 60 day terms.

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

Retentions are non interest bearing and payable in accordance with the terms of contracts.

For terms and conditions for loans and other payables to related parties see note 18.

15 DIRECT COSTS

	2014 BD	2013 BD
Sub-contractors' costs	**3,050,859**	1,545,839
Staff costs (note 17)	**2,519,876**	1,901,416
Consultants' fees and technician charges	**1,462,079**	264,268
Materials	**1,248,748**	1,887,326
Motor vehicle hire and expenses	**150,103**	125,033
Consumables	**129,019**	97,775
Travel	**122,190**	64,470
Repairs and maintenance	**64,705**	54,929
Depreciation (note 4)	**55,797**	129,465
Communication	**49,083**	41,200
Other expenses	**13,373**	22,852
	8,865,832	6,134,573

16 OTHER INCOME

	2014 BD	2013 BD
Sale of scrap	**18,591**	15,076
Ancillary works not related to contracts	**11,763**	420,257
Miscellaneous	**1,709**	4,063
	32,063	439,396

17 LOSS FOR THE YEAR

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

Staff costs have been included in the statement of comprehensive income as follows:

	2014 BD	2013 BD
Direct costs (note 15)	**2,519,876**	1,901,416
General and administration expenses	**1,015,180**	1,250,513
	3,535,056	3,151,929
Staff costs comprise of the following:		
Salaries and wages	**2,144,675**	2,040,880
Other staff benefits and expenses	**1,113,269**	858,186
Contributions to Social Insurance Organisation	**102,293**	109,099
Employees' end of service benefits (note 12)	**146,001**	102,241
Hire of labour	**28,818**	41,523
	3,535,056	3,151,929
Finance costs:		
Interest on bank overdrafts	**44,792**	16,880
Interest on short term loan	**3,738**	-
Interest on loan from a related party (note 18)	**367**	377
Interest expenses	**48,897**	17,257
Bank charges	**114,364**	82,478
	163,261	99,735
Rentals-operating leases	**72,240**	69,940

18 RELATED PARTY TRANSACTIONS

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

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

	2014		*2013*	
	Expenses	*Other income*	*Expenses*	*Other income*
	BD	*BD*	*BD*	*BD*
Terna Mechanical and Electrical W.L.L.	-	-	-	41,390
Terna Bahrain Holding W.L.L.	-	**7,377**	4,146	27,571
Terna Qatar Company L.L.C.	**59**	-	-	63,351
Terna S.A.	**34,207**	-	36,900	-
	34,266	**7,377**	41,046	132,312

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

	2014		*2013*	
	Receivables	*Payables*	*Receivables*	*Payables*
	BD	*BD*	*BD*	*BD*
Parent entities				
Terna S.A. (Abu Dhabi branch)	**175,638**	-	175,638	-
Terna S.A.	-	**104,881**	-	82,258
Terna Overseas Ltd	-	**39,858**	-	45,028
Terna Sharjah	-	**50,374**	-	-
Terna Bahrain Holding W.L.L	**1,107,818**	-	1,408,697	-
Group company	-	-	-	-
Terna Qatar Company L.L.C	**207,691**	-	707,749	-
Fellow subsidiary	-	-	-	-
Terna Mechanical and Electrical W.L.L	**224,369**	-	217,619	-
	1,715,516	**195,113**	2,509,703	127,286

Terms and conditions of transactions with related parties:
Outstanding balances at the year end are unsecured, interest free and payable on demand except for payable to Terna Mechanical and Electrical W.L.L. ("MEP") which is normally payable within 30 to 60 days of invoice. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2014, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2013: nil).

In 2013, the General Manager of the Company had provided a loan of BD 40,000 to the Company. The loan carried interest at 6% per annum and was availed for urgent working capital requirement. The loan was repaid during 2014.

18 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

	2014	*2013*
	BD	*BD*
Short-term benefits	**172,489**	273,574
Employees' end of service benefits	**12,377**	21,218
	184,866	294,792

19 CONTINGENCIES AND COMMITMENTS

a) Guarantees

The Company's bankers have given performance and advance payment guarantees amounting to BD 8,703,660 (2013: BD 3,255,090) in respect of various contracts undertaken for execution. These are secured by joint and several guarantees from the shareholders.

b) Lease commitments

Future minimum rentals payable under operating leases as of the reporting date are as follows:

	2014	*2013*
	BD	*BD*
Less than one year	**44,458**	76,200
More than one year and less than five years	**28,027**	72,485
	72,485	148,685

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

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

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

Market risk

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

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the Company's results for one year for floating rate financial instruments held at 31 December 2014 and 31 December 2013.

An increase or decrease in the interest rate by 100 basis points with other variables remaining constant, would have an insignificant effect on the Company's results for the year ended 31 December 2014 and 31 December 2013.

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

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

	Increase/ decrease in Euro to the Bahraini Dinar	*Effect on comprehensive income BD*
31 December 2014	**+5%**	**(7,237)**
	-5%	**7,237**
31 December 2013	+5%	(6,364)
	-5%	6,364

The Company also has balances denominated in United Arab Emirates Dirhams (AED) and United States Dollars (USD) and 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.

Credit risk related to receivables is managed according to the Company's policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed by the management. Outstanding customer receivables are regularly monitored. The Company does not perceive any risk with respect to related party receivables. Its two (2013: three) largest customers account for 97% of outstanding contract receivables at 31 December 2014 (2013: 93%).

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

Liquidity risk

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

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

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

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

31 December 2014	*Less than 3 months BD*	*3 to 12 months BD*	*1 to 5 years BD*	*Total BD*
Term loan	-	-	417,081	417,081
Short term loan	203,088	-	-	203,088
Contract payables	2,701,781	-	-	2,701,781
Other payables - related parties	195,113	-	-	195,113
Retentions payable	-	400,897	237,126	638,023
Bank overdrafts	746,649	-	-	746,649
Accrued expenses and other payables	1,754,225	-	-	1,754,225
	5,600,856	400,897	654,207	6,655,960
Contractual guarantees	478,712	1,136,312	7,088,636	8,703,660

31 December 2013	*Less than 3 months BD*	*3 to 12 months BD*	*1 to 5 years BD*	*Total BD*
Contract payables	1,749,625	-	-	1,749,625
Other payables - related parties	127,286	-	-	127,286
Retentions payable	-	375,053	174,104	549,157
Bank overdrafts	763,964	-	-	763,964
Loan from a related party	40,781	-	-	40,781
Accrued expenses and other payables	868,001	-	-	868,001
	3,549,657	375,053	174,104	4,098,814
Contractual guarantees	175,500	1,893,544	1,186,046	3,255,090

Capital management

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

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013. Capital comprises share capital, statutory reserve and retained earnings and is measured at BD 2,210,338 as at 31 December 2014 (2013: BD 2,521,802).

21 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances and cash and contract and other receivables. Financial liabilities consist of term loan, short-term loan, bank overdrafts, trade and other payables and retention payable.

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