Terna Contracting W.L.L.

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2013

REPORT OF THE BOARD OF DIRECTORS

The Directors have the pleasure in submitting their report and the audited financial statements of Terna Contracting W.L.L. ('the Company') for the year ended 31 December 2013.

Principal activities

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

Results and retained earnings

During the year, the Company generated contract revenue of BD 6,154,305 (2012: BD 13,546,508) and incurred a loss of BD 1,086,844 during the year (2012: loss of BD 1,226,909).

The movements in retained earnings are as follows:

	2013	*2012*
	BD	*BD*
Balance at 1 January	**2,225,031**	3,451,940
Loss for the year	**(1,086,778)**	(1,226,909)
Balance at 31 December	**1,138,253**	2,225,031

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

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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 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

Terna Contracting W.L.L.

STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	*2013* *BD*	*2012* *BD*
ASSETS			
Non-current assets			
Property, plant and equipment	5	**192,253**	309,282
Intangible assets	6	**2,167**	4,167
		194,420	313,449
Current assets			
Inventories		**131,954**	242,014
Due from customers for contract work	7	**1,696,238**	2,313,674
Contract and other receivables	8	**5,574,714**	4,510,597
Bank balances and cash	9	**303,763**	926,226
		7,706,669	7,992,511
TOTAL ASSETS		**7,901,089**	8,305,960
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**1,000,000**	1,000,000
Statutory reserve	11	**383,549**	383,549
Retained earnings		**1,138,253**	2,225,031
Total equity		**2,521,802**	3,608,580
Non-current liability			
Employees' end of service benefits	12	**533,544**	542,376
Long-term retention payable	13	**174,104**	339,195
		707,648	881,571
Current liabilities			
Trade and other payables	13	**3,922,655**	3,789,033
Bank overdrafts	9	**748,984**	26,776
		4,671,639	3,815,809
Total liabilities		**5,379,287**	4,697,380
TOTAL EQUITY AND LIABILITIES		**7,901,089**	8,305,960

D. Antonakos
Chairman

D.Xoudis
Director

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

Terna Contracting W.L.L.

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2013

	Note	2013 BD	2012 BD
Contract revenue		**6,154,305**	13,546,508
Operating costs	14	**(4,117,782)**	(10,758,413)
Project material and equipment expenses	15	**(2,016,791)**	(2,575,208)
		19,732	212,887
Other income	16	**439,396**	271,341
Exchange loss		**(2,295)**	(3,807)
General and administrative expenses		**(1,447,877)**	(1,566,368)
Finance costs		**(99,358)**	(89,060)
Write off of contract receivable		**(16,804)**	-
Write back of (provision for) future projected losses on projects		**20,428**	(51,902)
LOSS FOR THE YEAR	17	**(1,086,778)**	(1,226,909)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,086,778)**	(1,226,909)

D. Antonakos
Chairman

D.Xoudis
Director

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2013

	Note	2013 BD	2012 BD
OPERATING ACTIVITIES			
Loss for the year		**(1,086,778)**	(1,226,909)
Adjustments for:			
Depreciation	5	**147,916**	312,660
Amortisation	6	**2,000**	1,833
Gain on disposal of property, plant and equipment		**(4,000)**	-
Provision for employees' end of service benefits	12	**102,241**	165,961
Operating loss before working capital changes		**(838,621)**	(746,455)
Working capital changes:			
Inventories		**110,060**	68,852
Contract and other receivables		**(1,064,117)**	4,636,549
Due from customers for contract work		**617,436**	(278,657)
Due to customers for contract work		**-**	(156,409)
Trade and other payables		**133,622**	(2,998,444)
Cash from operating activities		**(1,041,620)**	525,436
Employees' end of service benefits paid	12	**(111,073)**	(19,993)
Net cash flows (used in) from operating activities		**(1,152,693)**	505,443
INVESTING ACTIVITIES			
Additions to property, plant and	5	**(30,887)**	(12,854)
Proceeds from disposal of property, plant and equipment		**4,000**	-
Addition to intangible assets	6	**-**	(6,000)
Net cash flows used in investing activities		**(26,887)**	(18,854)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(1,179,580)**	486,589
Cash and cash equivalents at I January		**899,450**	412,861
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	**(280,130)**	899,450

Non-cash items:

Non-cash items not included in the above statement of cash flows in 2012 include:

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

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

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

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2013

	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**
As at 1 January 2012	1,000,000	383,549	3,451,940	4,835,489
Total comprehensive loss for the year	-	-	(1,226,909)	(1,226,909)
As at 31 December 2012	1,000,000	383,549	2,225,031	3,608,580

1 ACTIVITIES

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

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

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

The shares of the Company are owned as follows:

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

The financial statements were authorised for issue by the Board of Directors on ……… 2014.

2 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

New and amended standards and interpretation effective as of 1 January 2013
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 affect presentation only and 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

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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.
(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 directly attributable transaction costs.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Fair value measurement
Policy applicable from 1 January 2013
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances and cash and contract and other receivables. Financial liability consists of contract and other payables.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Policy applicable before 1 January 2013
The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Contract revenue

Contract revenue is recognised under the percentage of completion method.

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

Leases

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

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

Impairment of contract receivables

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

At the reporting date, gross contract receivables were BD 2,163,492 (2012: BD 3,122,284) and the provision for doubtful debts was nil (2012: nil). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Construction contracts
Revenue and profit recognition on an incomplete project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the management team's experience and the nature of the construction activity undertaken, the management makes estimates of the point at which it considers the work is sufficiently advanced such that the cost to complete, rectification costs and revenue can be reliably estimated. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the statement of financial position date, which would affect the revenue and the profit recognised in the future years as an adjustment to the amounts recorded to date. As at 31 December 2013, the management considered that all costs to complete and revenue can be reliably measured.

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

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

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

At the reporting date, gross inventories were BD 131,954 (2012: BD 242,014) with no provisions for slow-moving inventories (2012: nil). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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.

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

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.

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

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

5 PROPERTY, PLANT AND EQUIPMENT

2013	*Porta cabins BD*	*Plant and equipment BD*	*Furniture, fixtures and office equipment BD*	*Motor vehicles BD*	*Total BD*
Cost:					
At 1 January 2013	330,910	1,828,953	170,015	388,624	2,718,502
Additions during the year	-	9,407	1,780	19,700	30,887
Disposals during the year	-	-	(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
Depreciation 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**

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

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

	***2013* BD**	*2012 BD*
Project material and equipment expenses (note 15)	**129,465**	261,696
General and administrative expenses	**18,451**	50,964
	147,916	312,660

6 INTANGIBLE ASSETS

	2013 BD	2012 BD
Cost:		
At 1 January	**10,200**	4,200
Additions	**-**	6,000
At 31 December	**10,200**	10,200
Amortisation:		
At 1 January	**6,033**	4,200
Amortisation for the year	**2,000**	1,833
At 31 December	**8,033**	6,033
Net carrying values:		
At 31 December	**2,167**	4,167

During 2012, the Company purchased a new accounting software and is being amortised over 3 years, which is the expected useful life of the software.

7 DUE FROM CUSTOMERS FOR CONTRACT WORK

	2013 BD	2012 BD
Contract costs incurred till date	**41,355,824**	34,830,656
Recognised profit	**1,360,092**	322,922
Future projected loss provided for	**(20,428)**	(51,902)
Total value of work executed till date including profit	**42,695,488**	35,101,676
Progress billings	**(40,999,250)**	#########
	1,696,238	2,313,674

8 CONTRACT AND OTHER RECEIVABLES

	2013 BD	2012 BD
Contract receivables	**2,163,492**	3,122,284
Due from related parties (note 18)	**2,509,703**	808,540
Retentions	**756,377**	371,311
Advances to suppliers	**27,100**	120,988
Prepayments	**81,769**	43,458
Other receivables	**36,273**	44,016
	5,574,714	4,510,597

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

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

8 CONTRACT AND OTHER RECEIVABLES (continued)

As at 31 December 2013, none of the contract receivables were impaired (2012: nil) and the aging of unimpaired contract receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired			
			< 30 days	30 – 60 days	60 – 90 days	90 – 180 days
	BD	*BD*	*BD*	*BD*	*BD*	*BD*
31 December 2013	**2,163,492**	**209,241**	**421,305**	**104,583**	**516,322**	**912,041**
31 December 2012	3,122,284	911,431	4,845	163,829	-	2,042,179

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

9 CASH AND CASH EQUIVALENTS

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

	2013	*2012*
	BD	*BD*
Bank balances - Bahraini Dinars	**299,906**	925,217
Cash in hand	**3,857**	1,009
Bank balances and cash	**303,763**	926,226
Bank overdrafts	**(748,984)**	(26,776)
Cash and cash equivalents	**(445,221)**	899,450

The bank overdrafts are denominated in Bahraini Dinars and have an effective interest rate of 8% per annum (2012: 8%).

At 31 December 2013, the Company had BD 1,015 (2012: BD 884,809) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

10 SHARE CAPITAL

	2013	*2012*
	BD	*BD*
Authorised, issued and fully paid: 20,000 shares of BD 50 each	**1,000,000**	1,000,000

11 STATUTORY RESERVE

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

12 EMPLOYEES' END OF SERVICE BENEFITS

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

	2013 *BD*	*2012* *BD*
At 1 January	**542,376**	381,828
Provided during the year (note 17)	**102,241**	165,961
Transferred from a group company (note 18)	**-**	18,624
Transferred to a group company (note 18)	**-**	(4,044)
Paid during the year	**(111,073)**	(19,993)
At 31 December	**533,544**	542,376

13 TRADE AND OTHER PAYABLES

	2013 *BD*	*2012* *BD*
Contract payables	**1,749,625**	1,682,663
Accrued expenditure	**545,533**	952,313
Retention payable	**375,053**	553,834
Accruals for employee benefits	**274,590**	301,364
Other payables - related parties (note 18)	**167,663**	117,986
Other payables	**47,878**	105,284
Contract advances	**762,313**	75,589
	3,922,655	3,789,033
Long-term retention payable	**174,104**	339,195
	4,096,759	4,128,228

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

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

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

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

14 OPERATING COSTS

	2013 *BD*	*2012* *BD*
Staff costs (note 17)	**1,901,416**	3,081,664
Sub-contractors' work	**1,545,839**	6,958,968
Motor vehicle hire and expenses	**125,033**	185,877
Consumables	**97,775**	171,603
Travel	**64,470**	86,895
Consultants fee and technician charges	**264,268**	102,195
Repairs and maintenance	**54,929**	70,811
Communication	**41,200**	71,955
Other expenses	**22,852**	28,445
	4,117,782	10,758,413

15 PROJECT MATERIALS AND EQUIPMENT EXPENSES

	2013 BD	2012 BD
Materials	**1,887,326**	2,260,962
Depreciation (note 5)	**129,465**	261,696
Piling	**-**	52,550
	2,016,791	2,575,208

16 OTHER INCOME

	2013 BD	2012 BD
Ancillary works not related to contracts	**420,257**	266,352
Sale of scrap	**15,076**	1,417
Miscellaneous	**4,063**	3,572
	439,396	271,341

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 following accounts in the statement of comprehensive income:

	2013 BD	2012 BD
Operating costs (note 14)	**1,901,416**	3,081,664
General and administrative expenses	**1,250,513**	1,154,654
	3,151,929	4,236,318
Staff costs comprise of the following:		
Salaries and wages	**2,040,880**	2,683,319
Other staff benefits and expenses	**858,186**	829,346
Contribution to Social Insurance Organisation	**109,099**	128,367
Employees' end of service benefits (note 12)	**102,241**	165,961
Hire of labour	**41,523**	429,325
	3,151,929	4,236,318
Rentals-operating leases	**69,940**	73,620

18 RELATED PARTY TRANSACTIONS

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

18 RELATED PARTY TRANSACTIONS (continued)

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

	2013		*2012*	
	Expenses	***Other income***	*Expenses*	*Other income*
	BD	***BD***	*BD*	*BD*
Terna Mechanical and Electrical W.L.L	**-**	**41,390**	124,578	-
Terna Bahrain Holding Company W.L.L	**4,146**	**27,571**	-	21,782
Terna Qatar Company L.L.C	**-**	**63,351**	-	-
Terna S.A.	**36,900**	-	36,032	-
Terna Overseas Ltd	**-**	-	-	86,223

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

	2013		*2012*	
	Receivables	***Payables***	*Receivables*	*Payables*
	BD	***BD***	*BD*	*BD*
Parent entities				
Terna S.A. (Abu Dhabi branch)	**175,638**	-	15,608	-
Terna S.A.	-	**82,258**	-	74,393
Terna Overseas Ltd	-	**45,028**	-	43,593
Terna Bahrain Holding Company W.L.L	**1,408,697**	-	485,149	-
Group company	-	-		
Terna Qatar Company L.L.C	**707,749**	-	144,398	-
Fellow subsidiaries	-	-		
Terna Mechanical and Electrical W.L.L	**217,619**	-	163,385	-
	2,509,703	**127,286**	808,540	117,986

18 RELATED PARTY TRANSACTIONS (continued)

Terms and conditions of transactions with related parties:
Outstanding balances at the year end are unsecured, interest free and payable on demand except for balances with Terna Mechanical and Electrical W.L.L. ("MEP"). Balances with MEP are trade payables and are normally payable within 30 to 60 days of invoice. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2013, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2012: nil).

Payable to key management personnel pertains to a loan obtained from the General Manager of the Company at an interest of 6% per annum, for working capital requirements of the Company.

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

	2013 *BD*	*2012* *BD*
Short-term benefits	**273,574**	266,110
Employees' end of service benefits	**114,110**	58,642
	387,684	324,752

19 CONTINGENCIES AND COMMITMENTS

a) Guarantees
The Company's bankers have given performance and advance payment guarantees amounting to BD 3,255,090 (2012: BD 3,309,739) in respect of various contracts undertaken for execution. These are secured by joint and several guarantees from the shareholders.

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

	2013 *BD*	*2012* *BD*
Not later than one year	**76,200**	78,600
Later than one year and not later than five years	**72,485**	151,966
	148,685	230,566

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)
Credit risk related to receivables is managed according to the Company's policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed by the management. Outstanding customer receivables are regularly monitored. The Company does not perceive any risk with respect to related party receivables. Its three largest customers account for 93% outstanding accounts receivables at 31 December 2013 (2012: 89%).

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

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

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

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

31 December 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**	**-**	**375,053**
Accrued expenses and other payables	**593,411**	**-**	**-**	**593,411**
	2,470,322	**375,053**	**-**	**2,845,375**
Contractual guarantees	**175,500**	**1,893,544**	**1,186,046**	**3,255,090**

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

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

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

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

	Increase/ decrease in Euro rate to the Bahraini Dinar	*Effect on profit BD*
31 December 2013	**+5%**	**(6,364)**
	-5%	**6,364**
31 December 2012	+5%	(5,899)
	-5%	5,899

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

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

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012. Capital comprises equity and is measured at BD 2,521,802 as at 31 December 2013 (2012: BD 3,608,580).

21 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

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

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

22 COMPARATIVE FIGURES

A prior year figure has been reclassified to conform to the current year presentation. Such reclassification did not affect previously reported retained earnings or equity balance.