

TERNA OVERSEAS LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2012

TERNA OVERSEAS LIMITED

REPORT AND FINANCIAL STATEMENTS 31 December 2012

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TERNA OVERSEAS LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Alexis Hadjinicolaou (appointed 4 March 2013)
Despina Georgiou (appointed 4 March 2013)
Nicolao Pitsakis (appointed 4 March 2013)
Stelios Panayides (resigned 4 March 2013)
Xenia Koustai (resigned 4 March 2013)
Androulla (Andri) Efthimiou (resigned 4 March 2013)
Panagiotis Pothos
Konstantinos Iliadis

Company Secretary:

Alexis Hadjinikolaou
Annis Komnini, 37
Elenion Building, 2nd floor
Flat/Office 7, Nicosia

Independent Auditors:

CKZ Audit Ltd

Registered office:

Annis Komnini, 37
Elenion Building, 2nd floor
Flat/Office 7, Nicosia
Cyprus

TERNA OVERSEAS LIMITED

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2012.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the provision of consultancy services in the construction field, the execution and supervision of public and private technical projects and land development including any interest earning activities.

The Company did not operate through any branches during the year.

Review of current position, future developments and significant risks

The net profit for the Company for the year ended 31 December 2012 was €644.357 (2011: €1.053.201). On 31 December 2012 the total assets of the Company were €72.711.262 (2011: €58.197.582) and the net assets of the Company were €63.166.349 (2011: net liabilities €52.241.592). The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in note 3 of the financial statements.

Results and Dividends

The Company's results for the year are set out on page 6. The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital

On 14 February 2012, the Company increased its share capital from 136.800 to 149.300 ordinary shares, by issuing 12.5000 ordinary shares of a nominal value €10 each, at a premium of €230 each, totalling €2.875.000.

On 17 February 2012, the Company increased its share capital from 149.300 to 157.635 ordinary shares, by issuing 8.335 ordinary shares of a nominal value €10 each, at a premium of €230 each, totalling €1.917.050

On 31 December 2012, the Company increased its share capital from 157.635 to 179.635 ordinary shares, by issuing 22.000 ordinary shares of a nominal value €10 each, at a premium of €230 each, totalling €5.060.000

Board of Directors

The members of the Company's Board of Directors as at 31 December 2012 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2012. Mr. Stelios Panayides, Mrs. Xenia Koustai and Mrs. Androulla (Andri) Efthymiou resigned on 4 March 2013 and on the same date Mr. Alexis Hadjinicoalou, Mrs. Despina Georgiou and Mr. Nicolaos Pitsakis were appointed in their place.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 24 to the financial statements.

TERNA OVERSEAS LIMITED

REPORT OF THE BOARD OF DIRECTORS

Independent Auditors

The Independent Auditors, CKZ Audit Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,



Alexis Hadjinicolaou
Director

Nicosia, 22 March 2013

Independent auditor's report

To the Members of Terna Overseas Limited

Report on the financial statements

We have audited the accompanying financial statements of parent company Terna Overseas Limited (the "Company") on pages 6 to 29 which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows 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 Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's judgment, 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 of financial statements that give a true and fair view 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.

Independent auditor's report (continued)

To the Members of Terna Overseas Limited

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the parent company Terna Overseas Limited as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

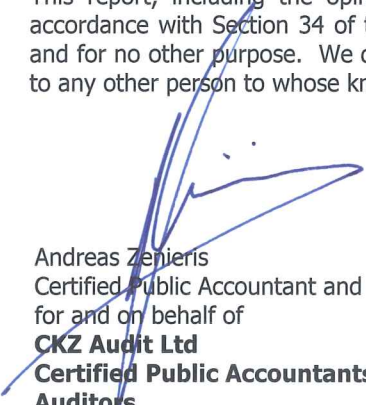
Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Andreas Zenieris
Certified Public Accountant and Registered Auditor
for and on behalf of
CKZ Audit Ltd
Certified Public Accountants and Registered
Auditors

Nicosia, 22 March 2013

TERNA OVERSEAS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Note	2012 €	2011 €
Revenue	5	14.907.537	4.081.342
Cost of sales		<u>(14.515.587)</u>	<u>(3.667.661)</u>
Gross profit		391.950	413.681
Other income	6	816.298	767.877
Selling and distribution expenses		(250)	-
Administration expenses		<u>(121.799)</u>	<u>(96.471)</u>
Operating profit		1.086.199	1.085.087
Finance costs	9	<u>(140.814)</u>	<u>(85.326)</u>
Profit before tax		945.385	1.170.413
Tax	10	<u>(301.028)</u>	<u>(117.212)</u>
Net profit for the year		644.357	1.053.201
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>644.357</u>	<u>1.053.201</u>

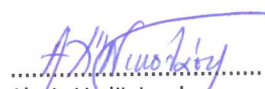
The notes on pages 10 to 29 form an integral part of these financial statements.


TERNA OVERSEAS LIMITED

STATEMENT OF FINANCIAL POSITION 31 December 2012

	Note	2012 €	2011 €
ASSETS			
Non-current assets			
Investments in subsidiaries	13	33.608.837	33.608.837
Non-current loans receivable	14	7.750.036	7.370.602
		41.358.873	40.979.439
Current assets			
Trade and other receivables	15	23.733.018	6.846.915
Loans receivable	14	7.040.420	7.784.100
Cash and cash equivalents	16	578.951	2.587.128
		31.352.389	17.218.143
Total assets		72.711.262	58.197.582
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium	17	42.882.400	32.602.000
Retained earnings		20.283.949	19.639.592
Total equity		63.166.349	52.241.592
Current liabilities			
Trade and other payables	19	7.859.873	2.909.762
Borrowings	18	1.418.512	2.896.125
Current tax liabilities	20	266.528	150.103
		9.544.913	5.955.990
Total equity and liabilities		72.711.262	58.197.582

On 22 March 2013 the Board of Directors of Terna Overseas Limited authorised these financial statements for issue.


.....
Alexis Hadjinicolaou
Director


.....
Despina Georgiou
Director

The notes on pages 10 to 29 form an integral part of these financial statements.

TERNA OVERSEAS LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Note	Share capital €	Share premium €	Retained earnings €	Total €
Balance at 1 January 2011		1.368.000	31.234.000	20.916.791	53.518.791
Comprehensive income					
Net profit for the year		-	-	1.053.201	1.053.201
Transactions with owners					
Issue of share capital	17	97.100	2.233.300	(2.330.400)	-
Decrease of share capital		(97.100)	(2.233.300)	-	(2.330.400)
Balance at 31 December 2011		1.368.000	31.234.000	19.639.592	52.241.592
Balance at 31 December 2011/ 1 January 2012		1.368.000	31.234.000	19.639.592	52.241.592
Comprehensive income					
Net profit for the year		-	-	644.357	644.357
Transactions with owners					
Issue of share capital	17	428.350	9.852.050	-	10.280.400
Balance at 31 December 2012		1.796.350	41.086.050	20.283.949	63.166.349

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 31 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011) will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 10 to 29 form an integral part of these financial statements.

TERNA OVERSEAS LIMITED

CASH FLOW STATEMENT

Year ended 31 December 2012

	Note	2012 €	2011 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		945.385	1.170.413
Adjustments for:			
Unrealised exchange loss /(profit)		60.752	(168.072)
Interest income	6	(723.496)	(684.055)
Interest expense	9	59.922	81.789
Cash flows from operations before working capital changes		342.563	400.075
(Increase)/decrease in trade and other receivables		(16.946.855)	2.127.346
Increase in trade and other payables		4.950.111	694.881
Cash flows (used in)/from operations		(11.654.181)	3.222.302
Tax paid		(184.603)	(6.615)
Net cash flows (used in)/from operating activities		(11.838.784)	3.215.687
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of investments in subsidiaries	13	-	(900)
Loans granted		(500.000)	(1.700.000)
Loans repayments received		1.477.613	2.763.375
Interest received		110.129	152.258
Net cash flows from investing activities		1.087.742	1.214.733
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		10.280.400	-
Repayments of borrowings		(1.477.613)	(2.763.375)
Interest paid		(59.922)	(81.789)
Share Capital and Share Premium reduction		-	(2.330.400)
Net cash flows from/(used in) financing activities		8.742.865	(5.175.564)
Net decrease in cash and cash equivalents		(2.008.177)	(745.144)
Cash and cash equivalents:			
At beginning of the year		2.587.128	3.332.272
At end of the year	16	578.951	2.587.128

The notes on pages 10 to 29 form an integral part of these financial statements.

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

1. Incorporation and principal activities

Country of incorporation

The Company Terna Overseas Limited (the "Company") was incorporated in Cyprus on 20 May 2006 as a private limited liability Company under the Cyprus Companies Law, Cap. 113. Its registered office is at Annis Komninis, 37, Elenion Building, 2nd floor, Flat/Office 7, Nicosia, Cyprus.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the provision of consultancy services in the construction field, the execution and supervision of public and private technical projects and land development including any interest earning activities.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

The Company is not required by the Cyprus Companies Law, Cap.113, to prepare consolidated financial statements because the ultimate parent company publishes consolidated financial statements in accordance with Generally Accepted Accounting Principles in Greece and the Company does not intend to issue consolidated financial statements for the year ended 31 December 2012.

Since the 7th Directive of the European Union permits the preparation of consolidated financial statements in accordance with the Directive or in a manner equivalent to the Directive, and since the Cyprus Companies Law, Cap. 113, provides the aforementioned exemption, the provisions of International Accounting Standard 27 "Consolidated and separate financial statements" that require the preparation of consolidated financial statements in accordance with IFRS do not apply.

The financial statements have been prepared under the historical cost convention

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Adoption of new and revised IFRSs

As from 1 January 2012, the Company adopted all the following IFRSs and International Accounting Standards (IAS), which are relevant to its operations. The adoption of these Standards did not have a material effect on the financial statements.

At the date of approval of these financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Adopted by the European Union

New standards

- *IFRS 10 Consolidated Financial Statements* (effective for annual periods beginning on or after 1 January 2013).
- *IFRS 11 Joint Arrangements* (effective for annual periods beginning on or after 1 January 2013).
- *IFRS 12 Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2013).
- *IFRS 13 Fair Value Measurement* (effective for annual periods beginning on or after 1 January 2013).
- *IAS 27 Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2013).
- *IAS 28 Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2013).

Amendments

- *Amendments to IAS 19 Employee Benefits* (effective for annual periods beginning on or after 1 January 2013).
- *Amendment to IFRS 7 - Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after 1 January 2013).
- *Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after 1 January 2014).

New IFRICs

- *IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine* (effective for annual periods beginning on or after 1 January 2013).

(ii) Not adopted by the European Union

New standards

- *IFRS 9 "Financial Instruments"* (effective for annual periods beginning on or after 1 January 2015).

Amendments

- *Government Loans (Amendments to IFRS 1)* (effective for annual periods beginning on or after 1 January 2013).
- *Improvements to IFRSs 2009-2011* (effective for annual periods beginning on or after 1 January 2013).
- *Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)* (effective for annual periods beginning on or after 1 January 2013).
- *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS27)* (effective for annual periods beginning on or after 1 January 2014).

The Board of Directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the Company.

Subsidiary companies

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes. Revenues earned by the Company are recognised on the following bases:

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. Accounting policies (continued)

Revenue recognition (continued)

- **Rendering of services**

Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

- **Rental income**

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

- **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Finance income

Finance income includes interest income which is recognised based on an accrual basis.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

Foreign currency translation

(1) **Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

(2) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. Accounting policies (continued)

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Prepayments from clients

Payments received in advance on sale contracts for which no revenue has been recognised yet, are recorded as prepayments from clients as at the reporting date and carried under liabilities.

Loans granted

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Financial assets

(1) Classification

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the reporting date. These are classified as non current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

(2) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses on available-for-sale financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available for sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects 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.

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. Accounting policies (continued)

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3. Financial risk management

Financial risk factors

The Company is exposed to interest rate risk, credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

3.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2012 €	2011 €
Fixed rate instruments		
Financial assets	13,371,943	12,229,905
Variable rate instruments		
Financial assets	1,418,512	2,924,797
Financial liabilities	(1,418,512)	(2,896,125)
	<u>13,371,943</u>	<u>12,258,577</u>

Sensitivity analysis

An increase of 0.5% in interest rates at 31 December 2012 would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit.

	Profit or loss	
	2012 €	2011 €
Variable rate instruments	-	143

3.2 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

3.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

3. Financial risk management (continued)

3.3 Liquidity risk (continued)

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

31 December 2012	Carrying amounts €	Contractual cash flows €	Less than 1 year €	Between 1-5 years €	More than 5 years €
Bank loans	1,418,512	1,418,512	1,418,512	-	-
Trade and other payables	2,254,943	2,254,943	2,254,943	-	-
Payables to related parties	21,550	21,550	21,550	-	-
	3,695,005	3,695,005	3,695,005	-	-
31 December 2011	Carrying amounts €	Contractual cash flows €	Less than 1 year €	Between 1-5 years €	More than 5 years €
Bank loans	2,896,125	2,896,125	2,896,125	-	-
Trade and other payables	1,362,828	1,362,828	1,362,828	-	-
Payables to related parties	201,118	201,118	201,118	-	-
	4,460,071	4,460,071	4,460,071	-	-

3.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2012	2011	2012	2011
	€	€	€	€
United States Dollars	(1,418,512)	(2,896,125)	1,418,512	2,924,797
	(1,418,512)	(2,896,125)	1,418,512	2,924,797

Sensitivity analysis

A 10% strengthening of the Euro against the following currencies at 31 December 2012 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the relevant currency, there would be an equal and opposite impact on the profit.

	Profit or loss	
	2012	2011
	€	€
United States Dollars	-	2,867
	-	2,867

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

3. Financial risk management (continued)

3.5 Capital risk management

The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares, or sell assets to decrease its borrowings.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

the Company's gearing ratio is calculated as follows:

	2012	2011
	€	€
Total borrowings (Note 18)	1.418.512	2.896.125
Less: Cash and cash equivalents (Note 16)	(578.951)	(2.587.128)
Net debt	839.561	308.997
Total equity	63.166.349	52.241.592
Total capital	64.005.910	52.550.589
Gearing ratio	1,31%	0,59%

The increase in the gearing ratio during year ended 31 December 2012 resulted from the increase in equity, both of profit and increase of share capital.

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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:

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

4. Critical accounting estimates and judgments (continued)

• Income taxes

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Management estimates that possible exposure in relation to profit tax risks that are more than remote, but for which no liability is required to be recognised under IFRS, could be up to 38% of the Company's profit before tax for the current year in absolute terms. This estimation is provided for the IFRS requirement for disclosure of possible taxes and should not be considered as an estimate of the Company's future tax liability.

• Impairment of investments in subsidiaries

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future undiscounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

5. Revenue

	2012	2011
	€	€
Sale of electricity	4.100.684	2.428.994
Consultancy services	9.801.109	1.652.348
Renting of machinery	1.005.744	-
	<u>14.907.537</u>	<u>4.081.342</u>

6. Other income

	2012	2011
	€	€
Interest income	723.496	684.055
Other income	92.802	83.822
	<u>816.298</u>	<u>767.877</u>

Interest revenue is analysed as follows:

	2012	2011
	€	€
Bank deposits	16.153	59.248
Loans related party	707.343	624.807
	<u>723.496</u>	<u>684.055</u>

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

7. Expenses by nature

	2012 €	2011 €
Changes in inventories of finished goods and work in progress	25.889	-
Staff costs (Note 8)	3.739.191	2.012.214
Auditors' remuneration - current year	4.500	5.000
Auditors' remuneration - prior years	(500)	-
Rent of equipment	957.853	-
Telecommunication expenses	12.304	-
Services received	6.894.420	763.903
Financial charges	1.085.033	-
Transportation expenses	164.542	73.791
Rent expense on generators	1.000.008	541.671
Other expenses on generators	636.925	276.762
Accounting fees	34.400	43.315
Bank charges	29.477	25.327
Irrecoverable VAT	20.400	2.752
Other expenses	33.194	19.397
Total expenses	14.637.636	3.764.132

8. Staff costs

	2012 €	2011 €
Wages and salaries (1)	3.699.000	2.001.797
Social insurance costs and other funds	31.107	7.506
Social cohesion fund	9.084	2.911
	3.739.191	2.012.214

(1) Wages and salaries consists of €454.190 (2011: €145.541) wages and salaries to cypriot employees and €3.244.810 (2011: €1.856.256) wages and salaries to foreign employees.

9. Finance costs

	2012 €	2011 €
Net foreign exchange transaction losses	80.892	(167.115)
Interest expense	59.922	81.789
	140.814	(85.326)

10. Tax

	2012 €	2011 €
Corporation tax - current year	206.880	110.597
Corporation tax - prior years	10.379	-
Overseas tax	82.038	-
Defence contribution - current year	1.731	6.615
Charge for the year	301.028	117.212

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

10. Tax (continued)

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2012 €	2011 €
Profit before tax	945.385	1.170.413
Tax calculated at the applicable tax rates	94.539	117.041
Tax effect of expenses not deductible for tax purposes	148.885	110.981
Tax effect of allowances and income not subject to tax	(46.560)	(127.479)
10% additional charge	10.016	10.054
Defence contribution current year	1.731	6.615
Prior year tax	10.379	-
Overseas tax in excess of credit claim used during the year	82.038	-
Tax charge	301.028	117.212

The corporation tax rate is 10%. In addition, 75% of the gross rents receivable are subject to defence contribution at the rate of 3%.

Under certain conditions interest income may be subject to defence contribution at the rate of 15% (10% to 30 August 2011). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 31 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011).

11. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

31 December 2012

	Loans and receivables €	Total €
Assets as per statement of financial position:		
Trade and other receivables (excluding deposits and prepayments)	23.683.018	23.683.018
Loans granted	14.790.456	14.790.456
Cash and cash equivalents	578.951	578.951
Total	39.052.425	39.052.425
	Borrowings and other financial liabilities €	Total €
Liabilities as per statement of financial position:		
Borrowings	1.418.512	1.418.512
Trade and other payables (excluding accruals)	4.797.125	4.797.125
Total	6.215.637	6.215.637

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

11. Financial instruments by category (continued)

31 December 2011

	Loans and receivables €	Total €
Assets as per statement of financial position:		
Trade and other receivables (excluding deposits and prepayments)	6.775.019	6.775.019
Loans granted	15.154.702	15.154.702
Cash and cash equivalents	<u>2.587.168</u>	<u>2.587.168</u>
Total	<u>24.516.889</u>	<u>24.516.889</u>
	Borrowings and other financial liabilities €	Total €
Liabilities as per statement of financial position:		
Borrowings	2.896.125	2.896.125
Trade and other payables (excluding accruals)	<u>2.889.835</u>	<u>2.889.835</u>
Total	<u>5.785.960</u>	<u>5.785.960</u>

12. Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

	2012	2011
Fully performing other receivables		
Group 4	38.450.643	19.380.921
Group 5	<u>15.800</u>	<u>1.811.329</u>
	<u>38.466.443</u>	<u>21.192.250</u>
Cash at bank and short term bank deposits (Moody's rating) ⁽¹⁾		
Caa2	75.932	76.111
Baa2	302.914	38.523
No rating	<u>199.305</u>	<u>2.469.680</u>
	<u>578.151</u>	<u>2.584.314</u>

The rest of the statement of financial position item "Cash and cash equivalents" is cash in hand.

Group 4 - companies within the group, common control companies and associates with no defaults in the past.

Group 5 - Directors, shareholders and key management personnel.

Group 6 - new receivables (less than 6 months).

None of the financial assets that are fully performing has been renegotiated.

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

13. Investments in subsidiaries

	2012 €	2011 €
Balance at 1 January	33.608.837	33.607.937
Additions	-	900
Balance at 31 December	33.608.837	33.608.837

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2012 Holding %	2011 Holding %	2012 €	2011 €
Terna Bahrain Holding W.L.L.	Bahrain	Services	99,99	99,99	31.314.197	31.314.197
Terna Qatar LLC (1)	Qatar	Services	35	35	43.571	43.571
Malcem Construction Materials Ltd	Malta	Construction	75	75	2.250.000	2.250.000
Terna Contracting W.L.L. (2)	Bahrain	Services	0,01	0,01	169	169
QE Energy Europe Ltd	Cyprus	Supply of gas	90	90	900	900
					33.608.837	33.608.837

(1) The Company based on an agreement holds control of the management.

(2) The Company has also 99,9% indirect shareholding in Terna Contracting W.L.L. through its 99,9% investment in Terna Bahrain Holding W.L.L.

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

14. Non-current loans receivable

	2012 €	2011 €
Balance at 1 January	15.154.702	15.686.280
New loans granted	500.000	1.700.000
Repayments	(1.477.613)	(2.763.375)
Interest charged	707.343	624.807
Repayment of interest	(93.976)	(93.010)
Balance at 31 December	14.790.456	15.154.702
	2012 €	2011 €
Loans to own subsidiaries (Note 21)	1.418.513	2.924.797
Loans to related companies (Note 21)	13.371.943	12.229.905
	14.790.456	15.154.702
Less current portion	(7.040.420)	(7.784.100)
Non-current portion	7.750.036	7.370.602
The loans are repayable as follows:		
Within one year	7.040.420	7.784.100
Between one and five years	7.750.036	-
After five years	-	7.370.602
	14.790.456	15.154.702

The exposure of the Company to credit risk is reported in note 3 of the financial statements.

The fair values of non-current receivables approximate to their carrying amounts as presented above.

The loan to Terna Bahrain Holding W.L.L. carries interest at rate of LIBOR + 1.2%, is unsecured and is repayable on demand.

The loan to Icon Borovets Eood carries interest at rate of 5% on a six month basis. The loan is unsecured and is repayable by 20 December 2017.

The loan to Icon Eood carries interest at rate of 5% on a six month basis. The loan is unsecured and is repayable on demand.

15. Trade and other receivables

	2012 €	2011 €
Trade receivables	2.531	700.511
Receivables from own subsidiaries (Note 21)	16.449.469	3.413.338
Receivables from related companies (Note 21)	7.210.718	812.880
Receivables from parent (Note 21)	15.800	1.811.329
Deposits and prepayments	50.000	71.896
Other receivables	4.500	36.961
	23.733.018	6.846.915

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

16. Cash and cash equivalents

Cash balances are analysed as follows:

	2012 €	2011 €
Cash at bank and in hand	578.951	2.587.128
	578.951	2.587.128

17. Share capital and share premium

Issued and fully paid	Number of shares	Share capital €	Share premium €	Total €
Balance at 1 January 2011	136.800	1.368.000	31.234.000	32.602.000
Issue of shares	9.710	97.100	2.233.300	2.330.400
Share Capital and premium reduction	(9.710)	(97.100)	(2.233.300)	(2.330.400)
Balance at 31 December 2011/ 1 January 2012	136.800	1.368.000	31.234.000	32.602.000
Issue of shares	42.835	428.350	9.852.050	10.280.400
Balance at 31 December 2012	179.635	1.796.350	41.086.050	42.882.400

The total authorised number of ordinary shares is 179.635 shares with a par value of €10 per share. All issued shares are fully paid.

18. Borrowings

	2012 €	2011 €
Balance at 1 January	2.896.125	5.659.500
Repayments	(1.477.613)	(2.763.375)
Interest charged	59.922	81.789
Repayment of interest	(59.922)	(81.789)
Balance at 31 December	1.418.512	2.896.125

Current borrowings

Bank loans	1.418.512	2.896.125
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The Company borrowings are denominated in the following currencies:

	2012 €	2011 €
United States Dollars	1.418.512	2.896.125
	1.418.512	2.896.125

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

18. Borrowings (continued)

The Company's bank borrowings are repayable by semi-annual installments by 15 March 2013. The bank loans are secured with guarantees from the Company's sole shareholder, Terna S.A.

The bank borrowings carry interest of LIBOR + 0,9%.

The Company's bank borrowings are arranged at floating rates. Borrowings at floating rates expose the Company to cash flow interest rate risk.

19. Trade and other payables

	2012	2011
	€	€
Trade payables	1.205.539	36.280
Prepayments from clients (1)	1.009.163	1.009.163
VAT	20.778	296.928
Payables to parent (Note 21)	2.499.854	1.028.961
Accruals (2)	3.062.748	19.927
Other creditors	40.241	317.385
Payables to own subsidiaries (Note 21)	-	181.568
Payables to related companies (Note 21)	21.550	19.550
	<u>7.859.873</u>	<u>2.909.762</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

(1) The Company has signed an agreement with Bin Kamil Group ('third party') for the sale of the 24% shareholding in Malcem Construction Materials Limited for €3.199.000. According to the agreement the third party has advanced to the Company an amount of €1.009.163. The agreement has not been executed and is currently under renegotiation by the two parties.

(2) Out of the above balance an amount of €3.050.250 relates to a provision for consultancy services for the year 2012. The invoice was issued in 2013.

20. Current tax liabilities

	2012	2011
	€	€
Corporation tax	184.490	150.103
Overseas tax	82.038	-
	<u>266.528</u>	<u>150.103</u>

21. Related party transactions

The Company is controlled by Terna S.A., incorporated in Greece, which owns 100% of the Company's shares. The Company's ultimate controlling party is Gek Terna S.A., which is listed in the Athens Stock Exchange.

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

21. Related party transactions (continued)

The following transactions were carried out with related parties:

21.1 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	2012	2011
	€	€
Directors' fees	578	680
	578	680

21.2 Sale of services

		2012	2011
	<u>Nature of transactions</u>	€	€
Terna Qatar LLC	Recharges of payroll	365.900	353.400
Terna S.A.	Consultancy services	870.097	1.266.032
Terna SA Abu Dhabi	Recharges of payroll	11.667	32.917
Terna S.A. Ogranak Terna S.A.	Consultancy services	8.553.445	-
Terna S.A. Ogranak Terna S.A.	Rent of equipment	1.005.744	-
		10.806.853	1.652.349

The above related parties are all group companies and they are related to the Company by way of common control.

21.3 Purchase of services

		2012	2011
	<u>Nature of transactions</u>	€	€
Terna S.A.	Rent of equipment	957.853	-
Terna S.A.	Telecommunication expenses	12.304	-
Terna S.A.	Finacial charges	1.085.033	-
Terna S.A.	Transportation expenses	30.817	-
Terna S.A.	Rent expenses on generators	1.000.008	541.671
		3.086.015	541.671

21.4 Receivables from own subsidiaries (Note 15)

		2012	2011
	<u>Nature of transactions</u>	€	€
Malcem Construction Material Ltd (subsidiary)	Finance	76.819	76.819
Terna Qatar LLC (subsidiary)	Trade + Finance	9.895.449	353.400
Terna Bahrain Holding WLL (subsidiary)	Finance	5.955.556	2.732.414
Terna Contracting WLL (subsidiary)	Trade	87.500	87.500
QE Energy Europe Ltd (subsidiary)	Finance	434.145	163.206
		16.449.469	3.413.339

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

21. Related party transactions (continued)

21.5 Receivables from related parties (Note 15)

<u>Name</u>	<u>Nature of transactions</u>	2012 €	2011 €
Terna SA Sharjan Branch	Trade	99.770	99.770
Terna SA Libya branch	Finance	134.048	679.480
Terna SA Serbia branch	Finance	713	713
Terna SA Abu Dhabi	Trade	44.583	32.917
Terna S.A. Ogranak	Trade	6.931.604	-
		7.210.718	812.880

The above related parties are all group companies and they are related to the Company by way of common control.

21.6 Loans to associated undertakings (Note 14)

	2012 €	2011 €
Terna Bahrain Holding WLL (principal amount)	1.418.513	2.896.125
Terna Bahrain Holding WLL (interest)	-	28.672
"ICON BOROVELTS" EOOD (principal amount)	7.000.000	7.000.000
"ICON BOROVELTS" EOOD (interest)	750.036	370.602
"ICON EOOD" (principal amount)	5.200.000	4.700.000
"ICON EOOD" (interest)	421.907	159.303
	14.790.456	15.154.702

The above related parties are all group companies and they are related to the Company by way of common control.

21.7 Payable to related companies (Note 19)

<u>Name</u>	<u>Nature of transactions</u>	2012 €	2011 €
Valeplus Ltd	Finance	19.550	19.550
Terna Bahrain Holding WLL	Finance	-	181.568
Terna Energy Overseas Ltd	Finance	2.000	-
		21.550	201.118

The above related parties are all group companies and they are related to the Company by way of common control.

21.8 Shareholders' current accounts - debit balances (Note 15)

	2012 €	2011 €
Terna S.A.	15.800	1.811.329
	15.800	1.811.329

The shareholders' current account is interest free, and has no specified repayment date.

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

21. Related party transactions (continued)

21.9 Shareholders' current accounts - credit balances (Note 19)

	2012	2011
	€	€
Terna S.A.	<u>2.499.854</u>	<u>1.028.961</u>
	<u>2.499.854</u>	<u>1.028.961</u>

The shareholders' current account is interest free, and has no specified repayment date.

22. Contingent liabilities

Operating environment of the Company

The Cyprus economy has been adversely affected over the last few years by the international credit crisis and the instability in the financial markets. During 2012 there was a considerable tightening of financing availability from Cypriot financial institutions, mainly resulting from financial instability in relation to the Greek sovereign debt crisis, including the impairment of Greek Government Bonds, and its impact on the Cyprus economy. In addition, following its credit downgrades, the ability of the Republic of Cyprus to borrow from international markets has been significantly affected. The Cyprus government is in negotiations with the European Commission, the European Central Bank and the International Monetary Fund, in order to obtain financing. As a result of the ongoing negotiations, there are uncertainties prevailing the economic environment of Cyprus.

The unavailability of financing, together with the overall negative economic growth, could affect the ability of the Company to obtain new borrowings or re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

The Company's management has assessed whether any impairment provisions are deemed necessary for the Company's financial assets carried at amortised cost by considering the economic situation and outlook at the end of the reporting period.

The Company's management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Company.

The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.

23. Commitments

The Company had no capital or other commitments as at 31 December 2012.

24. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 4 and 5

TERNA OVERSEAS LIMITED

DETAILED INCOME STATEMENT

Year ended 31 December 2012

	Page	2012 €	2011 €
Revenue			
Sale of electricity		4.100.684	2.428.994
Sale of consultancy services		9.801.109	1.652.348
Rent of Machinery		1.005.744	-
Cost of sales	31	<u>(14.515.587)</u>	<u>(3.667.661)</u>
Gross profit		391.950	413.681
Other operating income			
Bank interest		16.153	59.248
Other interest income		707.343	624.807
Other income		<u>92.802</u>	<u>83.822</u>
		1.208.248	1.181.558
Operating expenses			
Administration expenses	32	(121.799)	(96.471)
Selling and distribution expenses	32	<u>(250)</u>	<u>-</u>
Operating profit		1.086.199	1.085.087
Finance costs	33	<u>(140.814)</u>	<u>85.326</u>
Net profit for the year before tax		<u><u>945.385</u></u>	<u><u>1.170.413</u></u>

TERNA OVERSEAS LIMITED

COST OF SALES

Year ended 31 December 2012

	2012 €	2011 €
Cost of sales		
Purchases	25.889	-
Closing stocks	-	-
	<u>25.889</u>	<u>-</u>
Direct costs		
Wages and salaries	3.698.422	2.001.117
Social insurance etc	31.107	7.506
Social cohesion fund	9.084	2.911
Rent of equipment	957.853	-
Telecommunication expenses	12.304	-
Services received	6.894.420	763.903
Financial Charges	1.085.033	-
Transportation expenses	164.542	73.791
Rent expense on generators	1.000.008	541.671
Other expenses on generators	636.925	276.762
	<u>14.489.698</u>	<u>3.667.661</u>
	<u>14.515.587</u>	<u>3.667.661</u>

TERNA OVERSEAS LIMITED

OPERATING EXPENSES

Year ended 31 December 2012

	2012 €	2011 €
Administration expenses		
Directors' fees	578	680
Rent	6.500	-
Professional licence fee	444	444
Electricity	414	-
Insurance	80	-
Sundry expenses	11.241	7.439
Telephone and postage	171	-
Courier expenses	558	693
Stationery and printing	924	1.985
Subscriptions and contributions	430	430
Certification and legalisation expenses	1.984	2.200
Auditors' remuneration - current year	4.500	5.000
Auditors' remuneration - prior years	(500)	-
Accounting fees	34.400	43.315
Legal fees	-	2.000
Other professional fees	2.904	-
Secretarial fees	-	340
Registered office fees	-	350
Revenue stamps	6.944	166
Irrecoverable VAT	20.400	2.752
Overprovision of other income	-	3.000
Levy	350	350
Bank charges	29.477	25.327
	121.799	96.471

	2012 €	2011 €
Selling and distribution expenses		
Advertising	250	-
	250	-

TERNA OVERSEAS LIMITED

FINANCE COSTS

Year ended 31 December 2012

	2012 €	2011 €
Finance costs		
Interest expense		
Loan interest	59.922	81.789
Net foreign exchange transaction losses		
Realised exchange loss	20.140	957
Unrealised exchange loss	<u>60.752</u>	<u>(168.072)</u>
	<u>140.814</u>	<u>(85.326)</u>