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TERNA OVERSEAS LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2015

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TERNA OVERSEAS LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Alexis Hadjinicolaou Despina Georgiou Myrto Achnioti Panayiotis Pothos Konstantinos Iliadis
Company Secretary:	Alexis Hadjinikolaou
Independent Auditors:	EPW Europe Private Wealth Ltd Certified Puplic Accountants and Registered Auditors
Registered office:	Annis Komninis, 37 Elenion Building, 2nd floor Flat/Office 7, Nicosia Cyprus
Bankers:	Bank of Cyprus Public Company Ltd Bank of Cyprus Greece National Bank of Greece (Cyprus) Ltd Emporiki Bank Cyprus Ltd EFG Bank Mashreq Bank
Registration number:	HE177105

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 2015.

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 period.

Review of current position, future developments and significant risks
The net loss for the year attributable to the shareholders of the Company amounted to €3.472.432 (2014: €1.319.716). On 31 December 2015 the total assets of the Company were €105.223.462 (2014: €99.684.711) and the net assets of the Company were €97.837.008 (2014: €91.703.440). The financial position, development and performance of the Company as presented in these financial statements are not considered satisfactory and the Board of Directors is making an effort to reduce the Company losses.

Additional details that relate to the operating environment of the Company as well as other risks and uncertainties are described in notes 3 and 22 of the financial statements.

Results
The Company's results for the year are set out on page 6.

Dividends
The Board of Directors does not recommend the payment of a dividend.

Share capital
During 2015, the Company increased its share capital from 349.255 to 391.780 ordinary shares, by issuing 42.525 ordinary shares of a nominal value of €10 each, at a premium of €230 each, totalling €10.206.000.

Board of Directors
The members of the Company's Board of Directors as at 31 December 2015 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 2015.

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 27 to the financial statements.

Independent Auditors
The Independent Auditors, EPW Europe Private Wealth 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, 17 March 2016

Independent auditor's report

To the Members of Terna Overseas Limited

Report on the financial statements

We have audited the financial statements of the parent company Terna Overseas Limited (the "Company") on pages 6 to 27 which comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss and other 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of parent company Terna Overseas Limited as at 31 December 2015, 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.

Independent auditor's report (continued)

To the Members of Terna Overseas Limited

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, 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, so far as appears from our examination of these books.
- 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 Laws of 2009 and 2013 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.

George Theocharous
Certified Public Accountant and Registered Auditor
for and on behalf of
EPW Europe Private Wealth Ltd
Certified Puplic Accountants and Registered Auditors

Nicosia, 17 March 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2015

	Note	**2015** €	2014 €
Revenue	5	**5.849.578**	5.729.957
Cost of sales		**(5.613.286)**	(6.902.607)
Gross profit/(loss)		**236.292**	(1.172.650)
Other expenses		**(1.685.482)**	-
Administration expenses		**(51.400)**	(99.261)
Other expenses	6	**(2.000.000)**	-
Operating loss		**(3.500.590)**	(1.271.911)
Finance income	9	**314.892**	327.657
Finance costs	9	**(263.523)**	(134.371)
Loss before tax		**(3.449.221)**	(1.078.625)
Tax	10	**(23.211)**	(241.091)
Net loss for the year		**(3.472.432)**	(1.319.716)
Other comprehensive income		**-**	-
Total comprehensive income for the year		**(3.472.432)**	(1.319.716)

The notes on pages 10 to 27 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
31 December 2015

	Note	**2015** €	2014 €
Assets			
Non-current assets			
Investments in subsidiaries	13	**68.483.925**	51.387.868
Investments in associates	14	**13.514.401**	13.514.401
		81.998.326	64.902.269
Current assets			
Receivables	16	**22.671.743**	34.092.310
Cash and cash equivalents	17	**553.393**	690.132
		23.225.136	34.782.442
Total assets		**105.223.462**	99.684.711
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**3.917.800**	3.492.550
Share premium	18	**89.879.400**	80.098.650
Other reserves		**-**	600.000
Retained earnings		**4.039.808**	7.512.240
Total equity		**97.837.008**	91.703.440
Non-current liabilities			
Borrowings	19	**614.630**	576.630
Trade and other payables	20	**3.521.701**	3.521.701
		4.136.331	4.098.331
Current liabilities			
Trade and other payables	20	**2.832.435**	3.416.456
Current tax liabilities	21	**417.688**	466.484
		3.250.123	3.882.940
Total liabilities		**7.386.454**	7.981.271
Total equity and liabilities		**105.223.462**	99.684.711

On 17 March 2016 the Board of Directors of Terna Overseas Limited authorised these financial statements for issue.

....	....
Alexis Hadjinicolaou	Despina Georgiou
Director	Director

TERNA OVERSEAS LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2015

	Note	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total €
Balance at 1 January 2014		**1.670.340**	**38.187.820**	**2.000.160**	**8.831.956**	**50.690.276**
Comprehensive income						
Net loss for the year		-	-	-	(1.319.716)	(1.319.716)
Transactions with owners						
Issue of share capital	18	1.822.210	41.910.830	-	-	43.733.040
Tranfer to share capital		-	-	(43.733.040)	-	-
Advances from owners for future share capital increase		-	-	42.332.880	-	42.332.880
Balance at 31 December 2014/ 1 January 2015		**3.492.550**	**80.098.650**	**600.000**	**7.512.240**	**91.703.440**
Comprehensive income						
Net loss for the year		-	-	-	(3.472.432)	(3.472.432)
Transactions with owners						
Issue of share capital	18	425.250	9.780.750	-	-	10.206.000
Tranfer to share capital		-	-	(600.000)	-	(600.000)
Balance at 31 December 2015		**3.917.800**	**89.879.400**	**-**	**4.039.808**	**97.837.008**

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 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.

CASH FLOW STATEMENT
Year ended 31 December 2015

	Note	**2015** €	2014 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(3.449.221)**	(1.078.625)
Adjustments for:			
Unrealised exchange (profit)		**(98.668)**	(99.359)
Impairment charge - investments in subsidiaries	13	**2.000.000**	-
Interest income	9	**-**	(156.968)
Interest expense	9	**40.000**	40.000
Cash flows used in operations before working capital changes		**(1.507.889)**	(1.294.952)
Decrease/(increase) in receivables		**11.519.235**	(13.751.648)
(Decrease)/increase in trade and other payables		**(584.021)**	719.312
Cash flows from/(used in) operations		**9.427.325**	(14.327.288)
Withholding tax		**-**	(15.697)
Tax paid		**(72.007)**	(4.995)
Net cash flows from/(used in) operating activities		**9.355.318**	(14.347.980)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of investments in subsidiaries	13	**(19.096.057)**	(27.600.000)
Payment for purchase of investments in associated undertakings	14	**-**	(5.839.552)
Loans repayments received		**-**	5.839.467
Interest received		**-**	156.968
Net cash flows used in investing activities		**(19.096.057)**	(27.443.117)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		**10.206.000**	43.733.040
Advances from shareholders		**(600.000)**	(1.400.160)
Proceeds from borrowings		**38.000**	40.000
Interest paid		**(40.000)**	(40.000)
Net cash flows from financing activities		**9.604.000**	42.332.880
Net (decrease) /increase in cash and cash equivalents		**(136.739)**	541.783
Cash and cash equivalents:			
At beginning of the year		**690.132**	148.349
At end of the year	17	**553.393**	690.132

The notes on pages 10 to 27 form an integral part of these financial statements.

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.

These financial statements are the separate financial statements. The Company has not prepared consolidated financial statements as the exemption from consolidation in paragraph 10 of IAS27, "Consolidated and Separate Financial Statements", has been used. The Company's parent TERNA S.A., a Company incorporated in Greece produced consolidated financial statements available for public use that comply with International Financial Reporting Standards as issued by the IASB.

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 2015, 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:

(i) Adopted by the European Union
New standards

- *IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2014).*
- *IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2014).*

Amendments

IFRS Interpretations Committee

- *IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2014).*

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Adopted by the European Union (continued)
- *IAS 28 (Revised): "Investments in Associates" (effective for annual periods beginning on or after 1 January 2014).*
- *Amendment to IAS32 "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).*
- *Amendment to IAS 36 "Recoverable Amount - Disclosures for Non-Financial Assets" (effective for annual periods beginning on or after 1 January 2014).*
- *Amendment to IAS 39 "Financial Instruments: Recognition and Measurement", Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014).*
- *Investment Entities amendments to IFRS 10, IFRS 12, and IAS 27 (effective for annual periods beginning on or after 1 January 2014).*

(ii) Not adopted by the European Union

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

Subsidiaries are entities controlled by the Group. Control exists where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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.

Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a

2. Accounting policies (continued)

Investments in associates (continued)
single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When an entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

Revenue recognition

Revenue comprises the invoiced amount for the sale of products net of Value Added Tax, rebates and discounts. Revenues earned by the Company are recognised on the following bases:

- **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.

Debtors and provisions for bad debts

Bad debts are written off to profit or loss and a specific provision is made, where it is considered necessary. No general provision for bad debts is made. Trade debtors are stated after deducting the specific provision for bad and doubtful debts, if any.

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.

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.

2. Accounting policies (continued)

Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

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.

Financial assets

(1) Classification

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.

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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.

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.

2. Accounting policies (continued)

Financial instruments (continued)

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.

Derecognition of financial assets and liabilities

Financial assets

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

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

Financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting 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 asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

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.

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:

	2015	2014
	€	€
Fixed rate instruments		
Financial liabilities	**(614.630)**	(576.630)
	(614.630)	(576.630)

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.

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 2015	Carrying amounts	Contractual cash flows	On demand	Between 3-12 months	Between 1-5 years	More than 5 years
	€	€	€	€	€	€
Trade and other payables	1.667.751	1.667.751	-	1.667.751	-	-
Payables to related parties	4.502.460	4.502.460	4.502.460	-	-	-
Loans from related companies	614.630	614.630	-	-	614.630	-
	6.784.841	**6.784.841**	**4.502.460**	**1.667.751**	**614.630**	**-**

31 December 2014	Carrying amounts	Contractual cash flows	On demand	Between 3-12 months	Between 1-5 years	More than 5 years
	€	€	€	€	€	€
Trade and other payables	2.133.463	2.134.363	-	2.134.363	-	-
Payables to related parties	4.031.518	4.030.618	4.030.618	-	-	-
Loans from related companies	576.630	576.630	-	-	576.630	-
	6.741.611	**6.741.611**	**4.030.618**	**2.134.363**	**576.630**	**-**

3. Financial risk management (continued)

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.

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.

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:

	2015	2014
	€	€
Total borrowings (Note 19)	**614.630**	576.630
Less: Cash and cash equivalents (Note 17)	**(553.393)**	(690.132)
Net debt	**61.237**	(113.502)
Total equity	**97.837.008**	91.703.440
Total capital	**97.898.245**	91.589.938
Gearing ratio	**0,06%**	(0,12)%

The increase in the gearing ratio during year ended 31 December 2015 resulted primarily from the losses incurred by the Company

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate to their carrying amounts at the reporting date except as disclosed in note 15 and 19.

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.

4. Critical accounting estimates and judgments (continued)

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:

- **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.

- **Impairment of investments in subsidiaries/associates**

  The Company periodically evaluates the recoverability of investments in subsidiaries/associates 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/associates may be impaired, the estimated future discounted 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

	2015	2014
	€	€
Rendering of services	**5.849.578**	5.729.957
	5.849.578	5.729.957

6. Other expenses

	2015	2014
	€	€
Impairment charge - investments in subsidiaries	**2.000.000**	-
	2.000.000	-

7. Expenses by nature

	2015	2014
	€	€
Staff costs (Note 8)	**2.519.736**	4.173.140
Auditors' remuneration for the statutory audit of annual accounts	**5.000**	6.000
Trade receivables - impairment charge for bad and doubtful debts	**1.685.482**	-
Other expenses	**5.139.950**	2.822.728
Total expenses	**9.350.168**	7.001.868

8. Staff costs

	2015	2014
	€	€
Wages and salaries	**2.514.532**	4.170.336
Social insurance costs and other funds	**4.320**	2.326
Social cohesion fund	**884**	478
	2.519.736	4.173.140

Wages and salaries consist of €44.200 (2014: €23.900) wages and salaries to cypriot employees and €2.470.332 (2014: €4.146.436) wages and salaries to foreign employees.

9. Finance income/cost

	2015	2014
	€	€
Interest income	**-**	156.968
Exchange profit	**314.892**	170.689
Finance income	**314.892**	327.657
Net foreign exchange transaction losses	**(211.632)**	(71.330)
Interest expense	**(40.000)**	(40.000)
Sundry finance expenses	**(11.891)**	(23.041)
Finance costs	**(263.523)**	(134.371)
Net finance income	**51.369**	193.286

10. Tax

	2015	2014
	€	€
Corporation tax - current year	**23.211**	225.394
Overseas tax	**-**	15.697
Charge for the year	**23.211**	241.091

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

	2015	2014
	€	€
Loss before tax	**(3.449.221)**	(1.078.625)
Tax calculated at the applicable tax rates	**(431.153)**	(134.828)
Tax effect of allowances and income not subject to tax	**452.062**	353.676
10% additional charge	**2.302**	6.546
Overseas tax in excess of credit claim used during the year	**-**	15.697
Tax charge	**23.211**	241.091

The corporation tax rate is 12,5% (2012:10%).

Under certain conditions interest income may be subject to defence contribution at the rate of 30% (2012:15%). 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.

11. Financial instruments by category

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

31 December 2015	Loans and receivables €
Assets as per statement of financial position:	
Receivables	22.614.228
Financial assets	83.998.326
Cash and cash equivalents	553.393
Total	**107.165.947**

	Borrowings and other financial liabilities €
Liabilities as per statement of financial position:	
Borrowings	614.630
Trade and other payables	6.170.211
Total	**6.784.841**

31 December 2014	Loans and receivables €
Assets as per statement of financial position:	
Receivables	34.035.374
Financial assets	64.902.269
Cash and cash equivalents	690.132
Total	**99.627.775**

	Borrowings and other financial liabilities €
Liabilities as per statement of financial position:	
Borrowings	576.630
Trade and other payables	6.164.981
Total	**6.741.611**

12. Credit quality of financial assets

The credit quality of financials 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:

	2015 €	2014 €
Fully performing other receivables		
Group 4	**21.909.144**	33.862.910
Group 5	**166.500**	166.500
Group 6	**538.585**	5.464
	22.614.229	34.034.874

12 Credit quality of financial assets (continued)

Cash at bank and short term bank deposits [1]

Ca	**1.501**	5.078
Caa1	**3.757**	3.936
Caa2	**264.619**	623.341
Baa2	**283.438**	57.590
No rating	**78**	187
	553.393	690.132

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

Group 1 - new customers (less than 6 months).

Group 2 - existing customers (more than 6 months) with no defaults in the past.

Group 3 - existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

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.

13. Investments in subsidiaries

	2015	2014
	€	€
Balance at 1 January	**51.387.868**	23.787.868
Additions	**19.096.057**	27.600.000
Impairment charge	**(2.000.000)**	-
Balance at 31 December	**68.483.925**	51.387.868

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2015 Holding %	2014 Holding %	2015 €	2014 €
Terna Bahrain Holding W.L.L.	Bahrain	Services	**99,99**	99,99	**1.700.000**	1.700.000
Terna Qatar LLC (1)	Qatar	Services	**35**	35	**66.532.856**	47.436.799
Malcem Construction Materials Ltd	Malta	Construction	**75**	75	**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
					68.483.925	51.387.868

(1) During the current and prior year, the Company granted to the subsidiary temporary financing with the intention to capitalise the total amount into the cost of the investment. Taking into consideration the Qatari Law and its specific provisions, a share capital increase cannot take place. Consequently, the temporary financing was converted into an interest free subordinated loan based on an agreement conlcuded between the parties during the year, and the total of €19.096.057 was capitalised into the cost of the investment as capital contribution.

The Company, based on an agreement, holds control of the management.

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

14. Investments in associates

	2015	2014
	€	€
Balance at 1 January	**13.514.401**	7.674.849
Additions	**-**	5.839.552
Balance at 31 December	**13.514.401**	13.514.401

The details of the investments are as follows:

Name	Country of incorporation	Principal activities	2015 Holding %	2014 Holding %	2015 €	2014 €
Icon Borovets EOOD (2)	Bulgaria	Real estate	37,03	41,01	**7.674.849**	7.674.849
Icon EOOD (1)	Bulgaria	Real estate	19,04	19,35	**5.839.552**	5.839.552
					13.514.401	13.514.401

(1) An increase in the share capital of Icon EOOD during the year, resulding in the reduction of our shareholding percentage.

14. Investments in associates (continued)

(2) An increase in the share capital of Icon Borovets EOOD during the year, resulding in the reduction of our shareholding percentage.

15. Non-current loans receivable

	2015	2014
	€	€
Balance at 1 January	-	5.839.467
Interest charged	-	156.968
Against capital contribution (Note 14)	-	(5.839.551)
Transferred to account receivable	-	(141.187)
Witholding tax	-	(15.697)
Balance at 31 December	-	-

	2015	2014
	€	€
	-	-

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

The fair value of receivable loans approximates to their carrying amounts as presented above.

16. Receivables

	2015	2014
	€	€
Receivables from own subsidiaries (Note 23)	**12.198.965**	23.507.403
Receivables from related companies (Note 23)	**10.243.451**	10.355.507
Receivables from parent (Note 23)	**166.500**	166.500
Deposits and prepayments	**50.000**	50.000
Other receivables	**5.312**	5.964
Refundable VAT	**7.515**	6.936
	22.671.743	34.092.310

The Company has recognized a loss of €1.685.482 (2014: € -) for the impairment of its trade receivables during the year ended 31 December 2015. The loss has been included in selling and distribution costs in profit or loss.

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

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 3 of the financial statements.

17. Cash and cash equivalents

Cash balances are analysed as follows:

	2015	2014
	€	€
Cash at bank and in hand	**553.393**	690.132
	553.393	690.132

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 3 of the financial statements.

18. Share capital and share premium

Issued and fully paid	**Number of shares**	**Share capital €**	**Share premium €**	**Total €**
Balance at 1 January 2014	167.034	1.670.340	38.187.820	39.858.160
Issue of shares in March 2014	49.794	497.940	11.452.620	11.950.560
Issue of shares in May 2014	40.419	404.190	9.296.370	9.700.560
Issue of shares in November 2014	71.173	711.730	16.369.790	17.081.520
Issue of shares in December 2014	20.835	208.350	4.792.050	5.000.400
Balance at 31 December 2014/ 1 January 2015	**349.255**	**3.492.550**	**80.098.650**	**83.591.200**
Issue of shares in 2015	-	425.250	9.780.750	10.206.000
Balance at 31 December 2015	**349.255**	**3.917.800**	**89.879.400**	**93.797.200**

19. Borrowings

	2015	2014
	€	€
Balance at 1 January	**576.630**	536.630
Repayments	**(2.000)**	-
Interest charged	**40.000**	40.000
Balance at 31 December	**614.630**	576.630

	2015	2014
	€	€
Non current borrowings		
Loans from related companies (Note 23)	**614.630**	576.630

20. Trade and other payables

	2015	2014
	€	€
Trade payables	**1.670.379**	2.125.477
Social insurance and other taxes	**1.481**	797
Payables to parent (Note 23)	**3.527.744**	3.521.701
Accruals	**182.444**	772.379
Other creditors	**(2.628)**	7.986
Payables to related companies (Note 23)	**974.716**	509.817
	6.354.136	6.938.157
Less non-current payables	**(3.521.701)**	(3.521.701)
Current portion	**2.832.435**	3.416.456

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

21. Current tax liabilities

	2015	2014
	€	€
Corporation tax	**417.688**	466.484
	417.688	466.484

22. Recent volatility in global financial markets

The ongoing global liquidity crisis which commenced in the middle of 2007 and is still continuing, resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and higher interbank lending rates. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Such circumstances could affect the ability of the Company to obtain borrowings or re-finance its existing operations at terms and conditions similar to those applied to earlier transactions. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

The debtors or borrowers of the Company may also be affected by the lower liquidity situation which could in turn impact their ability to repay their amounts owed. Deteriorating operating conditions for debtors or borrowers may also have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets.

To the extent that information is available, Management has reflected revised estimates of expected future cash flows in its impairment assessments. Management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

23. 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.

The following transactions were carried out with related parties:

23.1 Directors' remuneration

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

	2015	2014
	€	€
Directors' fees	**2.400**	2.400
	2.400	2.400

23.2 Receivables from related parties (Note 16)

Name	Nature of transactions	2015 €	2014 €
Malcem Construction Material Ltd	Finance	**76.819**	76.819
Terna Qatar LLC	Trade + Finance	**1.391.722**	12.954.066
Terna Bahrain Holding WLL	Finance	**9.762.707**	9.445.689
Terna Contracting WLL	Finance	**-**	87.500
QE Energy Europe Ltd	Finance	**693.039**	668.652
Icon Borovets Eood	Finance	**274.677**	274.677
Terna S.A. Libya Branch	Finance	**533.272**	533.272
Icon Eood	Finance	**141.187**	141.187
Terna S.A. Abu Dhabi Branch	Finance	**44.482**	44.482
Terna S.A. Ogranak	Trade	**7.501.745**	7.947.035
Terna Energy Overseas Ltd	Finance	**674**	2.074
Valeplus Ltd	Finance	**-**	1.955
Terna S.A. Branch Bulgaria	Finance	**98.780**	243.935
Terna S.A. Iraq Branch	Finance	**1.923.312**	1.441.567
Terna S.A. Greece	Finance	**166.500**	166.500
		22.608.916	34.029.410

23. Related party transactions (continued)

23.3 Payables to related parties (Note 20)

Name	Nature of transactions	2015 €	2014 €
Valeplus Ltd	Finance	**16.994**	19.550
Terna SA Sharjah Branch	Finance	**956.822**	489.367
Terna S.A. Greece	Finance	**3.527.744**	3.521.701
QE Energy Europe Limited	Finance	**900**	900
		4.502.460	4.031.518

23.4 Loans from related undertakings (Note 19)

	2015 €	2014 €
Terna Energy Overseas Ltd	**614.630**	576.630
	614.630	576.630

The loan bears interest at the rate of 8% and is repayable by 31 December 2015.

23.5 Shareholders' current accounts - debit balances (Note 16)

	2015 €	2014 €
Terna S.A.	**166.500**	166.500
	166.500	166.500

The shareholders' current accounts are interest free, and have no specified repayment date.

23.6 Shareholders' current accounts - credit balances (Note 20)

	2015 €	2014 €
Terna S.A.	**3.527.744**	3.521.701
	3.527.744	3.521.701

The shareholders' current accounts are interest free, and have no specified repayment date.

24. Parent company

The Company is controlled by Terna S.A., incorporated in Greece, which owns 100% of the Company's shares.

25. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2015.

26. Commitments

The Company had no capital or other commitments as at 31 December 2015.

27. 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.

DETAILED INCOME STATEMENT
Year ended 31 December 2015

	Page	**2015** €	2014 €
Revenue			
Rendering of services		**5.849.578**	5.729.957
Cost of sales	29	**(5.613.286)**	(6.902.607)
Gross profit/(loss)		**236.292**	(1.172.650)
Operating expenses			
Administration expenses	30	**(51.400)**	(99.261)
Write off of specific loan	30	**(1.685.482)**	-
		(1.500.590)	(1.271.911)
Other operating expenses			
Impairment charge - investments in subsidiaries		**(2.000.000)**	-
Operating loss		**(3.500.590)**	(1.271.911)
Finance income	31	**314.892**	327.657
Finance costs	31	**(263.523)**	(134.371)
Net loss for the year before tax		**(3.449.221)**	(1.078.625)

COST OF SALES
Year ended 31 December 2015

	2015	2014
	€	€
Direct costs		
Wages and salaries	**2.514.532**	4.170.336
Social insurance	**4.320**	2.326
Social cohesion fund	**884**	478
Telephone and postage	**3.034**	16.213
Subcontracted work	**42.162**	196.025
Electricity and fuel	**-**	10.103
Services received	**2.954.256**	1.198.729
Transportation expenses	**88.848**	195.532
Financial Charges	**5.250**	1.112.865
	5.613.286	6.902.607

OPERATING EXPENSES
Year ended 31 December 2015

	2015	2014
	€	€
Administration expenses		
Rent	**13.524**	23.457
Registrar annual fee	**350**	350
Electricity	**631**	672
Insurance	**-**	5.265
Repairs and maintenance	**50**	1.250
Sundry expenses	**12.107**	16.020
Courier expenses	**248**	1.139
Stationery and printing	**930**	3.638
Subscriptions and contributions	**430**	430
Newspapers and publications	**-**	10.640
Certification and legalisation expenses	**1.105**	340
Auditors' remuneration for the statutory audit of annual accounts	**5.000**	6.000
Accounting fees	**6.372**	2.200
Other professional fees	**8.153**	13.484
Directors' fees	**2.400**	2.400
Fines	**-**	345
Inland travelling and accommodation	**100**	1.200
Marketing Research Expenses	**-**	10.431
	51.400	99.261

	2015	2014
	€	€
Other expenses		
Write off of specific loan	**1.685.482**	-
	1.685.482	-

TERNA OVERSEAS LIMITED

FINANCE INCOME/COST
Year ended 31 December 2015

	2015	2014
	€	€
Finance income		
Other interest income	**-**	156.968
Realised exchange profit	**4.592**	-
Unrealised exchange profit	**310.300**	170.689
	314.892	327.657

	2015	2014
Finance costs		
Interest expense		
Loan interest	**40.000**	40.000
Sundry finance expenses		
Bank charges	**11.891**	23.041
Net foreign exchange transaction losses		
Unrealised exchange loss	**211.632**	71.330
	263.523	134.371