Terna Qatar L.L.C.

FINANCIAL STATEMENTS

31 DECEMBER 2013

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TERNA QATAR L.L.C.

We have audited the accompanying financial statements of Terna Qatar L.L.C. (the “Company”), which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the financial statements

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

Auditors’ responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which describes that the Company has incurred a net loss of QR 103,080,079 from operations resulting to a deficit of QR 94,194,419 as at 31 December 2013 which exceed 50% of its share capital of the Company as at that date. Article 290 of the Qatar Commercial Companies’ Law No. 5 of 2002 requires that in such an event, the shareholders pass a resolution either to reinstate the capital or dissolve the Company. The Law further states that if the shareholders fail to pass such a resolution, the Company will lose its legal status and the shareholders become jointly and severally responsible for the liabilities of the Company. Moreover, the current liabilities of the Company exceeded its current assets by QR 23,384,936. These conditions along with other matters indicate the existence of a material uncertainty which may cast doubt on the Company’s ability to continue as a going concern. In this regard, the shareholders of the Company have agreed to provide adequate financial support to the Company to support its operations and to enable it to meet its liabilities as they fall due. The financial statements have been prepared on a going concern basis and do not include any adjustment that may arise from this uncertainty.

Report on other legal and regulatory requirements

Furthermore, in our opinion proper books of account have been kept by the Company in accordance with established principles, and the financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year which might have had a material effect on the business of the Company or on its financial position.

Ziad Nader
of Ernst & Young
Auditor's Registration No. 258

Date: 28 February 2014
Doha

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	***2013 QR***	*2012 QR*
REVENUE			
Contract revenue		**230,862,910**	454,014,908
Direct costs	5	**(308,535,160)**	(438,057,023)
GROSS (LOSS) PROFIT		**(77,672,250)**	15,957,885
Other income		**367,573**	154,051
General and administrative expenses	6	**(1,254,083)**	(1,917,120)
Provision for anticipated future losses		**(7,626,540)**	-
(LOSS) PROFIT FROM OPERATIONS		**(86,185,300)**	14,194,816
Finance costs	7	**(11,882,832)**	(12,924,893)
(LOSS) PROFIT BEFORE TAX		**(98,068,132)**	1,269,923
Income tax expense	8	**-**	(83,353)
(LOSS) PROFIT FOR THE YEAR		**(98,068,132)**	1,186,570
Other comprehensive loss			
Loss on foreign currency translation		**(5,012,838)**	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(103,080,970)**	1,186,570

The attached notes 1 to 22 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	***2013 QR***	*2012 QR*
ASSETS			
Noncurrent assets			
Property, plant and equipment	9	**29,193,797**	34,369,510
Current assets			
Work in progress		**97,820,875**	123,664,397
Trade and other receivables	10	**64,582,149**	62,845,141
Deposits and prepayments		**3,970,031**	3,368,293
Due from related parties	19	**138,698,232**	168,515,054
Bank balances and cash	11	**5,963,084**	15,745,887
		311,034,371	374,138,772
TOTAL ASSETS		**340,228,168**	408,508,282
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**200,000**	200,000
Legal reserve	13	**100,000**	100,000
(Deficit) Retained earnings		**(94,194,419)**	3,873,713
Subordinated loan	14	**99,164,466**	-
Foreign currency translation reserve		**(5,012,838)**	-
		257,209	4,173,713
Noncurrent liabilities			
Employees' end of service benefits	15	**5,551,652**	4,101,896
Current liabilities			
Loans and borrowings	16	**77,974,039**	65,766,506
Advances from a customer	17	**101,223,927**	73,776,331
Trade and other payables	18	**102,997,980**	192,261,622
Due to related parties	19	**44,596,821**	68,344,861
Income tax payable	8	**-**	83,353
Provision for anticipated future losses		**7,626,540**	-
		334,419,307	400,232,673
Total liabilities		**339,970,959**	404,334,569
TOTAL EQUITY AND LIABILITIES		**340,228,168**	408,508,282

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for Terna Qatar L.L.C.

The attached notes 1 to 22 form part of these financial statements.

STATEMENT OF CASHFLOWS

For the year ended 31 December 2013

	Notes	***2013 QR***	*2012 QR*
OPERATING ACTIVITIES			
(Loss) profit before tax		**(98,068,132)**	1,269,923
Adjustments for:			
Provision for anticipated future losses		**7,626,540**	-
Depreciation	9	**6,630,587**	6,344,108
Interest expense	7	**5,759,986**	4,647,127
Unrealised exchange difference	7	**280,358**	1,705,647
Provision for employees' end of service benefits	15	**2,382,237**	1,946,851
		(75,388,424)	15,913,656
Working capital adjustments:			
Work in progress		**25,843,522**	(64,516,255)
Deposits and prepayments		**(601,738)**	(1,698,840)
Trade and other receivables		**(1,737,008)**	4,993,458
Due from related parties		**29,536,464**	(261,032,930)
Advances from a customer		**27,447,596**	(39,523,605)
Due to related parties		**(23,748,040)**	186,211,336
Trade and other payables		**(89,263,642)**	111,298,843
Cash used in operations		**(107,911,270)**	(48,354,337)
Employee end of service benefits paid	15	**(932,481)**	(311,426)
Interest paid		**(5,759,986)**	(4,647,127)
Income tax paid		**(83,353)**	-
Net cash used in operating activities		**(114,687,090)**	(53,312,890)
INVESTING ACTIVITY			
Additions to property, plant and equipment	9	**(1,454,874)**	(5,134,126)
Net cash used in an investing activity		**(1,454,874)**	(5,134,126)
FINANCING ACTIVITITIES			
Proceeds from subordinated loan		**94,151,628**	-
Proceeds from short term loans		**12,207,533**	65,766,506
Net cash provided by a financing activities		**106,359,161**	65,766,506
INCREASE (DECREASE) IN CASH AND BANK BALANCES		**(9,782,803)**	7,319,490
Cash and bank balances at 1 January		**15,745,887**	8,426,397
CASH AND BANK BALANCES AT 31 DECEMBER		**5,963,084**	15,745,887

The attached notes 1 to 22 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share Capital QR	*Legal Reserve QR*	*Subordinated Loan QR*	*Foreign Currency Translation Reserve QR*	*Retained Earnings (Deficit) QR*	*Total QR*
Balance at 1 January 2012	200,000	100,000	-	-	2,687,143	2,987,143
Profit for the year	-	-	-	-	1,186,570	1,186,570
Balance at 31 December 2012	200,000	100,000	-	-	3,873,713	4,173,713
Subordinated loan	-	-	99,164,466	-	-	99,164,466
Revaluation of subordinated loan	-	-	-	(5,012,838)	-	(5,012,838)
Loss for the year	-	-	-	-	(98,068,132)	(98,068,132)
Balance at 31 December 2013	**200,000**	**100,000**	**99,164,466**	**(5,012,838)**	**(94,194,419)**	**257,209**

The attached notes 1 to 22 form part of these financial statements.

1 CORPORATE INFORMATION

Terna Qatar L.L.C. (the "Company") was registered and incorporated in the State of Qatar as a company with limited liability on 17 December 2006 under Commercial Registration No. 34407. The principal activities of the Company are engaging in construction contracts and provision of advisory services. The details in respect of the shareholding of the Company are as follows.

Name of the Shareholder	*Origin*	*No. of shares*	*Value of the shares QR*
Mr. Nasser Sulaiman H M Al Haidar	Qatari	13,000	130,000
Terna Overseas – Cyprus	Foreign	7,000	70,000
		20,000	200,000

The financial statements as at and for the year ended 31 December 2013 were approved and authorized for issue by the Board of Directors on 28 February 2014.

2 BASIS OF PREPERATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The accompanying financial statements have been prepared on the historical cost convention except for certain amounts which are valued at fair value or amortized cost.

(c) Going concern

The Company has incurred a net loss from operations of QR 98,068,132 for the year ended 31 December 2013 which resulted to a deficit of QR 94,194,419 as at that date. Moreover, the current liabilities of the Company exceeded its current assets by QR 23,384,936. These conditions along with other matters indicate the existence of a material uncertainty which may cast doubt on the Company's ability to continue as a going concern. In this regard, the shareholders of the Company have agreed to provide adequate financial support to the Company to support its operations and to enable it to meet its liabilities as they fall due. Accordingly, these financial statements have been prepared on a going concern basis and do not include any adjustment that may arise from this uncertainty.

(d) Functional and presentation currency

These financial statements are presented in Qatari Riyal ("QR"), which is the Company's functional and presentation currency. All financial information presented in QR has been rounded to the nearest Riyal.

2 BASIS OF PREPERATION (continued)

(e) Use of estimates and judgments
The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments are made by management on the developments, selection and disclosure of the Company's critical accounting policies and the application of these policies and estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised of the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting judgments, estimates and assumptions
Information about assumptions and estimation uncertainties that have significant risk of resulting in material adjustments are as follows:

Revenue recognition – construction contracts
When a contract is judged to be a construction contract, revenue is recognized using the percentage of completion method as the construction progresses. The percentage of completion is made by reference to the stage of completion of projects and is determined based on the proportion of total contract costs incurred to date and total estimated contract cost for each contract. The estimated contract cost is assessed based on the project budgets prepared by the Company in which the management of the company uses their best estimates to assess the cost based on the best available information. The project budgets are re-assessed at each reporting date.

Operating leases – company as a lessee
The Company has entered into commercial property leases related to its office spaces. The Company has determined that the significant risks and rewards of ownership of these properties were not transferred to the Company. Hence they have been accounted as operating leases.

End of service benefits
The determination of the obligation and the cost for end of service benefits is in accordance with Qatar Labor Law. End of service benefits as at 31 December 2013 amounted to QR 5,551,652 (2012: QR 4,101,896).

Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company's domicile.

The Company has a tax loss of QR 88,271,367 as at 31 December 2013 these can be carried forward to the future (2012: QR Nil). The Company can recognize deferred tax assets on unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. However the Company has not recognized deferred tax assets for unused tax losses on the basis that company is unable to assess the likely timing and the level of future taxable profits together with future tax planning strategies.

2 BASIS OF PREPERATION (continued)

Useful lives of property, plant and equipment
The management of the Company annually reviews the estimated useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use and are revised if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible that future results of operations could be materially affected by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation expense and decrease noncurrent assets.

Depreciation on property, plant and equipment recognized in the statement of comprehensive income amounted to QR 6,630,587 in 2013 (2012: QR 6,344,108). As at 31 December 2013, net carrying value of property, plant and equipment amounted to QR 29,193,797 (2012: QR 34,369,510).

Allowance for impairment losses on receivables
If necessary, the Company maintains an allowance for impairment losses on receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customers, customer's payment behavior and known market factors. The management reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a regular basis. The amount and timing of recorded expenses for any period would differ if the management made a different judgment or utilized different estimates. An increase in allowance for impairment losses would increase the recorded administrative expenses and decrease current assets.

As at 31 December 2013, there was no indication of impairment loss on the Company's receivables.

Allowance for impairment losses on nonfinancial assets
The management assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the management considers important which could trigger an impairment review include the following:

- Significant underperformance relative to the expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

As at 31 December 2013, there was no indication of impairment loss on the Company's nonfinancial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company,

3.1 Foreign currencies

Foreign currency transactions and balances
Transactions in foreign currencies are translated at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income.

Non-monetary assets and liabilities, which are measured at historical cost, denominated in foreign currencies are translated to riyal at the exchange rates ruling at the dates of transactions. Non monetary assets and liabilities, which are stated at fair value, denominated in foreign currencies are translated at the exchange rates ruling at the dates the values were determined.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments

3.2.1 Financial assets

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
The Company has following categories of financial assets as at the date of financial position. The subsequent measurement of financial assets depends on their classification as described below:

- Financial assets at fair value through profit or loss
- Loans and receivables.

The subsequent measurement of financial assets depends on their classification as described below:

a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of comprehensive income.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs for loans and in other operating expenses for receivables.

De-recognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2.1 Financial assets (continued)

Impairment of financial assets
The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Financial assets carried at amortized cost
For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

When impairment exists, the carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

3.2.2. Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

a) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

b) Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

De-recognition
A financial liability is derecognized 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 the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2.3 Offsetting of financial instruments

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

3.3 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

Plant & machinery	6-7 years
Motor vehicles	5 years
Furniture and fittings	6-7 years
Porta cabins	20 years
Electrical equipment	5 years
Computer equipment	3 years
Telephones	6-7 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is de-recognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

3.4 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out / weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Construction work in progress and Advance billings

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction work in progress is presented separately as an asset in the statement of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as advance billing (deferred income) as a liability in the statement of financial position.

3.6 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the Statement of Comprehensive Income in expense categories consistent with the function of the impaired asset.

3.7 Cash and short term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.8 Employee end of service benefits

The Company operates an Employee end of service benefit plan under which an entity accrues for their contributions, which is in accordance with the labour laws in Qatar. Obligations for contributions to the plan are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees (period of employment).

3.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.10 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognized.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Revenue (continued)

(i) On construction contracts
Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity. The stage of completion is assessed by reference to total cost incurred to date as a percentage of total estimated contract cost for each contract (surveys of work performed). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

(ii) Services
Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

3.11 Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

3.12 Finance income and finance costs

Finance income comprises interest income on funds invested.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

3.13 Taxes

Income tax is calculated in accordance with the provisions of Qatar Income Tax Law No. 21 of 2009. Income tax expense comprises current tax. Income tax expense is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect to previous years.

3.14 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under control with the reporting entity, or between and/or among the reporting entity and its key management personnel, directors or its stockholders. Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to non-related entities in an economically comparable market.

3.15 Events after the reporting date

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are recognized in the financial statements, when material. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

4 NEW STANDARDS INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements of the previous financial year except for the adoption of new standards and interpretations effective as of 1 January 2013.

The Company applies, for the first time, certain standards and amendments that include IFRS 11 Joint Arrangements, IAS 19 (Revised 2011) Employee Benefits, IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. The nature and the effect of these changes are disclosed below.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual financial statements of the Company.

The nature and the impact of each new standard/amendment is described below:

IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1
The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Company's financial position or performance.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. IFRS 11 is effective for annual periods beginning on or after 1 January 2013 and had no impact on the Company.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

In addition to the above-mentioned amendments and new standards, IFRS 1 First-time Adoption of International Financial Reporting Standards was amended with effect for reporting periods starting on or after 1 January 2013. The Company is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Company.

4 NEW STANDARDS INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY (continued)

The following amendments to standards became effective in 2013, but did not have any impact on the accounting policies, financial position or performance of the Company.

Standards	*Contents*
IFRS 7	Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7
IFRS 12	Disclosure of Interests in Other Entities
IAS 1	Clarification of the requirement for comparative information (Amendment)
IAS 19	Employee Benefits (Revised 2011) (IAS 19R)
IAS 32	Tax effects of distributions to holders of equity instruments (Amendment)

The Company is currently considering the implications of the new IFRS which are effective for future accounting periods and has not early adopted any of the new standards as listed below:

Standards	*Contents*	*Effective date*
IFRS 9	Financial instruments	1 January 2015
IAS 32	Amendment to IAS 32, ‘Financial instruments: Presentation’, on asset and liability offsetting	1 January 2014

The Company did not early adopt any new or amended standards in 2013.

5 DIRECT COSTS

	2013	*2012*
	QR	*QR*
Material	**91,511,067**	230,869,555
Sub-contract costs	**88,772,196**	99,532,451
Salaries and related expenses	**71,508,244**	64,214,267
Hire of labour	**27,243,075**	12,130,596
Rent expense	**8,776,110**	10,062,890
Depreciation	**6,630,587**	6,344,108
Other office expenses	**5,196,532**	4,924,009
Vehicle hire and related costs	**2,120,425**	1,804,027
Travel and hotels	**1,293,637**	1,534,076
Communication and courier charges	**1,115,069**	864,838
Material testing charges	**654,403**	1,633,577
Insurance	**392,761**	416,649
Accommodation and subsistence	**156,445**	217,477
Miscellaneous	**3,164,609**	3,508,503
	308,535,160	438,057,023

6 GENERAL AND ADMINISTRATIVE EXPENSES

	2013	*2012*
	QR	*QR*
Printing and stationary	**599,451**	793,590
Legal and consultants fees	**405,582**	616,210
Tender expense	**208,154**	491,384
Entertainment and advertising	**40,896**	15,936
	1,254,083	1,917,120

7 FINANCE COSTS

	2013	*2012*
	QR	*QR*
Interest expense	**5,759,986**	4,647,127
Letters of guarantee charges	**5,484,252**	6,111,749
Exchange difference	**450,048**	2,044,109
Bank charges and commissions	**188,546**	121,908
	11,882,832	12,924,893

8 INCOME TAX EXPENSE

The income tax expense/payable for the year is computed as follows:

	2013	*2012*
	QR	*QR*
Accounting (loss) profit for the year	**(98,068,132)**	1,269,923
Adjustments for:		
Add: Accounting depreciation	**6,630,587**	6,344,108
Provision for anticipated future losses	**7,626,540**	-
Unrealised foreign exchange loss	**280,358**	-
Entertainment expense	**40,896**	-
Less: Tax depreciation	**(4,781,616)**	(5,940,265)
Gross (tax loss) taxable income	**(88,271,367)**	1,673,766
Less: Carried forward tax losses	**-**	(730,147)
Taxable (loss) income for the year	**(88,271,367)**	943,619
Income tax expense for the year	**-**	83,353

Income tax expense for the year is calculated by applying the tax rate applicable to the Company on the portion of the taxable income relevant to the foreign shareholder, as per the Articles of Association of the Company. The profit sharing ratio applicable to the foreign shareholder was 35%, equivalent to the shareholding percentage up to 29 February 2012. The Company has revised its Articles of Association on 29 February 2012 and the profit share of the foreign shareholder was increased to 99%. Accordingly, the current year income tax expense was calculated on a time proportional basis applied to the taxable income based on the revised profit sharing ratio.

9 PROPERTY, PLANT AND EQUIPMENT

	Plant & Machinery	*Motor Vehicles*	*Furniture & Fittings*	*Porta Cabins*	*Electrical Equipment*	*Computer equipment*	*Telephones*	*Total*
	QR	QR	QR	QR	QR	QR	QR	QR
Gross carrying values:								
At 1 January 2013	26,589,489	4,003,255	1,668,416	11,461,994	1,295,667	2,559,463	463,192	48,041,476
Additions	1,075,073	64,000	133,262	-	88,450	69,870	24,219	1,454,874
At 31 December 2013	27,664,562	4,067,255	1,801,678	11,461,994	1,384,117	2,629,333	487,411	49,496,350
Accumulated depreciation:								
At 1 January 2013	8,092,505	1,878,408	522,935	671,833	563,688	1,812,301	130,296	13,671,966
Provision	4,116,576	809,243	487,165	573,100	36,216	535,559	72,729	6,630,587
At 31 December 2013	12,209,081	2,687,651	1,010,100	1,244,933	599,904	2,347,860	203,025	20,302,553
Net carrying values:								
At 31 December 2013	**15,455,481**	**1,379,604**	**791,578**	**10,217,061**	**784,213**	**281,473**	**284,386**	**29,193,797**

9 PROPERTY, PLANT AND EQUIPMENT (continued)

	Plant & Machinery	*Motor Vehicles*	*Furniture & Fittings*	*Porta Cabins*	*Electrical Equipment*	*Computer equipment*	*Telephones*	*Total*
	QR	QR	QR	QR	QR	QR	QR	QR
Gross carrying values:								
At 1 January 2012	22,844,422	3,899,255	3,478,195	2,594,087	1,152,505	2,212,177	419,677	36,600,318
Additions	3,745,067	104,000	263,596	487,500	143,162	347,286	43,515	5,134,126
Transferred from capital work in progress	-	-	-	8,380,407	-	-	-	8,380,407
Other transfers	-	-	(2,073,375)	-	-	-	-	(2,073,375)
At 31 December 2012	26,589,489	4,003,255	1,668,416	11,461,994	1,295,667	2,559,463	463,192	48,041,476
Accumulated depreciation:								
At 1 January 2012	4,290,042	1,097,307	340,241	106,853	350,503	1,165,012	64,811	7,414,769
Provision	3,802,463	781,101	269,605	564,980	213,185	647,289	65,485	6,344,108
Other transfers	-	-	(86,911)	-	-	-	-	(86,911)
At 31 December 2012	8,092,505	1,878,408	522,935	671,833	563,688	1,812,301	130,296	13,671,966
Net carrying values:								
At 31 December 2012	18,496,984	2,124,847	1,145,481	10,790,161	731,979	747,162	332,896	34,369,510

10 TRADE AND OTHER RECEIVABLES

	2013 QR	2012 QR
Trade receivables	**16,600,318**	13,669,514
Other receivables and accrued income	**870,443**	4,245,044
Retentions	**34,067,786**	35,810,255
Advance to suppliers	**13,043,602**	9,120,328
	64,582,149	62,845,141

11 CASH AND BANK BALANCES

	2013 QR	2012 QR
Cash in bank	**5,849,126**	15,632,044
Cash on hand	**113,958**	113,843
	5,963,084	15,745,887

12 SHARE CAPITAL

	2013 QR	2012 QR
Authorised, issued and fully paid		
200 ordinary shares at QR 1,000 each	**200,000**	200,000
	200,000	200,000

13 LEGAL RESERVE

As required by the Company's Articles of Association and Qatar Commercial company law No 5 of 2002, 10% of the net profit for the year should be transferred to legal reserve until the reserve totals 50% of the issued share capital. The reserve is not normally available for distribution except in the circumstances stipulated in the above mentioned law.

14 SUBORDINATED LOAN

The Company obtained a subordinated loan facility of EUR 19,793,227 from its parent company, Terna Overseas Limited, a company registered in Cyprus. As per the subordinated loan facility agreement dated 30 June 2013 and annex I to the said loan agreement dated 31 December 2013, the loan carries no interest and is repayable at the Company's discretion. The loan is subordinated to the claims of the Company's creditors and therefore, in the event of liquidation, the loan has no priority over the claims to the assets of the Company by secured and unsecured creditors.

15 EMPLOYEES' END OF SERVICE BENEFITS

	2013	*2012*
	QR	*QR*
At 1 January	**4,101,896**	2,466,471
Provided during the year	**2,382,237**	1,946,851
Paid during the year	**(932,481)**	(311,426)
At 31 December	**5,551,652**	4,101,896

16 LOANS AND BORROWINGS

	2013	*2012*
	QR	*QR*
Short term loans	**77,974,039**	65,766,506
	77,974,039	65,766,506

The Company has obtained short term loans from Doha bank and HSBC-Doha for its working capital management purpose. These loans are payable on a short term basis within 1 year or less.

17 ADVANCES FROM A CUSTOMER

The advances of QR 101,223,927 as at 31 December 2013 (2012: QR 73,776,331) represents construction and other advances given by Al Mirqab Real Estate and Advance Tourism Real Estate in relation to their construction project undertaken by the Company, net of advances set off by the Company against progressive billings up to 31 December 2013.

18 TRADE AND OTHER PAYABLES

	2013	*2012*
	QR	*QR*
Trade payables	**31,636,023**	83,538,911
Accrual expenses	**15,501,381**	12,300,701
Retention payables	**12,041,232**	7,438,830
Other payables	**43,819,344**	88,983,180
	102,997,980	192,261,622

19 TRANSACTIONS WITH RELATED PARTIES

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

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

		2013		*2012*	
	Note	***Due from QR***	***Due to QR***	*Due from QR*	*Due to QR*
Terna S.A – Qatar Branch	(a)	**96,028,631**	**-**	125,936,936	-
Terna Bahrain Holding W.L.L		**-**	**13,216,710**	-	9,242,535
QBC Terna Joint Venture	(b)	**42,443,417**	**-**	42,443,417	-
Terna Overseas Limited		**-**	**4,679,689**	-	47,596,133
Terna S.A		**-**	**10,547,333**	-	5,940,733
Terna SA - Sharjah		**-**	**2,319,706**	-	736,200
Terna S.A. - Abu Dhabi Branch		**66,132**	**6,447,061**	66,132	2,951,296
Q – Energy		**118,916**	**-**	28,001	-
Terna Contracting W.L.L.		**39,423**	**6,938,141**	39,067	1,433,839
Terna Mechanical and Electrical W.L.L.		**1,713**	**448,181**	1,501	444,125
		138,698,232	**44,596,821**	168,515,054	68,344,861

(a) The amount due from Terna S.A – Qatar Branch primarily represents the amount invoiced based on the contract entered by the Company, with the Terna S.A – Qatar Branch for the construction of North East Car Park project for Qatar Foundation net of the payments made by the Branch.

(b) The amount due from QBC Terna Joint Venture represents the net settlement due from the Joint Venture partner in relation to the D-Ring Road project.

20 CONTINGENCIES

At 31 December 2013, the Company had contingent liabilities in respect of bank guarantee and performance bond in relation to the construction contracts amounting to QR 114,846,261 (2012: QR 145,375,181).

21 FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise trade payables, amounts due to related parties and advances from client. The main purpose of these financial liabilities is to finance the Company's operations. The Company has trade and other receivables and cash and short-term deposits that arrive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. They establishes appropriate policies and procedures on financial risk activities and ensure that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

The management of the Company reviews and agrees policies for managing each of these risks which are summarized below.

21 FINANCIAL RISK MANAGEMENT (continued)

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk and commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's deposits and short-term loans and borrowings with floating interest rates.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's presentation currency) and loans and borrowings in foreign currencies.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

With respect to credit risk arising from the other financial assets of the Company, including cash and cash equivalents the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company's financial assets as at the date of the financial position are as follows:

	2013	*2012*
	QR	*QR*
Bank balances	**5,849,126**	15,632,044
Trade receivables	**16,600,318**	13,669,514
Other receivables	**4,840,474**	7,613,337
Retention and advances	**47,111,388**	44,930,583
Amounts due from related parties	**138,698,232**	168,515,054
	213,099,538	250,360,532

Liquidity risk
The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

21 FINANCIAL RISK MANAGEMENT (continued)

Capital management

Capital includes equity attributable to the shareholders of the Company.

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios to support its business and maximize the shareholder's value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012 and the Company is not subject to externally imposed capital requirements.

The Company monitors capital using a gearing ratio, which is debt divided by capital plus debt. The Company considers total liabilities as debts for the gearing ratio.

	2013	*2012*
	QR	*QR*
Total liabilities	**339,970,959**	404,334,569
Less: bank balances and cash	**(5,963,084)**	(15,745,887)
Net debt	**334,007,875**	388,588,682
Total equity inclusive of subordinated loan	**257,209**	4,173,713
Capital and net debt	**334,265,084**	392,762,395
Gearing ratio	**99%**	99%

22 EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the balance sheet date which require adjustments to/or disclosure in the financial statements.