2011

Annual Report





EMPRESA CERTIFICADA apcer ISO 9001 ISO 14001 OHSAS 18001

CERTIFIED IQNet MANAGEMENT SYSTEM

Seth

Seth

MANAGEMENT REPORT - Consolidated Accounts

The year under review was a tragic one for the construction industry, the result of the huge difficulties of the Portuguese economy as a whole. The drastic reduction of public and private investment led to a complete lack of opportunities in the domestic market. This trend accelerated as from the second quarter, with the implementation of the financial bailout and subsequent change of government. The conditions of the domestic market deteriorated exponentially as a result of the combined effect of the absence of investment and of the aggressive competition based on unrealistic pricing practices. In those foreign markets where we operate, the reduction of expectations driven by the global crisis has led to a postponement of investment decisions that seemed safe, but they have not been abandoned.

The combination of these situations led to a turnover substantially lower than expected, and it did not prove possible, in the time available, to replace orders that were not confirmed new ones. As such, the results obtained are significantly lower than expected and quite unsatisfactory, having returned a loss for the first time in the past twenty-seven years.

In 2011 turnover amounted to €30,437,376, generating a net loss of €1,280,130.

Besides the domestic markets, the company carried out work in Cape Verde, Guinea, Algeria and Mozambique, and the work in the Algerian market contributed in a very negative, determinant manner to the result.

An operating loss was returned in the sum of €98,165, generating a pre-tax loss of €811,535 and a Net Loss in the sum of €1,280,130.

EBITDA totalled €1,543,091, a decrease of 52% from the preceding year.

Of the jobs concluded during 2011 we would underscore the following:

- New Santa Apolónia Cruise Terminal - APL
- Sorraia Inflatable Weir - Coruche Town Hall
- Water Intake and Pumping, Center for The Unknown - Champalimaud Foundation

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Of the jobs carried forward to 2012, the following are emphasised:

- Container Terminal, Kamsar, Guinea - Guinea Alumina Corporation
- Enlargement of the port of Porto Novo - 1st Stage, Santo Antão, Cape Verde – MITT
- Construction of the Power Reinforcement of the Salamonde Hydroelectric Power Plant – EDP, Energias de Portugal.
- Modernization for the 3rd phase of the Modernisation of Secondary Education Schools - Bragança and Pontinha - Parque Escolar EPE
- Electricity III, Sections 1 and 2, EDM - Electricidade de Moçambique

SUBSIDIARIES, BRANCHES AND INCORPORATED JOINT VENTURES

Seth ALGERIA

During 2011 there were no new orders for the Algerian market. Assessment is ongoing as to continuity in the Algerian market and it is very likely that, because of the difficulties introduced by the new public procurement rules in Algeria and in the face of poor results, an option will be taken to pull out of this market in 2013.

Seth MOZAMBIQUE

The Electricity III Project - Sections 1 and 2 contract is under way for EDM, the entity to which a pre-qualification process was submitted, as part of a consortium, for a project of the same nature.

Seth decided to prioritise this market to develop its international business, due to its increased momentum at this time, with numerous opportunities created by the development of the mining and energy sectors. Early in 2012 a local company will be set up in partnership with Mozambican entrepreneurs, to be called SETHMOZ, SA. This company will replicate in the Mozambican market the Company's model in Portugal, while the branch will continue to be dedicated to electrification works.

Seth GUINEA

The Seth branch in Guinea continues with the construction of the Kamsar Container Quay for the Guinea Alumina Corporation (GAC). The work should be completed in late 2012 and, at the year-end, confirmation or otherwise should be received of the continuation of the work within the scope of the overall project, the amount of which could be more than €70 million for the construction of an alumina shipping terminal.

GAC is a joint venture between several entities, headed by the Australian firm BHP Billiton.

In addition to this activity Seth has submitted bids for other mining development projects for other multinational companies.

Seth ANGOLA

The company carried out no works during 2011. Sales activity continued to focus on bids for energy-sector companies. A decision is still awaited as to whether or not a major construction job will go ahead, the construction of a pontoon-quay, the negotiations having been interrupted during the contract preparation stage.

Seth CAPE VERDE

The Construction of the Enlargement of the port of Porto Novo – 1st stage, on the island of Santo Antão, advanced at a good rate. The association headed by Seth was advised of the intention to award the port-work job involving enlargement of the container terminal at the port of Mindelo on São Vicente Island.

Should this contract be awarded, we shall continue in this country until the end of 2013.

MARINERTES, SA

The legal indefinition as to the possibility of commercial exploitation of the aggregates as a result of the enactment of the Water Act prevent the planned start to operations. The company has lodged a number of legal actions to contest the impediments that

were raised in respect of fulfilment of the obligations stemming from the licences that had been granted to it. There were no significant developments in this matter.
Seth has a 29% stake in this company.

INCORPORATED JOINT VENTURES

CONSTRUSALAMONDE, ACE

At the end of the previous year and in the wake of the award by EDP Energia de Portugal of the contract for the Reinforcement of the Power of the Salamonde Hydroelectric Plant, Construsalamonde, ACE, was set up, an incorporated joint venture in which Seth has a 7.5% stake.
The work began during the year and is going ahead at an excellent pace.

GMP MEK ACE and GMP ACE

The work in progress will be completed in the second quarter of 2012. Seth has a 33% holding.
As previously expected, it was decided to terminate the joint ventures set up to operate in this market. As from December 31, 2011, Seth is released from the agreements with the other counterparts in attracting new jobs.

HYGIENE, SAFETY AND ENVIRONMENT

In February 2011, Seth secured renewal of the certification of its Environmental Management System according to NP EN ISO 14001:2004, after second follow-up audit was performed by the certifying entity APCER, in which no Nonconformities were booked.

During this year, in July, there was also a Monitoring Audit of the Safety and Health at Work Management System within the scope of the process of renewal of certification under standards NP 4397:2001 and OHSAS 18001:2007. The audit was also conducted by APCER - Portuguese Certification Association, which identified just one Nonconformity, which was duly put right and closed on schedule.

Both certifications are now fundamental to international jobs, for which they are already required, and this is why a start was made in October to the process of Systems Integration, in order to expedite renewals of these systems.

During the year training courses increased and the means of prevention were strengthened, mainly in respect of collective protection equipment and of equipment for very large jobs. These training courses cover Seth's employees and those of its subcontractors.

This result demonstrates that, although there are still opportunities for improvement, the implemented systems adapted to the reference standard and, overall, Seth, SA has once again revealed that it acts in accordance with the definitions of the Safety and Health at Work Management Systems, and we must therefore congratulate all employees for their personal commitment.

The Frequency Index stood at 4.53 and the Seriousness Index at 0.11 which, in keeping with best international practice, means they are classified as Very Good.

QUALITY AND R&D

During 2011, Seth implemented the Quality Management System (QMS) in accordance with standard NP EN ISO 9001:2008.

Al the documentation required by the QMS was drawn up and approved, including the Quality Management System Manual and associated procedures.

The aim was to have an operational management system, with records, showing its application and demonstrating that the company complies with document requirements.

Internal audits were performed, though by external entities, with a view to ascertaining the degree of implementation of the QMS. These audits took place at the company's headquarters, at the central yard and at a job in progress. Overall, it was found that Seth meets the clauses, sub-clauses and requirements of the reference standard, indicating a degree of implementation appropriate to the scope of certification.

It is expected that an application will be lodged early in 2012 for NP EN ISO 9001:2008 certification and, upon approval of the application process, the audits will be performed leading to the issue of the certificate.

Given the current market situation, there were fewer opportunities for Seth to work in the field of Research, Development and Technological Innovation. Nevertheless, Seth will remain faithful to its policy, encouraging the creation of innovative solutions for the implementation of its projects, while ensuring ongoing improvement of its products to meet the needs and requirements of each customer.

Seth's policy is to carry on its business 'by project', dealing with each job on a case-by-case basis, constantly searching for alternatives, variant designs and more efficient equipment and building methods, reflected in added value.

Seth has joined up with the Portuguese Technological Construction Platform (PTPC), which aims to promote reflection on the industry and implementation of research, development and innovation initiatives and projects that can contribute to improving the competitiveness and internationalisation of the Portuguese construction industry.

SOCIAL RESPONSIBILITY

Seth conducts its business based on moral principles and professional ethics that safeguard respect, integrity and trust, enabling transparency in business.

Thus, Seth's Social Responsibility and labour relations policy complies with all requirements of Standard SA8000, as well those of the Collective Bargaining Agreement for Civil Construction, the principles of the International Labour Organisation, the Universal Declaration of Human Rights and the rules and regulations applicable to our activities.

Through its Social Responsibility Policy, Seth ensures compliance with various legal, social and moral commitments to employees, customers and society in general.

There is a constant concern for and focus on sustainable development, with a view to the safeguard of the rights of the coming generations.

In order to cause change in the construction industry, with a view to building up a future of innovation, quality, safety and regard for the environment, Seth wants to drive competitiveness and profitability on a sustainable basis, using the adequate human, technical and natural resources.

Regard for the Environment

Seth is proud to have implemented eco-efficiency measures at its headquarters building which, during 2011, obtained Energy and Indoor Air Quality Certification under Decree-Law 78/2006 (SCE) and Decree-Law 79/2006 (RSECE).

From the outset, the Company assumed that environmental protection and conservation were a concern, not only for the need to respond to the requirements of applicable legislation but also as an exercise in applying the principles of sustainable development. To this end, all our employees are committed to compliance with the Environmental Policy and with the rules set out in the Environmental Management System that has been implemented.

Support for the Community

Seth has long been involved in various activities, through sponsorship of and donations to several institutions that carry on humanitarian and solidarity activities at national and international level. For the Company, this sponsorship is not merely for the purpose of generating a return either in image or financial terms, but is undertaken on the clear understanding that it is a means of intervention by civil society. Of the sponsorship provided, we would underscore:

- APCA – Portuguese Access Class Association

Seth supports APCA, a non-profit sports association, the aim of which is to promote Access Class Sail and to provide its technical management as an adapted-sail sport. Seth sponsors the "SETH Sail" project, which aims to divulge and promote adapted sailing up and down the country.

Of the donations made in 2011 we would underscore:

- Reconstruction of the Roof a Special Education Classroom at the Noronha Feio Schools Group in Queijas – the **"Sunflower Space".**

The aim of the "Sunflower Space" is the upgrading and remodelling of the old bathrooms and changing-rooms at a school providing support to children and youths having Special Educational Needs.
Seth has supported the refurbishment of the entire roof, ensuring that it is watertight and improving the conditions for learning.

- Pro Dignitate – Human Rights Foundation

The non-profit Pro Dignitate Foundation is directed at humanitarian and social goals and at promoting human rights through scientific studies, planning, promotion and appraisal of preventive and other measures addressing the defence of these rights.

ECONOMIC AND FINANCIAL INDICATORS

In 2011 depreciation of tangible fixed assets, using the straight-line method, totalled €1,641,256. Assets of an acquisition price of less than €1,000 were fully written down during 2011.

At the end of the period the Company's Equity stood at €11,974,799.

APPROPRIATION OF RESULTS

The Board of Directors proposes that the net loss be taken to retained earnings.

THE OUTLOOK FOR 2012

The coming year will be extraordinarily difficult for the Portuguese economy and for the construction sector it will probably be the worst year of activity in living memory. There will be no investment and, as such, opportunities will be scarce in the domestic market, the few that appear characterised by extremely deeply degraded margins. Because of international activity that comprises a large part of the order book we expect an increase of turnover, although, should there be no additional orders, gross margins will not allow us to view the end result as encouraging. In the event that some of the ongoing negotiations are successful, the situation could be reversed. Otherwise, a plan will be implemented to adjust the company to the reality of the market.

On the basis of the order book at the end of 2011, our turnover is set to stand at about €36 million, generating a pre-tax profit of 1.0% of turnover.

Queijas, February 29, 2012

The Board of Directors

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY DURING THE 2010 PERIOD MONETARY UNIT €)

Description	Notes	Equity attributed to the parent company's equityholders											
		Issued capital	Treasury shares	Other equity instruments	Issue premiums	Legal reserves	Other reserves	Retained earnings	Adjustments to financial assets	Revaluation surpluses	Other changes in equity	Net profit for the period	Total
POSITION AT THE START OF THE PERIOD 2010 1	2.4	4.000.000	-	-	-	801.069	297.388	8.386.343	(43.718)	-	-	(585.117)	12.855.965
CHANGES DURING THE PERIOD													
First adoption of the new accounting standards													-
Accounting policies alterations													-
Financial statement conversion differences											28.829		28.829
Realisation of the tangible and intangible fixed assets revaluation surplus													-
Deferred tax adjustments							1.110						1.110
Other changes recognised in equity							(179.371)	159.198	15.657				(4.516)
2		-	-	-	-	-	(178.261)	159.198	15.657	-	28.829	-	25.423
NET PROFIT FOR THE PERIOD 3												216.727	216.727
COMPREHENSIVE RESULT 4 = 2 + 3												216.727	216.727
TRANSACTIONS WITH EQUITYHOLDERS DURING THE PERIOD													
Equity capital paid up													-
Issue premiums paid up													-
Distributions													-
Inflows to cover losses													-
Other transactions								(585.117)				585.117	-
5		-	-	-	-	-	-	(585.117)	-	-	-	585.117	-
POSITION AT THE END OF THE PERIOD 2010 6 = 1+2+3+5		4.000.000	-	-	-	801.069	119.127	7.960.424	(28.061)	-	28.829	216.727	13.098.115

The Board The Accountant

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY DURING THE 2011 PERIOD

MONETARY UNIT (€)

Description	Notes	Equity attributed to the parent company's equityholders											
		Issued capital	Treasury shares	Other equity instruments	Issue premiums	Legal reserves	Other reserves	Retained earnings	Adjustments to financial assets	Revaluation surpluses	Other changes in equity	Net profit for the period	Total
POSITION AT THE START OF THE PERIOD 2011 1	2.4	4.000.000	-	-	-	801.069	119.127	7.960.424	(28.061)	-	28.829	216.727	13.098.115
CHANGES DURING THE PERIOD													
First adoption of the new accounting standards													-
Accounting policies alterations													-
Financial statement conversion differences													-
Realisation of the tangible and intangible fixed assets revaluation surplus													-
Deferred tax adjustments													-
Other changes recognised in equity							(236.298)	256.328	(8.148)		144.931		156.813
2		-	-	-	-	-	(236.298)	256.328	(8.148)		144.931	-	156.813
NET PROFIT FOR THE PERIOD 3												(1.280.130)	(1.280.130)
COMPREHENSIVE RESULT 4 = 2 + 3												(1.280.130)	(1.280.130)
TRANSACTIONS WITH EQUITYHOLDERS DURING THE PERIOD													
Equity capital paid up													-
Issue premiums paid up													-
Distributions													-
Inflows to cover losses													-
Other transactions								216.727				(216.727)	-
5		-	-	-	-	-	-	216.727	-	-	-	(216.727)	-
POSITION AT THE END OF THE PERIOD 2011 6 = 1+2+3+5		4.000.000	-	-	-	801.069	(117.171)	8.433.479	(36.209)	-	173.760	(1.280.130)	11.974.799

The Board

The Accountant

Notes to the Accounts

1 Identity of the entity

Sociedade de Empreitadas e Trabalhos Hidráulicos, SA (“SETH”) is a limited liability company having its registered office at Av. Tomás Ribeiro, 145 in Queijas, which was incorporated on 17/3/1933. Its main business is Engineering and Civil Construction.

The Company is mostly owned by MT Hojgaard a/s, having its registered office in Denmark.

2 Accounting standards used in the preparation of the financial statements

2.1 SETH's consolidated financial statements have been prepared in accordance with the Accounting Standardisation System (ASS), as provided for in Decree-Law 158/2009 of July 13. The ASS comprise the Bases for Presentation of Financial Statements (BPFS), Financial Statement Models (FSM), the Accounts Code (AC), the Accounting and Financial Reporting Standards (AFRS) the Interpretative Standards and the Conceptual Structure.

The consolidated financial statements, which include the balance sheet, the statement of income by nature of expense, the statement of changes in equity, the cash-flow statement and the notes to the accounts, were approved by the Company's Board of Directors on march 30, 2012, are expressed in euros and have been prepared on a going-concern basis and in accordance with accrual accounting principles whereby items are recognised as assets, liabilities , equity, income and costs as and where they meet the recognition definitions and criteria for these elements contained in the conceptual structure, in accordance with qualitative characteristics of comprehensibility, relevance, materiality, reliability, credible representation, substance over form, neutrality, prudence, completeness and comparability.

The accounting policies presented in Note 3 have been used in the financial statements for the period ended December 31, 2011 and in the comparative financial information presented in the financial statements for the period ended December 31, 2010.

Companies included in the consolidation:

Subsidiaries

MAISTRÊS – Desenvolvimento Imobiliário Sociedade Unipessoal, LDA.
Av. Tomás Ribeiro, 145 – Queijas
SETH’s equity holding - 100%

SethAngola, S.A.
Av. Comandante Valódia, nº5 6º apt 61, Kinaxixi – Luanda – Angola
SETH’s equity holding – 60%

Associate companies
Marinertes, S.A.
Rot. Eng. Edgar Cardoso, 23, 8ºA,Vila Nova de Gaia
SETH’s equity holding - 29%

Joint ventures
SOMAGUE/SETH – Cais do Jardim do Tabaco – 1ª Fase, ACE
Rua da Tapada da Quinta de Cima, Linhó, 2714-555 Sintra
SETH’s equity holding - 50%

Cais de Cruzeiros – 2ª Fase, ACE
Rua da Tapada da Quinta de Cima, Linhó, 2714-555 Sintra
SETH’s equity holding - 37,5%

GMP - GRUPO MARÍTIMO PORTUGUÊS, A.C.E.
Lagoas Park, Edifício Um, 2740-265 Porto Salvo
SETH’s equity holding - 33,33%

GMP MEK – GRUPO MARÍTIMO PORTUGUÊS MERS EL KEBIR, A.C.E.
Lagoas Park, Edifício Um, 2740-265 Porto Salvo
SETH's equity holding - 33,33%

2.2 No provision of the ASS has been derogated.
2.3 There are no accounts of the balance sheet and income statement whose content is not comparable with that of the previous period.

3 Main accounting policies

The main accounting principles used in the preparation of the financial statements are as follows:

3.1 Measurement bases used in the preparation of the financial statements.

The financial statements have been prepared in accordance with the historic cost principle.
Preparation of the financial statements in accordance with the AFRS requires that the Board of Directors make judgements and estimates and use assumptions that affect the application of the accounting standards and the value of assets, liabilities, income and costs The estimates and associated assumptions are based on historic experience and on other factors considered reasonable under the circumstances, and they form the basis for the judgements as to the values of those assets and liabilities whose value is not evident using other sources. The real results may differ from the estimates. Matters requiring greater judgement or are more complex, or for which the presumptions and estimates are considered significant, are presented in Note 3.3 - Main estimates and judgements used in the preparation of the financial statements, in Note 3.4 - Main assumptions in respect of the future, and in Note 3.5 - Main sources of uncertainty as to the estimates.

Consolidation principles

Reference dates

The consolidated financial statements reflect the assets, liabilities and results of the Group and of its subsidiary companies for the periods ended December 31, 2011 & 2010.
The accounting policies have been applied in a consistence manner by all Group companies.

Financial holdings in subsidiaries

Company over which SETH exercises control are classified as subsidiaries. Control is normally presumed when the Company has the power to exercise the majority of the voting rights. There may also be control where SETH has the power, directly or indirectly, to manage the financial and operational policies of a certain company in order to obtain benefits from their activities, even though the percentage of their equity that it owns is less than 50%. Subsidiary companies are consolidated using the full consolidation method as from the moment SETH assumes control of their activities up to the moment the control ceases.
When the accumulated losses of a subsidiary exceed the non-controlling interest in the equity of that subsidiary, the excess is attributed to SETH to the extent it is incurred. Subsequent profits generated by the subsidiary are recognised as SETH's income until such time as the losses previously absorbed have been recovered.
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Translation of foreign currencies in foreign currency

The financial statements of SETH's subsidiaries are prepared in their working currency.
The consolidated financial statements are prepared in euros, which is SETH's working currency.
The financial statements of those companies whose working currency is other than the euro are translated
into euros in accordance with the following criteria:
- assets and liabilities are translated at the exchange rate ruling on the balance sheet date;
- income and costs and translated on the basis of application of exchange rates approximated the real rates
on the dates of the transactions;
- Currency translation differences determined between the amount translated into Euros of the balance
sheet at the beginning of the year and the amount translated at the exchange rate ruling on the date of balance sheet date to which the consolidated accounts refer are recorded with a contra-entry under reserves. Likewise, with regard to the results of subsidiaries and associate companies, the currency translation differences resulting from the translation into euros of the results for the period, between the exchange rates used in the income statement and the exchange rates ruling

on the balance sheet date are recorded under reserves. On the date of sale of the company, these differences are recognised in profit & loss as an integral part of the gain or loss generated by the sale.

Balances and transactions eliminated in the consolidation

Balances and transactions between Group companies, including unrealised any gains or losses stemming from intra-Group transactions, are eliminated during the consolidation process, except in those cases in which the unrealised losses suggest the existence of impairment that ought to be recognised in the consolidated accounts.
Unrealised gains resulting from transactions with associate entities are eliminated in the proportion of SETH's holding in them. Unrealised losses are also eliminated, but only in those situations that do not suggest existence of impairment.

Jointly-controlled entities

Jointly controlled entities are recognised using the equity method as from the date that joint control commenced until the date that it ceases, and they are entities in which the Company has joint control, established by contractual agreement.

3.2 Other relevant accounting policies

a) Tangible fixed assets

Tangible fixed assets are carried at acquisition cost, which includes the purchase price, including non-reimbursable import duties and purchase taxes, after deduction of discounts and rebates, any costs directly incurred in putting the asset at the required location and in the required condition for its to be able to operate in the intended manner, and the initial estimate of the costs of dismantling and removing the item and restoring the place where it is located, less accumulated depreciation and impairment losses.

On the date of transition to the AFRS the Company decided to consider as a cost of the tangible fixed assets their revalued value determined in accordance with the previous accounting policies, which, in general terms, was equivalent to the cost measured in accordance with AFRS 7.

Subsequent costs are recognised as tangible fixed assets only if it is probable that they will generate future economic benefits for the Company.

Routine assistance or repair and maintenance costs are recognised as costs as and when incurred in accordance with accrual accounting principles.

The Company performs impairment tests whenever events or circumstances suggest that the book value exceeds the recoverable value, the difference, if any, is recognised in profit & loss The recoverable amount is determined as the higher of the fair value less selling costs and the value in use, the latter calculated on the basis of the present value of the estimated future cash flows that are expected to be obtained from ongoing use of the asset and from its sale at the end of its useful life.

Land is not depreciated. Depreciation of tangible fixed assets is calculated in accordance with this straight-line method, after deduction of their residual value, in accordance with the following expected useful lives of the assets:

	Number of years
Buildings & other constructions	8 – 50
Plant & machinery	3 – 16
Transport equipment	4 – 10
Office equipment	3 – 10
Other tangible fixed assets	5 – 12

b) Leasing

The Company classifies lease operations as financial leases or as operational leases in the light of the substance of the transaction and not of the form of the contract. A lease is classified as a finance lease if it substantially transfers all risks and advantages inherent in the ownership A lease is classified as an operational lease if it does not substantially transfers all risks and advantages inherent in the ownership

Operational leases

The Company's payments/receipts are recorded, in the light of the operational research contracts, under costs/income for the period to which they refer on a straight-line basis.

Finance leases

Finance lease contracts are recorded on the date of the commencement as an asset and liability for the fair value of the least asset, or if less, at the present value of the minimum lease payments. The lessee's initial direct costs are added to the amount recognised as an asset.

The minimum finance lease payments are split between the financial charge and the reduction of the pending liability. The financial charges are imputed to each period during the life of the lease in order to produce a constant periodic interest rate over the remaining balance of the liability.

c) Financial holdings

Investments in associates

Financial investments in associates are recorded using the equity method, from the date on which the Company acquires significant influence, direct or indirect, up to the moment on which it ends, unless there are severe, lasting restrictions that significantly hinder the ability to transfer funds to the Company, in which case the cost method is used. Associates are entities in which the Company has significant influence but does not exercise control over their financial and operational policies. It is presumed that the Company exercises significant influence when it has the power to exercise more than 20% of the associate's voting rights. Should the Company hold less than 20% of the voting rights. It is presumed that it does not exercise significant influence, except where such influence can be clearly demonstrated.

The existence of significant influence is normally demonstrated in one or more of the following ways:

- representation on the Board of Directors or equivalent management body;
- participation in processes of definition of policies, including participation in decisions on dividends or other distributions;
- existence of material transactions between the Company and the participated company;
- interchange of management staff;
- provision of essential technical information.

The *goodwill* related with an associate is included in the book value of the investment. However, and amortisation of this goodwill is not allowed and is not therefore included in the determination of the investor's part of the results of the associate

Goodwill is tested annually, regardless of the existence of impairment indicators. Any impairment losses determined are recognised in profit & loss for the period. The recoverable value is determined on the basis of value in use of the assets, calculated using valuation methodologies underpinned by discounted cash-flow techniques, considering market conditions, the time value and the business risks.

Any excess of the investor in the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate over and above the investment cost is excluded from the book value of the investment and is included as income in the determination of the investor's share of the associate's results for the period in which the investment is required.

d) Income tax for the period

Income tax for the period is calculated on the basis of the Company's taxable income, and considers deferred taxation.

Current income tax is calculated on the basis of the Company's taxable income (which differs from the book result), in accordance with tax rules approved as of the balance sheet date at the place of the Company's registered office.

Deferred taxes refer to temporary differences between the values of assets and liabilities for accounting purposes and their respective values for taxation purposes.

Deferred tax assets and liabilities are calculated and valued periodically using the tax rates approved as of the balance sheet date, and they are not discounted.

Deferred tax assets are recognised only where it is probable that taxable profits will be available against which the temporary deductible differences can be used.. On each balance sheet date a reappraisal ins performed of the temporary differences underlying the deferred tax assets with a view to their recognition or adjustment in the light of current expectations as to their future recovery.

Income tax is recognised in the income statement, except when related to items that are boarded under equity, a fact that implies their recognition under equity.

Deferred taxes recognised under equity are recognised in profit & loss at the time the gains & losses that gave rise to them are recognised in profit & loss.

In accordance with the stipulations of paragraph 68 of AFRS 25, the Company offsets deferred tax assets and liabilities in the event that the Company:

- has a legally enforceable right to offset current tax assets against current tax liabilities;
- deferred tax assets and deferred tax liabilities are related with income taxes charged by the same tax authority to the same taxable entity.

e) Inventories

Inventories are valued at the lesser of acquisition cost and their net realisable value. The cost of inventories includes or purchase costs, conversion costs and other costs incurred place the inventories at their present place and in their present condition. The net realisable value corresponds to the estimated selling price in the normal course of business, less respective selling costs.

The method of costing warehouse outgoings (consumption) is the average weighted cost method.

The Company reduces the cost of the inventors (write down) to the net realisable value in the event that such assets are carried at amounts greater than those that could predictably result from their sale audience.

f) Receivables

Receivables are initially recognise that fair value, and are subsequently valued at cost or amortised cost, using the effective interest rate method, and they are carried in the balance sheet after deduction of any associated impairment losses.

Impairment losses are recorded on the basis of regular evaluation of the existence of objective evidence of impairment associated with doubtful debt as of the balance sheet date. Any impairment losses identified are recorded with the contra-entry in profit & loss, and are subsequently reversed through profit & loss in the event of a reduction of the amount of the estimated loss during a later period.

g) Cash and cash equivalents

Cash and cash equivalents include cash in hand and site deposits and short-term, highly-liquid financial investments that are readily convertible into known quantities of cash and are subject and a significant risk of alteration of value.

h) Transactions in foreign currency

Transactions in foreign currency are translated into euros at the exchange rate ruling on the date of the transaction.

Monetary assets and liabilities expressed in foreign currency are translated into euros at the exchange rate ruling on the balance sheet date. Currency translation differences resulting from this translation are recognised in profit & loss.

Non-monetary assets and liabilities recorded at historic cost, expressed in foreign currency, are translated at the exchange rate ruling on the date of the transaction.

Non-monetary assets and liabilities expressed in foreign currency, carried at fair value, translated at the exchange-rate ruling on the date on which the fair value was determined.

Currency translation differences resulting from the liquidation of monetary items or from reporting monetary items at rates other than those initially recorded during the period, all reported in previous financial statements, are recognised in profit & loss for the period in which they occur.

Where again or a loss on a non-monetary item is recognised directly under equity, any currency translation difference included in that gain or loss is recognised directly under equity Where again or a loss on a non-monetary item is recognised directly in profit & loss, any currency translation difference included in that gain or loss is recognised in profit & loss.

i) Provisions

Provisions are recognised when:

- the Company has a present, legal or constructive obligation resulting from a past event;
- it is not probable that an outflow of resources that incorporate economic benefits will be required to settle the obligation; or
- when a reliable estimate can be made of the value of the obligation.

On an annual basis, provisions are subject to review in accordance with the estimate of the respective future liabilities. The financial discount of the provision, with reference to the end of each period, is recognised as a financial cost.

Provisions for contracts for consideration

The Company recognises a provision for contracts for consideration in the event that the unavoidable costs of fulfilling the obligations of the contract exceed the economic benefits that are expected to be received under the contract.

j) Contingent assets & liabilities

The Company does not recognise contingent assets and liabilities.

Contingent assets are disclosed unless the possibility of an outflow of resources incorporating economic benefits is remote. The assets are disclosed as and where there is a probable inflow of economic benefits.

k) Recognition of costs and income

Costs and income are recorded during the period to which they refer regardless of their payment receipt, in accordance with accrual accounting principles. Differences between the amounts received and paid and the corresponding revenues and expenses are recorded under Other current assets or Other current liabilities depending on whether the amounts are receivable or payable.

l) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Of the Company's revenue is essentially the result of the provision of construction services which fall under AFRS 19 – Construction contracts and of the sale of assets.

The revenue stemming from the sale of goods is recognised as and when the following conditions are fulfilled:

- the company has transferred to the buyer the significant risks and advantages inherent in the possession of the assets;
- the Company does not retain either the ongoing management involvement generally associated with possession or effective control of the assets that are sold;
- the amount of revenue can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue associated with the provision of a service is recognised with reference to the finishing stage of the transaction as of the balance sheet date, provided the outcome of a transaction can be estimated reliably. The outcome of a transaction can be estimated reliably when all the following conditions have been met:

- the amount of revenue can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the Company;
- the stage of finishing of the transaction as of the balance sheet date can be measured reliably; and
- the costs incurred with the transaction and the costs to conclude a transaction can be measured reliably.

The stage of finishing of the contract this determined on the basis of the costs incurred in the work performed up to the date of the report as a proportion of the total estimated costs of the contract. The prepayments and progressive payments received from the customers do not reflect the work carried out and they are not therefore considered in recognising revenue.

The revenue includes the amounts build on the sale of products or provision of services net of value added tax, reductions and discounts. Where the inflow of cash and cash equivalents is deferred, the fair value of the remuneration may be less than the nominal amount. This difference is recognised as interest income.

m) Loan and borrowing costs/income

Loan and borrowing costs/income include interest paid on borrowings, interest received on placements made and similar income and costs obtained and borne.

Interests is recognised in accordance with the accrual accounting principle, through the effective interest method both for borrowings and for loans.

n) Subsequent Events

The financial statements reflect subsequent events occurred up to March 30, 2012, the date on which they were approved by the management body as mentioned in Note 2.1.

Events occurring after the balance sheet date that provide additional information on conditions that existed as of the balance sheet date are reflected in the financial statements.

Material events after the balance sheet date that do not give rise to adjustments are disclosed in Note 45.

o) Financial instruments

The Company recognises a financial asset, a financial liability or an equity instrument only when it becomes part of the contractual provisions of the instrument.

An instrument is classified as a financial liability where the issuer has a contractual obligation to settle principal and/or interest by paying cash or another financial asset, regardless of its legal form.

The initial costs do not include transaction costs of financial assets or liabilities measured at fair value through profit & loss.

The Company measures its financial assets and liabilities on each reporting date at cost or amortised cost less any impairment loss, or at fair value with alterations to fair value being recognised in the income statement.

The Company measures financial instruments at cost or amortised cost less impairment loss when they meet the following conditions:

- they are at sight or have a defined maturity;
- the returns to the holder are (i) of a fixed amount, (ii) have a fixed interest rate over the life of the instrument or of a floating rate that is a typical market index for financing operations (such as the Euribor) or includes a spread on the said index.
- contain no contractual clause that could cause for the holder a loss of nominal value and of the accumulated interest (excluding typical cases of credit risk).

Impairment

And assessment is made on each balance sheet date of the existence of objective evidence of impairment, particularly that causing an adverse impact on the future estimated cash flows of the financial asset or group of financial assets, that can at all times be measured reliably.

For those financial assets showing signs of impairment, the respective recoverable value is determined and the impairment losses are recorded in profit & loss.

A financial asset or group of financial assets are impaired in the event that there is objective evidence of a loss of value resulting from one or more events occurring after the initial recognition.

p) Hedge Accounting

The Company uses financial instruments to hedge the interest-rate, exchange-rate and price risk resulting from its operational and financing activity. Derivatives that do not qualify as hedges are recorded as trading derivatives.

Hedge derivatives are recorded at fair value and gains or losses are recognised in accordance with the hedge accounting model adopted by the Company. There is a hedging relationship where:

- as of the start date of the relationship there is a formal hedge documentation;
- there is an expectation that the hedge will be highly effective;
- the effectiveness of the hedge can be measured reliably;
- the hedge is valued on an ongoing basis and effectively determined as being highly effective throughout the financial reporting period;
- in respect of hedging a planned transaction, it has to be highly probable and must have exposure to variations of cash flows that could in the final instance affect results.

Hedging fixed interest-rate risk or merchandise-price risk in respect of merchandise held

Variations to the fair value of derivatives designated and qualified as fair-value hedges are recorded with the contra-entry in profit & loss, together with variations to the fair value of the hedged risk of the asset, liability of group of assets and liabilities. If the fail hedge no longer complies with the requirements of hedge accounting and the hedge instrument is not derecognised, the accumulated gains or losses recognised in the valuation of the hedged risk are amortised up to the majority of the hedged item using the original effective interest-rate method.

Effectiveness

For a hedge relationship to be so classified its effectiveness must be demonstrated. Therefore, the Company performs prospective tests on the start date of the hedge relationship and prospective and retrospective tests on each balance sheet date, so as to demonstrate its effectiveness showing that the alterations to the fair value of the hedged instrument are offset by alterations to the fair value of the hedge instrument, as far as the hedged risk is concerned. Any ineffectiveness determined is recognised in profit & loss as and when it occurs.

3.3 Main estimates and judgements

The AFRS required that estimates and judgements be made within the scope of taking decisions about some accounting procedures impacting on the values reported under total assets, liabilities, equity, costs and income. The real effects may differ from the estimates and judgements made, particularly with regard to the effect of real costs and income.

The main accounting estimates and judgements used in the application of the accounting principles are discussed in this note with a view to improving the understanding of how their application affects the results reported by the Company and their disclosure. A more detailed description of the main accounting principles used by the Company is provided in Note 3.2 of the notes to the accounts.

Considering that in many situations there are alternatives to the accounting treatment adopted by the Company, the results reported by could be different had a different treatment been chosen. The Board of Directors considers that the choices made are appropriate and the financial statements adequately present the Company's financial situation and the results of its operations in all materially relevant aspects. The results of the alternatives analysed hereunder are presented only to help the reader understand the financial statements and are not intended to suggest that other alternatives are more appropriate.

Provisions

The amount recognised as the provision is the best estimate of the expenditure required to settle the obligation as of the balance sheet date.

Fair value of financial instruments

The fair value is based on market quotations, where available, and, in the absence of a quoted price it is determined using the prices of similar recent transactions carried out under market conditions or on the basis of valuation methodologies underpinned by discounted future cash-flow techniques considering market conditions, time value, yield curve and volatility factors. These methodologies may require the use of assumptions or judgements in estimating the fair value stop

Consequently, use of different methodologies or different assumptions or judgements in the application of a given model could give rise to financial results different from those reported.

Recoverability of debtor balances of customers and other debtors

Impairment losses in respect of debt imbalances of customers and other debtors are based on an assessment made by the Company of the probability of recovering the balances of receivables, the age of the balances, cancellation of debts and other factors. There are certain circumstances and facts that could alter the estimate of impairment losses of the balances of receivables in the light of the assumptions considered, including alterations of the situation of the economy, sectoral trends, deterioration of the credit situation of the major customers and significant defaults. This process of evaluation is subject to sundry estimates and judgements. Alteration of these estimates could imply different levels of impairment and, consequently, different impacts on results.

Income tax

There are different transactions and calculations in respect of which the determination of the final amount of tax payable is uncertain during the normal business cycle. Other interpretations and estimates could result in a different amount of income taxes, current and deferred, recognised during the year.

In Portugal, the tax authorities are charged with reviewing the calculation of the taxable income made by the Company, during a period of four or six years (four years for losses generated after 2010), in the case of tax losses carried forward. There may therefore be corrections to the taxable income, mainly as a result of differences in the interpretation of tax legislation. Nevertheless, the Company is convinced that there will be no significant corrections to the income tax recorded in the financial statements.

Recognition of deferred tax assets related with tax losses was based on the Company's projections, which demonstrate the existence of future taxable profits.

Useful lives of tangible fixed assets

The useful life corresponds to the period during which the Company expects that the asset will be available for use. The estimated useful lives presented in Note 3.2 were determined taking the following factors into consideration:
a) expected use of the assets;
b) normal wear expected of the asset, considering activity levels and the maintenance and repair programme;
c) technical or commercial obsolescence caused by alterations or improvements to production or by alterations to market demand for the service or product stemming from the asset; and
d) legal or similar limits to the use of the assets.

The useful life of the asset is therefore a question of a value judgement based on the Company's experience. The Board of Directors considers that the useful lives considered are those that best reflect the expected use of the asset.

Estimate of total contract costs

The revenue of the construction services provision contracts is recognised with reference the stage of finishing of the activity of the contract as of the balance sheet date.

The total estimated costs of the contract are taken into consideration in determining the stage of finishing of the contract. These estimates of the total costs of the contract are determined on the basis of the Production Department's estimating system, which identifies and assesses the value of the activities to be undertaken throughout the project and cause alterations the assessment of the stage of finishing of the contract as of the balance sheet date and, consequently, of the amount of the contract revenue to be recognised
The Board of Directors reviews the estimates of the total contract costs on each reporting date and considers that, on the basis of the estimating system and of the monitoring of the execution of the project's and of its own experience, they appropriately and probably reflect the outcome of the contracts as of the balance sheet date.

3.4 Main assumptions in respect of the future

The Company's management body has determined no situations that could call into question the continuity of the Company.

3.5 Main sources of uncertainty of the estimates

The main sources of uncertainties are detailed in the Note 3.3.

4. Cash flows

The Cash-flow statement is prepared in accordance with the direct method through which gross cash receipts and payments in operating, investing and financing activities are disclosed.

The Company classifies interest and dividend paid as financing activities and interest and dividends received as investing activities.

4.1 As at December 31, 2011, all cash & cash equivalent balances are available for use.

4.2 Cash and bank deposits comprises the following balances:

Expressed in Euros

Description	31-12-2011	31-12-2010
Cash		
Head Office Cash	26.125	26.502
Job Sites Cash	10.795	20.758
Branches Cash	20.484	16.497
Joint Ventures/Subsidiaries Cash	2.269	2.237
	59.673	65.994
Sight deposits		
Banks Head Office	358.326	998.460
Banks Branches	480.807	421.217
Banks Joint Ventures/Subsidiaries	601.642	1.032.263
	1.440.775	2.451.940
Other bank deposits		
Banks Head Office	300.000	1.400.000
Banks Joint Ventures/Subsidiaries	15.500	45.000
	315.500	1.445.000
Total	1.815.948	3.962.934

5. Tangible fixed assets

The breakdown of this heading is as follows:

Expressed in Euros

Description	**31-12-2011**	**31-12-2010**
Gross Value		
Land & natural resources	1.172.796	1.172.796
Buildings & other constructions	3.954.794	3.945.663
Plant & machinery	14.988.178	16.110.179
Transport equipment	1.295.258	1.124.965
Office equipment	1.498.954	1.462.583
Other tangible fixed assets	61.616	56.499
Investments in progress	45.218	-
	23.016.814	23.872.683
Accumulated depreciation and impairment		
Depreciation charges for the period	(1.641.256)	(1.863.347)
Depreciation accumulated from previous periods	(13.217.460)	(11.360.267)
	(14.858.717)	(13.223.614)
Net book value	**8.158.097**	**10.747.399**

Movements under Tangible fixed assets during 2011 are as follows:

Expressed in Euros

	Opening Balance	**Additions**	**Disposals**	**Other Changes**	**Closing Balance**
Gross Value					
Land & natural resources	1.172.796	-	-	-	1.172.796
Buildings & other constructions	3.945.663	9.131	-	-	3.954.794
Plant & machinery	16.110.179	192.364	(1.327.195)	12.830	14.988.178
Transport equipment	1.124.965	360.625	(238.544)	48.212	1.295.258
Office equipment	1.462.582	41.756	(11.885)	6.501	1.498.954
Other tangible fixed assets	56.498	4.654	-	464	61.616
Investments in progress	-	45.218	-	-	45.218
	23.872.683	653.748	68.007	68.007	23.016.814
Accumulated depreciation and impairment					
Buildings & other constructions	(1.030.676)	(150.637)	-	-	(1.181.313)
Plant & machinery	(11.365.279)	(1.177.358)	1.137.498	(39.556)	(11.444.695)
Transport equipment	(936.747)	(179.667)	234.912	(23.241)	(904.743)
Office equipment	(1.163.282)	(131.039)	9.629	(4.000)	(1.288.692)
Other tangible fixed assets	(36.719)	(2.555)	-	-	(39.274)
	(14.532.703)	(1.641.256)	1.382.039	(66.797)	(14.858.717)
Total	**9.339.890**				**8.158.097**

Other alterations refers to currency fluctuations.

As at December 31, 2011, the breakdown value of tangible fixed assets financed by Finance lease contracts is as follows:

Heading	31-12-2011			31-12-2010		
	Gross value	Depreciation /Impairment	Net value	Gross value	Depreciation /Impairment	Net value
Land & natural resources	1.030.558	-	1.030.558	1.030.558	-	1.030.558
Building & other constructions	2.708.971	(306.362)	2.402.609	2.683.840	(190.111)	2.493.729
Plant & machinery	2.140.081	(688.872)	1.451.208	2.552.290	(725.298)	1.826.992
Transport equipment	83.178	(19.152)	64.026	-	-	-
Total	5.962.788	(1.014.387)	4.948.401	6.266.688	(915.409)	5.351.279

The reduction of plant & machinery carried under finance leases stems from the normal end to finance lease contracts.

The total of future minimum payments is broken down as follows:

Description	31-12-2011			31-12-2010		
	Principal Outstanding	Interest Owed	Rents Falling Due	Principal Outstanding	Interest Owed	Rents Falling Due
Less than 1 year	615.052	35.303	650.355	705.427	47.198	752.641
1 to 5 years	1.253.134	53.020	1.306.154	1.818.630	81.701	1.900.317
Over 5 years	676.234	8.576	684.810	669.617	8.576	678.192
Total	***2.544.420***	***96.898***	***2.641.319***	***3.193.674***	***137.475***	***3.331.150***

6 Financial holdings – equity method

The breakdown of this heading is as follows:

Description	31-12-2011			31-12-2010		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Marinertes, SA	618.390	(618.390)	-	663.312	(663.312)	-
Total	***618.390***	***(618.390)***	***-***	***663.312***	***(663.312)***	***-***

Within the scope of the transition to the AFRS, the Company continued to apply the equity method in its valuation of financial investments in its financial statements.

The breakdown of the movement under financial holdings is as follows:

	Opening Balance	Additions	Disposals	Equity Method	Other Changes	Closing Balance
Gross value						
Marinertes, SA	663.312	-	-	-	(44.922)	618.390
	663.312	-	-	-	(44.922)	618.390
Impairment						-
Marinertes, SA	(663.312)	-	-	-	44.922	(618.390)
						-
	(663.312)	-	-	-	44.922	(618.390)
Total	**-**					**-**

Summary financial information in respect of the associates is as follows:

Associate's name	% of Holding	Reference Date	Assets	Liabilities	Equity	Income	Net Profit (Loss)
Marinertes	29,00%	31-12-2011	980.467	412.555	567.912	(3.104)	(27.497)

7 Equityholders

The breakdown of this heading is as follows:

Expressed in Euros

Description	31-12-2011	31-12-2010
Non-current assets		
Loan capital	-	12.670
	-	12.670
Current assets		
Other operations	-	-
	-	-
Current liabilities		
Advances on account of profits	1.841.796	12.849
	1.841.796	12.849

The balance at December 31, 2011 refers to funding received from subsidiaries of ACE and supplies which bear interest.

8 Income tax

The Company records in its accounts the tax effect stemming from the temporary differences between the assets and liabilities determined from an accounting standpoint and from a tax standpoint, as follows:

Expressed in Euros

Description	Deferred Tax Assets		Deferred Tax Liabilities	
	31-12-2011	31-12-2010	31-12-2011	31-12-2010
Provisions	63.909	57.914	-	-
Financial Instruments	48.789	68.090	-	-
Financial Investiments	163.873	175.778	-	-
Book revaluations	-	-	11.110	11.938
Other differences	47.196	49.185	-	-
Result od works – Degree of finishing	198.927	349.590	-	-
Total	***522.693***	***700.556***	***11.110***	***11.938***

The main components of tax costs/income are as follows:

Expressed in Euros

Description	2011	2010
Current taxes	293.123	281.303
Source and reversal of temporary differences	175.875	125.202
	468.998	406.505

The breakdown of tax recognised under equity is as follows:

Expressed in Euros

Description	31-12-2011	31-12-2010
Deferred tax		
Financial instrument as fair value	-	-
Legal revaluations	1.938	1.110
	1.938	***1.110***

The effective tax rate is as follows:

Expressed in Euros

Description	2011	2010
Pre-tax profit	(811.132)	569.920
Nominal tax rate	26,50%	26,50%
Expected tax	(214.950)	151.029
Permanent differences (i)	391.229	234.383
Adjustments of the assessment (ii)	-	(118.958)
Autonomous taxation (iii)	292.719	86.739
Tax for the period (iv)	468.998	353.193
Effective tax rate	-57,82%	61,97%

Permanent differences referred to additions to and deductions from taxable income, while adjustments to the tax assessment have regard to deductions from the tax in accordance with tax rules in force on the balance sheet date.

9 Inventories

The breakdown of this heading is as follows:

Expressed in Euros

Description	31-12-2011	31-12-2010
Gross Value		
Raw & subsidiary materials & consumables	465.908	530.763
Net book value	**465.908**	**530.763**

During the period €7,950,705 (2010: €3,889,017) were recognised under cost of goods sold and materials consumed, as per Note 32.

10 Customers

The breakdown of Customers is as follows:

Expressed in Euros

Description	31-12-2011	31-12-2010
Gross Value		
Trade accounts receivable		
General	16.067.818	11.145.698
Subsidiary companies	2	2
Associate companies	20.086	7.158
Joint ventures	1.805.211	1.582.202
	17.893.116	12.735.060
Accumulated impairment		
Impairment losses for the period		
Impairment losses of previous periods		
	(553.848)	(460.383)
Net book value	***17.339.268***	***12.274.677***

General heading of customers included 680,197 euros relating to balances of customers of branches of the Company and 904,883 euros relating to ACE's customers. The remaining balance is justified mainly by the balances of the following companies:

- Parque Escolar (Euro 4,738,587);
- Electricidade de Moçambique (Euro 2,348,227);
- Guinea Aluminia Corporation, SA (Euro 1,166,373);
- Champalimaud Foundation (Euro 1,290,091);
- Engiarte - Engenharia & Construção (Euro 1,036,885);

Movements under impairment losses are as follows:

Expressed in Euros

Description	Opening balance	Losses	Reversals	Closing balance
Impairment losses				
Customers in general	460.383	93.465	-	553.848
Total	***460.383***	***93.465***	**-**	***553.848***

and balances of customers is presented as follows:

Expressed in Euros

Seniority	**Less than 1 year**	**Between 1 and 2 months**	**Between 2 and 3 months**	**Between 3 and 6 months**	**Between 6 and 12 months**	**Between 12 and 18 months**	**Between 18 and 24 months**	**More than 24 months**	**Total**
Saldo:	5.459.014	3.859.601	2.369.714	2.264.004	816.944	690.739	650.548	1.228.704	17.339.268

Customers' warranty deposits shows a balance of €541,412. This amount includes sums withheld by customers by way of contractual warranty.

11 Advances to suppliers

The breakdown Advances to suppliers is as follows:

Description	**31-12-2011**	**31-12-2010**
Gross value		
Suppliers in general	890.240	10.147
Net book value	***890.240***	***10.147***

The balance on December 31 is essentially composed of the advances made in the Teletejo value of 467,586 euros. The remaining balance is mostly composed of advances made to various suppliers of the branch of Mozambique.

12 State & other public entities

The breakdown State & other public entities is as follows:

Expressed in Euros

Description	31-12-2011	31-12-2010
Assets		
Income tax	121.634	88.789
VAT recoverable	182.323	204.402
VAT reimbursements requested	613.964	248.874
Other taxes	34.050	2.722
Other taxes (Branches)	703.293	646.684
Total	***1.655.265***	***1.191.471***
Liabilities		
Income tax	202.795	248.274
Income tax withheld	52.568	47.847
VAT payable	82.424	245.229
Other taxes	142.540	11.111
Social Security contributions	101.970	85.541
Other taxes (Branches)	116.412	179.030
Total	***698.709***	***817.031***

13 Other receivables

The breakdown Other receivables is as follows:

Description	31-12-2011	31-12-2010
Gross Value		
Other Debtors	2.800.521	3.182.163
Degree of finishing	4.434.080	2.417.529
Other accrued income	102.351	447.571
	7.336.952	6.047.263
Accumulated impairment		
Impairment during the period	-	
Impairment during previous periods	(24.756)	(24.756)
	(24.756)	(24.756)
Net book value	***7.312.196***	***6.022.507***

The balance in full December 31, 2011 under the heading of other debtors 2,800,521 EUR 1,516,354 EUR part for services to GMP ACE EE.

The degree of finish line refers to amounts related to the provision of construction services that were performed by SETH the balance sheet date, although they have not been debited to the customer, and is composed of the following works:

Expressed in Euros

Job	**Degree of finishing**
Refinaria, Guiné	543.690
Porto Novo, Cabo Verde	1.178.093
Açude, Coruche	232.984
Rede de Electricidade, Moçambique	1.569.861
Escola Bragança	359.157
Fundação Champalimaud	229.729
Outros	320.566
Total	**4.434.080**

14 Deferrals

The breakdown of deferrals is as follows:

Description	**31-12-2011**	**31-12-2010**
Assets		
Costs pending recognition		
Insurance paid	461	19.496
Other costs pending recognition	228.449	77.746
Total	***228.910***	***97.242***
Liabilities		
Income pending recognition		
Degree of finishing	473.581	1.246.486
Interest	539.237	544.274
Works warranties	228.299	365.077
Other income pending recognition	5.000	-
Total	***1.246.117***	***2.155.836***

Degree of finish line refers to amounts related to the provision of construction services not yet undertaken as of the balance sheet date but already debited to the customer, Euro 295,455 relate to the work of the School of Pontinha.

Interest income to be recognised has to do with Default interest charged to customers, recognition of the respective income being dependent on its actual receipt.

Works Warranties has to do with the amount estimated by SETH of the revenue to be recognised as a result of the costs to be incurred for the provision of additional work to fulfil contractual warranties in respect of works concluded and in progress.

15 Held-for-trading financial assets

The breakdown Financial assets held for trading is as follows:

Description	31-12-2011	31-12-2010
Financial assets (Shares)	20 800	10.800
Total:	***20 800***	***10 800***

The variation of the balance of financial assets over the previous period of Euro 10,000 due to the acquisition of shares in LISGARANTE.

16 Paid-up equity capital

The equity capital in the sum of €4,000,000, represented by 4 million ordinary shares each of the par value of €1.00, is fully paid up as at December 31, 2011.

17 Legal reserves

In accordance with Article 295 of the Companies Code and with the Company's articles of association, the legal reserve must be increased by a minimum of 5% of the year's net profit until it equals 20% of the Company's equity capital. This reserve may only be used to cover losses or to increase the share capital.

18 Other reserves

The breakdown of this heading is as follows:

Description	31-12-2010	31-12-2010
Currency reserves	(174.364)	119.128
Total	***(174.364)***	***119.128***

19 Retained earnings

The change under retained earnings in the sum of €473,056 includes the currency translation difference resulting from the translation of the previous years' results of the branches.

20 Adjustments to financial assets

The breakdown of this heading is as follows:

Description	31-12-2011	31-12-2010
Related with the equity method:		
Stemming from other changes in equity of the participated companies	33.268	-
Other	(12.284)	(28.061)
Total	***20.984***	***(28.061)***

21 Other changes in equity

The breakdown of Other changes in equity is as follows:

Description	31-12-2011	31-12-2010
Financial statement translation differences	173.760	28.829
Total	***173.760***	***28.829***

The changes under Currency translation differences in the financial statements refer to translation updates of the balance sheet headings of the Company's branches abroad.

22 Provisions, Contingent Liabilities and Contingent Assets

The breakdown of Provisions, Contingent Liabilities and Contingent Assets is as follows:

	Opening balance	Additions	Use	Reversals	Discount effect	Closing balance
Warranties for customers	67.808	46.192	-	-	-	114.000
Other	38.749	54.213	(38.749)	-	-	54.213
	106.557	100.405	(38.749)	-	-	168.213

As at December 31, 2011, the Company had provided the following bank guarantees:

Description	31-12-2011	31-12-2010
Bank guarantees provided to third parties		
Good performance (construction contracts)	21.059.189	18.843.910
Bids in calls for tenders	1.264.245	1.456.419
Services acquired	36.745	36.745
Judicial	1.845.265	1.302.941
Total	***24.205.444***	***21.640.015***

The company does not expect any inflow of economic benefits or the occurrence of facts that will oblige an economic outflow.

23 Burrowings

The breakdown of this heading is as follow:

Description	31-12-2011	31-12-2010
Non-current		
Credit institutions and financial companies		
Bank loans	1.493.750	1.062.500
Finance leases	1.929.368	2.488.247
	3.423.118	3.550.747
Current		
Credit institutions and financial companies		
Bank loans	1.917.326	375.000
Overdraft facilities	1.542.293	249.205
Finance leases	615.052	705.427
	4.074.671	1.329.632
Total:	***7.497.789***	***4.880.379***

The breakdown of borrowings by maturities is as follows:

Description	31-12-2011	31-12-2010
Credit institutions and financial companies		
Bank loans		
Up to 1 year	3.674.666	375.000
1 to 5 years	1.493.750	1.062.500
Over 5 years	-	-
	5.168.416	1.437.500
Credit institutions and financial companies		
Finance leases		
Up to 1 year	615.052	954.632
1 to 5 years	1.253.134	1.818.630
Over 5 years	676.234	669.617
	2.544.420	3.442.879
Total	***7.712.836***	***4.880.379***

As at December 31, 2011, the breakdown of future payments of principal owed and accrued interest on non-current borrowings is as follows:

Description	2012	2013	2014	2015	2016	2017	Total
Credit institutions and financial companies							
Bank loans	395.126	549.443	523.145	433.294	168.249	75.821	2.145.078
Finance leases	630.527	463.601	290.396	277.765	274.392	274.392	2.211.073
Total	**1.025.653**	**1.013.044**	**813.541**	**711.059**	**442.641**	**350.213**	**4.356.151**

24 Other payables

The breakdown Other payables is as follows:

Expressed in Euros

Description	31-12-2011	31-12-2010
Current		
Remuneration payable	744,590	773.750
Other creditors for accrued costs	2.028.258	867.108
Other creditors	17.508	1.625.918
	2,790,356	3,266.766

25 Suppliers

The breakdown of Suppliers is as follows:

Description	31-12-2011	31-12-2010
Trade accounts payable		
General	12.988.188	7.524.698
Parent company	-	62.503
Subsidiary companies	1.544	1.544
Other related parties	1.646	-
Total	***12.991.378***	***7.588.745***

The change is explained mainly by increasing the average term of payments to suppliers as a result of decreased cash flow.

The general heading of suppliers is composed as follows:

Name	**31-12-2011**
ENGIARTE ENGENHARIA E CONSTRUÇÕES, S.A.	2.019.278
TELETEJO - TELECOMUNICAÇÕES DO RIBATEJO, S.A.	1.639.235
VENTICALOR - EQUIP., AQUECIMENTO E VENTILAÇÃO, LDA.	396.620
NEXANS VIETNAM POWER CABLE COMPANY	379.201
PORSEG - SISTEMAS DE SEGURANÇA, S.A.	268.752
RAMALHO & GONÇALVES, LDA.	207.309
QUINTAS & QUINTAS - CONDUTORES ELÉCTRICOS, SA	202.919
AHLERS LINDLEY, LDA.	189.833
KSB, BOMBAS E VÁLVULAS, S.A.	188.630
J.SOARES CORREIA - ARMAZÉNS DE FERR	185.217
Others	7.311.194
Total	**12.988.188**

26 Customer prepayments

The breakdown of Customer prepayments is as follows:

Description	31-12-2010	31-12-2010
Customers in general	1.252.050	2.776.153
Total	***1.252.050***	***2.776.153***

The balance of advances from customers refers to works in progress, with the balance to 31 December 2011 concerning the City of Coruche, Electricity of Mozambique and the Ministry for

Infrastructure, Transport and Telecommunications of Cape Verde. The variation is mainly observed in the settlement reported after early advances and their works in the billing period in 2011.

27 Financial liabilities assets held for trading

The breakdown Financial liabilities held for trading is as follows:

Description	31-12-2011	31-12-2010
Financial liabilities assets held for trading	124.654	163.260
Total	***124.654***	***163.260***

The amount of 124,654 euros to 31 December 2011 with respect to derivative financial instrument. It is not considered a hedging transaction (interest rate) for the purposes of accounting rules, although the management has contracted for this purpose at the financial level.

28 Other financial liabilities

The breakdown Other Financial liabilities held for trading is as follows:

Description	31-12-2011	31-12-2010
Other financial liabilities	12.283	28.061
Total	***12.283***	***28.061***

The sum of €12,283 recognised under this heading as at December 31, 2011, refers to a derivative financial instrument designed to hedge the interest-rate risk.

29 Sales & services rendered

The breakdown of Sales & services rendered is as follows:

Description	2011	2010
Services rendered		
Construction contract works	29.003.237	29.579.637
Secondary services	1.434.139	1.570.085
Total:	***30.437.376***	***31.149.721***

Being the major works for the period 2011, the following:

Job	2011
Kamsar Container Terminal and Barg	6.298.664
Porto Santo Antão, Cabo Verde	4.491.056
Açude, Coruche	2.363.650
EDM Electricity III	4.704.306
Tomada, Centro Champalimaud	2.543.866
Other jobs	10.035.834
Total	30.437.376

30 Operating Subsidies

The balance of operating subsidies for 8184 euros with respect to subsidies for vocational training and placements received through the Institute of Employment and Vocational Training (IEFP) and Operational Program Human Potential (POPH) under the NSRF.

31 Work for the entity

The item of work for the entity itself is analyzed as follows:

Expressed in Euros

Description	2011	2010
Tangible fixed assets	88.470	15.719
Total	***88.470***	***15.719***

32 Cost of goods sold & materials consumed

Expressed in Euros

Description	31-12-2011	31-12-2010
Openiung balance (+)	530.763	424.916
Purchase (+)	7.519.971	3.994.864
Regularization (+/-)	-	-
Closing balance (-)	100.029	530.763
Cost of goods sold & materials consumed	**7.950.705**	**3.889.017**

33 Third-party supplies & services

The breakdown of third-party supplies & services is as follows:

Description	2011	2010
Subcontracts	7.035.772	12.101.500
	7.035.772	12.101.500
Specialised services	2.549.897	2.173.276
Specialised work	49.077	111.821
Advertising & publicity	169.851	155.813
Guards & security	164.971	126.094
Fees	1.297	1.676
Commissions	388.717	444.014
Maintenance & repairs	7.610	22.764
Other	3.331.420	3.035.457
Materials		
Fast-wearing tools & utensils	265.287	178.619
Books technical documentation	2.663	3.344
Office material	53.852	79.510
Gifts	3.640	4.161
Other	6.388	17.603
Energy & fluids	64.546	135.941
Electricity	396.375	419.178
Fuel		
Water	59.830	48.786
Other	775.434	435.951
Travel, board & lodging and transport	65.976	67.617
Travel, board & lodging	46.039	56.079
Personnel transport	947.279	608.433
Carriage of goods		
Other	488.191	354.223
Sundry services	6.445	5.583
Leases & rentals	1.074.688	502.812
Communication	1.569.324	862.618
Insurance		
Royalties	2.128.441	862.304
Litigation and notaries	189.885	218.236
Entertainment costs	327.774	320.907
Cleaning, hygiene & comfort	36.151	6.073
Other services	22.673	22.126
	61.709	64.337
	627.742	222.093
	3.394.375	1.716.076
TOTAL	16.674.546	18.743.263

The change under Subcontracts due to the lower volume of work involving the use of subcontractors. Under Specialised work the increase is justified by the Cape Verde job, on that together with the job undertaken in Guinea justified the increases under Fuel and under Other Services. The variation under Transport of goods is mainly due to the work carried out in Guinea involving high transport costs, and the increased spending on Rents and Leases is due to the Cape Verde and Bragança jobs.

34 Staff costs

The breakdown of Staff Costs is as follows:

Description	2011	2010
Remuneration of corporate officers	275.914	272.576
Remuneration of personnel	4.414.207	4.068.900
Other benefits	51.086	47.039
Indemnities	913.736	888.416
Charges on remuneration	80.155	74.047
Workmen’s compensation & professional illness insurance	-	1.249
Social action costs	601.014	90.967
Total	***6.336.112***	***5.443.193***

The variation under Other staff costs is mainly justified by the increased activity of the operation in Guinea.

Details of the Company's permanent staff as at December 31, 2011 & 2010, by senior management, management and professional category are as follows:

Description	31-12-2011	31-12-2010
Corporate officers	2	2
Top managers	5	5
Top managers	20	19
Middle managers	9	12
Foremen	14	11
Highly-skilled personnel	14	4
Skilled personnel	57	52
Semi-skilled personnel	17	9
Unskilled personnel	6	2
	144	116

35 Impairment of Receivables

Of the balance as at December 31, 2011 under Impairment of receivables amounting to €27,482, the amount of €93,465 is in respect of impairment losses on customer receivables as explained in Note 10, the remainder, or €34,017 being in respect of amounts retained by customers by way of guarantee.

36 Increases/reductions of fair value

The breakdown of Increases/reductions of fair value is as follows:

Description	2011	2010
Reductions		
Financial instruments	(44.923)	-
Total	***(44.923)***	**-**

37 Other income & gains

The breakdown of Other income & gains is as follows:

Description	2011	2010
Supplementary income	976.044	1.105.214
Other financial assets	728.231	475.478
Non-financial investments	543.549	80.334
Inventory gains	167.606	-
Prompt payment discounts earned	5.890	43.533
Other	962.718	394.290
Total:	***3.384.038***	***2.098.849***

Totaling EUR 784.193 on December 31, 2011 the tranfer of the assets represent almost the entire additional revenue heading.

38 Other costs & losses

The breakdown of Other costs & losses is as follows:

Description	2011	2010
Taxes	235.123	416.825
Non-financial investments	45.318	25.382
Bad debt	6.302	156.109
Inventory losses	-	7.151
Other	936.691	1.297.952
Total	***1.223.434***	***1.903.418***

Of the total balance of the heading of Other expenses & losses at December 31, 2011 the amount EUR 393,219 are related to spending on banking services, including commissions.

39 Expenses/reversals of depreciation & amortisation

The breakdown of Expenses/reversals of depreciation & amortisation is as follows:

Description	2011	2010
Costs		
Tangible fixed assets	1.641.256	1.819.242
Total	***1.641.256***	***1.819.242***

40 Interest & similar income

The breakdown of Interest & similar income is as follows:

Description	2011	2010
Interest income	17.908	13.007
Other similar income	38.607	8.564
Total	***56.514***	***21.571***

41 Interest & similar costs

The breakdown of Interest & similar costs is as follows:

Description	2011	2010
Interest expense	247.894	234.284
Costs & losses	521.587	610.675
Total	***769.481***	***844.959***

The interest costs are related to the borrowings mentioned in Note 23.

42 Operational leases

The breakdown of the total of the minimum future payments in respect of non-cancellable operational leases is as follows:

Description	31-12-2011 Future payments	31-12-2010 Future payments
Under 1 year	115.183	143.699
1 to 5 years	157.015	174.032
Over 5 years	-	-
Total	272.198	317.730

43 Disclosures of related parties

With reference to December 31, 2011, the Company’s equity holder structure is as follows:

Description	31-12-2011	31-12-2010
MT Højgaard a/s	2.400.000	2.400.000
Operatio SGPS SA	1.600.000	1.600.000
Total:	***4.000.000***	***4.000.000***

44 Construction Contracts

The method of accounting for construction contracts is the percentage of completion method. Contract revenue and costs are recognised in accordance with IAS 19.

Expressed in Euros

	Recognised previous years	Recognised during the period	Deferred / Not recognised	Total
Costs	26,991,038	25,927,675	-	52.918.713
Income / revenue	32,392,682	29,988,774	(473.581)	61.907.875

45 Contingent liabilities

As at December 31, 2011 there are court proceedings against the Company which the Board believes, given the assumptions and background of the legal actions, the expectations of the Company's lawyers and the other circumstances inherent in the proceedings, will not result in liabilities for the Company that would justify a need for provisions for legal proceedings in progress.

The existing law suits are related with Corporation tax assessments for 1997, 1998, 2004, 2005, 2006, 2007 and 2008, alleged delay in the payment of May 2007 VAT, and alleged inaccuracies in the Corporation tax returns for 2005 and 2006).

46 Subsequent events

There were no relevant subsequent events impacting on the financial statements as at December 31, 2011.

Financial statements were authorized for issue by the Board of Directors on March 11, 2011.

The Board

The Accountant