Terna Bahrain Holding W.L.L.

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2011

The Board of Directors has the pleasure in submitting their annual report and the audited financial statements for the year ended 31 December 2011.

Principal activities and results for the year

The Company was incorporated on 23 November 2006 to act as a holding company and carry out business activities through subsidiaries, branches, divisions and investments in other entities. The Company also carries out contract activities. Details of the Company's investments in subsidiaries and its associate are contained in note 1 to the accompanying financial statements.

Results and accumulated losses

The results and accumulated losses of the Company are as follows:

	2011	*2010*
	BD	*BD*
Balance at 1 January	**(4,591,659)**	(4,513,041)
Loss for the year	**(634,700)**	(78,618)
Balance at 31 December	**(5,226,359)**	(4,591,659)

Auditors

Ernst & Young have expressed their willingness to continue in office, and a resolution proposing their appointment, as auditors of the Company for the year ending 31 December 2012, will be submitted at the Annual General Meeting.

Signed on behalf of the Board of Directors

Chairman
10 March 2012

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TERNA BAHRAIN HOLDING W.L.L.

Report on the Financial Statements

We have audited the accompanying financial statements of Terna Bahrain Holding W.L.L. ("the Company"), which comprise the statement of financial position as at 31 December 2011 and the statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Board of Directors 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 the Board of Directors determines is necessary to enable the preparation of the 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 the Company's Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
TERNA BAHRAIN HOLDING W.L.L. (continued)

Basis for Qualified Opinion

As explained in note 11 to the financial statements and in our audit opinion dated 9 March 2011 on the financial statements for the year ended 31 December 2010, an amount of BD 2,500,000 of expenses incurred in legal actions has been included in the financial statements as claims receivable, as the Company believes, based on the advice received from independent legal counsel, that it will win the respective legal cases and the applicable expenses will be recovered from the other parties involved. We believe that this is a contingent asset and were unable to satisfy ourselves as to the recoverability of this amount. Accordingly, we believe claims receivable should be reduced by BD 2,500,000 and opening accumulated losses should be increased by BD 2,500,000.

Qualified Opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph above, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2011 and its financial performance and its 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 discusses the existence of material uncertainties, which may cast significant doubt about the Company's ability to continue as a going concern.

Report on Other Regulatory Requirements

As required by the Bahrain Commercial Companies Law, we report that:

a) the Company has maintained proper accounting records and the financial statements are in agreement therewith; and
b) the financial information contained in the Report of the Board of Directors is consistent with the financial statements.

The Bahrain Commercial Companies Law requires certain legal requirements to be fulfilled when the losses of the Company exceed the Company's share capital. These requirements are referred to in note 2.

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
TERNA BAHRAIN HOLDING W.L.L. (continued)

Report on Other Regulatory Requirements (continued)

Except for the matter referred to in the above paragraph, we report, to the best of our knowledge and belief, that there is no further non-compliance with the Bahrain Commercial Companies Law or the terms of the Company's memorandum and articles of association during the year ended 31 December 2011 that might have had a material adverse effect on the business of the Company or on its financial position. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

Ernst + Young

10 March 2012
Manama, Kingdom of Bahrain

Terna Bahrain Holding W.L.L.

STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Note	*2011* *BD*	*2010* *BD*
ASSETS			
Non-current assets			
Investment in subsidiaries	6	**1,139,900**	3,711,900
Investment in an associate	7	**4,376,974**	4,373,921
		5,516,874	8,085,821
Current assets			
Amounts due from related parties	8	**3,510,673**	15,654,295
Amounts due from an associate	9	**2,932,194**	2,931,746
Prepayment and other receivable		**294,036**	184,812
Bank balances, short-term deposits and cash	10	**87,695**	122,698
Claims receivable	11	**2,500,000**	2,500,000
		9,324,598	21,393,551
TOTAL ASSETS		**14,841,472**	29,479,372
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**847,742**	847,742
Statutory reserve	13	**35,610**	35,610
Contributed surplus	14	**15,576,877**	15,576,877
Accumulated losses		**(5,226,359)**	(4,591,659)
Total equity		**11,233,870**	11,868,570
Non-current liabilities			
Employees' end of service benefits		**6,647**	3,938
Term loan	15	**1,423,625**	2,857,233
		1,430,272	2,861,171
Current liabilities			
Accounts payable	16	**332,660**	703,564
Accrued expenses		**9,764**	133,000
Bank overdraft	10	**575,317**	-
Amounts due to related parties	17	**1,259,589**	13,913,067
		2,177,330	14,749,631
Total liabilities		**3,607,602**	17,610,802
TOTAL EQUITY AND LIABILITIES		**14,841,472**	29,479,372

D. Antonakos
Chairman

K. Iliadis
Director

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

Terna Bahrain Holding W.L.L.

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2011

	Note	*2011* BD	*2010* BD
Other income		**511,127**	96,747
Foreign exchange gains / (losses)		**355,965**	(150,637)
Interest income		**817**	1,159
Recoverable costs	11	**-**	2,500,000
		867,909	2,447,269
Legal and professional fees		**(1,017,018)**	(2,232,221)
General and administrative expenses		**(340,924)**	(84,025)
Staff costs		**(94,798)**	(148,759)
Finance costs		**(49,236)**	(59,792)
Bank charges		**(633)**	(1,090)
LOSS FOR THE YEAR		**(634,700)**	(78,618)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(634,700)**	(78,618)

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

Terna Bahrain Holding W.L.L.

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2011

	Note	*2011* *BD*	*2010* *BD*
OPERATING ACTIVITIES			
Loss for the year		**(634,700)**	(78,618)
Adjustments for:			
Interest income		**(817)**	(1,159)
Loss on disposal of investment in a subsidiary	6	**279,416**	-
Finance costs		**49,236**	59,792
Unrealised foreign exchange loss		**(3,053)**	2,833
Provision for end of service benefits		**2,709**	1,228
Recoverable costs	11	**-**	(2,500,000)
Operating loss before working capital changes:		**(307,209)**	(2,515,924)
Working capital changes:			
Amounts due from related parties		**13,704,666**	(8,958,344)
Amounts due from an associate		**(448)**	(29,867)
Prepayment and other receivables		**(109,224)**	(129,480)
Accounts payables and accrued expenses		**(494,140)**	742,546
Amounts due to related parties		**(12,653,478)**	11,906,238
Net cash flows from operating activities		**140,167**	1,015,169
INVESTING ACTIVITIES			
Interest received		**817**	1,159
Proceeds from disposal of investment in a subsidiary		**731,540**	-
Net cash flows from investing activities		**732,357**	1,159
FINANCING ACTIVITIES			
Term loan paid		**(1,433,608)**	(1,392,793)
Finance costs paid		**(49,236)**	(40,126)
Net cash used in financing activities		**(1,482,844)**	(1,432,919)
DECREASE IN CASH AND CASH EQUIVALENTS		**(610,320)**	(416,591)
Cash and cash equivalents at 1 January		**122,698**	539,289
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	**(487,622)**	122,698

Non cash item:

Non cash item not included in the statement of cash flows relates to disposal of investment in a subsidiary amounting to BD 1,561,044 which was adjusted against amounts due from related parties above.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2011

	Share capital BD	*Statutory reserve BD*	*Contributed surplus BD*	*Accumulated losses BD*	*Total BD*
Balance as at 1 January 2011	847,742	35,610	15,576,877	(4,591,659)	11,868,570
Total comprehensive income for the year	-	-	-	(634,700)	(634,700)
Balance as at 31 December 2011	**847,742**	**35,610**	**15,576,877**	**(5,226,359)**	**11,233,870**
Balance as at 1 January 2010	847,742	35,610	-	(4,513,041)	(3,629,689)
Total comprehensive income for the year	-	-	-	(78,618)	(78,618)
Contributions from Terna Overseas Ltd. (note 14)	-	-	15,576,877	-	15,576,877
Balance as at 31 December 2010	847,742	35,610	15,576,877	(4,591,659)	11,868,570

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

1 ACTIVITIES

Terna Bahrain Holding W.L.L. ("the Company") is a limited liability company incorporated in the Kingdom of Bahrain on 23 November 2006 and is registered with the Ministry of Industry and Commerce under commercial registration (CR) number 63267. The Company acts as a holding company and carries out its business activities through its subsidiaries and investments in other entities.

The Company is a wholly owned subsidiary of Terna Overseas Limited, a company incorporated in and operating under the laws of Cyprus. The ultimate parent company is Terna SA, a company incorporated in and operating under the laws of Greece. The ultimate holding company's registered office is at 85 Mesogeion Avenue, T.K. 115-26, Athens, Greece.

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

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 10 March 2012.

The Company has the following subsidiaries and an associate:

Name	*Country of incorporation*	*Ownership interest*		*Date of effective control*	*Principal activity*
		2011	*2010*		
Subsidiaries					
Terna Contracting W.L.L. ("Terna Contracting")	Kingdom of Bahrain	**99.99%**	99.99%	2 April 2008	Contracting and construction business
Terna MEP W.L.L. ("Terna MEP")	Kingdom of Bahrain	**70%**	70%	5 October 2008	Contracting of mechanical and electrical business
PCC Terna Contracting Company W.L.L. ("PCC Terna")	Kingdom of Bahrain	-	96.26%	23 March 2007	Contracting and construction business
Associate					
Hamriya Cement Company FZC	United Arab Emirates	**40%**	40%	19 June 2007	Production and sale of cement

These are the financial statements of the Company only and have been prepared to determine the operating results of the Company's activities. The ultimate parent company has prepared consolidated financial statements incorporating the financial statements of the subsidiaries and accounting for the associate company on an equity basis. As permitted by IAS 27 "Consolidated and Separate Financial Statements", no consolidated financial statements of the Company have been prepared.

2 FUNDAMENTAL ACCOUNTING CONCEPT

The Company incurred a loss of BD 634,700 for the year ended 31 December 2011 (2010: BD 78,618) and, as of that date, the Company's accumulated losses have exceeded the Company's share capital by BD 4,378,617 (2010: BD 3,743,917). In addition, the Company depends on support from related parties. These conditions indicate the existence of a material uncertainity which may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements have been prepared on a going concern basis as the parent company has agreed to provide financial support to the Company to meet its obligations to third parties as and when they fall due.

The Bahrain Commercial Companies Law requires that in the case of a company that has lost a substantial portion of its capital, an Extraordinary General Meeting of the shareholders should be convened by the Board of Directors at which the shareholders resolve whether or not to continue the operations of the Company. This meeting has not yet been convened.

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

New and amended standards and interpretations effective as of 1 January 2011
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and International Financial Reporting Interpretation Committee (IFRIC) interpretations effective as of 1 January 2011:

IAS 24 Related Party Disclosures (amendment)
The IASB has issued an amendment to IAS 24 that clarifies the identification of related party relationships, particularly in relation to significant influence or joint control. The new definitions emphasise a symmetrical view on related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

Improvements to IFRSs
In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of these amendments did not have any effect on the financial performance of the Company and did not result in any significant changes to the disclosures in the Company's financial statements.

- *IFRS 7 Financial Instruments – Disclosures*
- *IAS 1 Presentation of Financial Statements*
- *IFRS 3 Business Combinations*

3 **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Improvements to IFRSs

Other amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- *IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3) (as revised in 2008)*
- *IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment award);*
- *IAS 27 Consolidated and Separate Financial Statements;*
- *IAS 34 Interim Financial Statements; and*
- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.*

Investments in subsidiaries and an associate

Investments in subsidiaries and associate are carried at cost less provision, if any, for impairment.

Subsidiaries

Subsidiaries are entities, including unincorporated entities such as partnerships, that are controlled by the Company. Investments in Subsidiaries are recorded at cost less any provision for impairment.

Associate

Associate is an entity over which the Company exercises significant influence and which is neither a subsidiary nor a joint venture. The investment in the associate is recorded at cost less any provision for impairment.

Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate ruling at the statement of financial position date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Financial Assets

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

The Company's financial assets include bank balances, cash and short term deposits, other receivables, amounts due from related parties and amount due from an associate.

Contract and other receivables

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

Cash and cash equivalents

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets

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

Financial liabilities

The Company's financial liabilities include term loan, amounts due to related parties and accounts payable.

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

Interest bearing loans and borrowings

All loans and borrowings are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses, other than the borrowing costs eligible for capitalization, are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortisation process.

Accounts and other payable

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

Offsetting of financial instruments

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

Amortised cost of financial instruments

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

Fair value of financial instruments

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial instruments

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

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

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Revenue recognition

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

Interest income

Interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Other income

Other income is recognised on an accrual basis when income is earned.

4 PROSPECTIVE CHANGES IN ACCOUNTING POLICIES

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

- *IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income effective for annual periods beginning on or after 1 July 2012;*
- *IAS 19 Employee Benefits (Amendment) effective for annual periods beginning on or after 1 January 2013;*
- *IAS 27 Separate Financial Statements (as revised in 2011) effective for annual periods beginning on or after 1 January 2013;*
- *IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) effective for annual periods beginning on or after 1 January 2013;*
- *IFRS 9 Financial Instruments: Classification and Measurement effective for annual periods beginning on or after 1 January 2015;*
- *IFRS 10 Consolidated Financial Statements: This standard becomes effective for annual periods beginning on or after 1 January 2013;*

4 PROSPECTIVE CHANGES IN ACCOUNTING POLICIES (continued)

- *IFRS 11 Joint Arrangements: effective for annual periods beginning on or after 1 January 2013;*
- *IFRS 12 Disclosure of Involvement with Other Entities: effective for annual periods beginning on or after 1 January 2013;*
- *IFRS 13 Fair Value Measurement: effective for annual periods beginning on or after 1 January 2013.*

It is not expected the implementation of these revisions and amendments will have any impact on the Company's financial performance or financial position.

5 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

Impairment of investments in subsidiaries and an associate

The Company reviews its investments in subsidiaries and an associate at each period-end to determine if there is any evidence of impairment. The investments are considered impaired if there has been a significant prolonged decline in the entity's performance or where other objective evidence of impairment exists. In addition the Company evaluates other factors, including future cash flows and discount factors for similar investments.

6 INVESTMENT IN SUBSIDIARIES

	Percentage holding		***2011***	*2010*
	2011	*2010*	***BD***	*BD*
Terna Contracting W.L.L.	**99.99%**	99.99%	**999,900**	999,900
Terna Mechanical and Electrical W.L.L.	**70%**	70%	**140,000**	140,000
PCC Terna Contracting Company W.L.L.	**-**	96.26%	**-**	2,572,000
			1,139,900	3,711,900

During the year, PCC Terna Contracting Company W.L.L. was liquidated and all its assets and liabilities were transferred to a fellow subsidiary, Terna Contracting W.L.L., at a net book value of BD 2,292,584 resulting in a loss of BD 279,416.

7 INVESTMENT IN AN ASSOCIATE

	Percentage holding	***2011 BD***	*2010 BD*
Hamriya Cement Company FZC	40%	**8,876,974**	8,873,921
Provision for impairment		**(4,500,000)**	(4,500,000)
		4,376,974	4,373,921

The movement in the balance above is due to the foreign exchange gain on long term funds injected into the associate classified as investment in an associate in accordance with IAS 28.

8 AMOUNTS DUE FROM RELATED PARTIES

	2011 *BD*	*2010* *BD*
Terna S.A. (Sharjah branch)	**2,216,609**	1,104,185
Terna Qatar Company L.L.C.	**960,745**	10,494,343
Terna S.A. (Abu Dhabi branch)	**182,905**	14,344
Terna Mechanical and Electrical W.L.L.	**150,414**	150,414
PCC Terna Contracting Company W.L.L.	-	3,891,009
	3,510,673	15,654,295

For terms and conditions refer note 18.

9 AMOUNTS DUE FROM AN ASSOCIATE

	2011 *BD*	*2010* *BD*
Hamriya Cement Company FZC	**2,932,194**	2,931,746

For terms and conditions refer note 18.

10 CASH AND CASH EQUIVALENTS

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

	2011 *BD*	*2010* *BD*
Short term deposits	**30,957**	30,209
Bank balances		
- Bahraini Dinars	**23,022**	32,641
- UAE Dirhams	**15,915**	16,035
- US Dollars	**11,714**	63
- Euros	**6,083**	43,746
Cash in hand	**4**	4
	87,695	122,698
Bank overdraft	**(575,317)**	-
	(487,622)	122,698

Short term deposits are held with a commercial bank in the Kingdom of Bahrain and are denominated in Bahraini Dinars. The deposits are for periods ranging between 1 to 30 days at an effective interest rate of 3.25% (2010: 3.25%).

The bank overdraft obtained from a commercial bank in the Kingdom of Bahrain, is denominated in Bahraini Dinars, is unsecured and carries interest at the rate of 1.5% p.a. (2010: nil).

11 CLAIMS RECEIVABLE

The Company is engaged in arbitration proceedings with the Bin Kamil family (refer note 18). In 2010, the Company booked recoverable costs of BD 2,500,000 as income in the financial statements on the basis of legal advice by its independent legal counsel that it is highly probable that the verdict of the cases will be in favour of the Company and the associated costs will be recovered. Contingencies in respect of these legal proceedings are disclosed in Note 19.

12 SHARE CAPITAL

	2011 BD	2010 BD
Authorised, issued and fully paid:		
8,500 ordinary shares of Euro 200 each	**847,742**	847,742

13 STATUTORY RESERVE

As required by the Bahrain Commercial Companies Law, 10% of the profit for each financial year must be transferred to the statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve equals 50% of the issued share capital. The reserve cannot be utilised for the purpose of distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law. No transfer has been made in the current year and the previous year as the Company has incurred losses.

14 CONTRIBUTED SURPLUS

Contributed surplus represents funds provided by the parent company and is repayable at the discretion of the Company.

15 TERM LOAN

The term loan was obtained from the parent company, is denominated in US Dollars, carries interest at LIBOR plus 1.2% per annum and is repayable by 20 September 2012. The effective interest rate at 31 December 2011 was 2.2% (2010: 1.67%) per annum. The term loan is unsecured.

16 ACCOUNTS PAYABLE

Accounts payable primarily relate to amounts payable for legal and administration expenses. These are normally payable on 30 to 60 day terms.

17 AMOUNTS DUE TO RELATED PARTIES

	2011 BD	2010 BD
Terna Overseas Ltd.	**1,241,365**	1,592,861
Terna Contracting W.L.L.	**12,192**	1,550,529
Terna S.A.	**5,521**	154,419
Terna S.A. (Sharjah branch)	**511**	-
Terna Qatar Company L.L.C.	**-**	10,615,258
	1,259,589	13,913,067

Amount due to Terna Qatar Company L.L.C. in 2010 represented amounts received for short term cash facilitation of the Company and was denominated in Bahraini Dinars.

For terms and conditions refer note 18.

18 RELATED PARTY TRANSACTIONS

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

18 RELATED PARTY TRANSACTIONS (continued)

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

	Finance charges	
	2011	*2010*
	BD	*BD*
Parent company	**49,236**	59,792

See note 8 for amounts due from related parties.

See note 9 for amounts due from an associate.

See note 15 for long term loan payable to parent company.

See note 17 for amounts due to related parties.

Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2011, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2010: nil).

Compensation of key management personnel

The remuneration paid to a director during the year was as follows:

	2011	*2010*
	BD	*BD*
Short term benefits	**42,586**	40,182

19 CONTINGENCIES

The Company is in ongoing arbitration with the Bin Kamil group ("BKG") in relation to disputes arising out of a Shareholders Agreement ("SHA") and Share Purchase Agreement ("SPA") entered into between them concerning their relationship as shareholders of Hamriyah Cement Company FZC ("HCC"), a joint venture company operating in Sharjah (U.A.E.).

In 2009 the Company filed for a request for arbitration against BKG before the ICC for damages incurred due to breaches of the SHA and the SPA calculated at AED 73,611,956 (approximately BD 7.5 million). In response, BKG has filed a counterclaim for damages against the Company for AED 149,946,956 (approximately BD 15.2 million) at the same forum.

The Board of Directors, based on independent legal counsel and favourable outcomes of interim proceedings, believe that the Company will be successful in BKG's claim against the Company. As such the Company has made no provision against the claim.

Legal costs

The Company has incurred significant legal and other costs in respect of the above arbitration hearing. As the Company believes it will be successful in the above forums, management believe it will able to recover such costs from the other parties as part of the settlements. As such they have booked claims receivable amounting to BD 2,500,000 in 2010 (refer note 11).

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles. The Company's senior management oversees the management of these risks, which are summarised below:

Interest rate risk
The Company is exposed to interest rate risk on its interest bearing short-term deposits and term loan. The effective interest rates are disclosed in the respective notes above.

The following table demonstrates the net sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Company's profit:

	Increase / decrease in basis points	*Effect on profit BD*
2011		
	+ 50	**1,548**
	- 50	**(1,548)**
2010		
	+ 50	(14,135)
	- 50	14,135

Liquidity risk (also referred to as funding risk) is the risk that an enterprise will encounter difficulty in raising commitments associated with financial liabilities.

The Company limits its liquidity risk by ensuring that bank facilities are available. The Company's terms of sale require amounts to be paid within 60-90 days from the date of invoice. Trade accounts payable are normally settled within 60 days of the date of purchase. The table below summarises the maturities of the Company's undiscounted financial liabilities at year-end, based on payment dates and current market interest rates.

2011	***Less than 3 months BD***	***3 to 12 months BD***	***Total BD***
Amounts due to related parties	**1,259,589**	**-**	**1,259,589**
Accounts payable and accrued expenses	**342,424**	**-**	**342,424**
Term loan	**484,982**	**969,963**	**1,454,945**
Total	**2,086,995**	**969,963**	**3,056,958**

2010	*Less than 3 months BD*	*3 to 12 months BD*	*1 to 5 years BD*	*Total BD*
Amounts due to related parties	13,913,067	-	-	13,913,067
Accounts payable and accrued expenses	836,564	-		836,564
Term loan	14,727	45,000	2,860,112	2,919,839
Total	14,764,358	45,000	2,860,112	17,669,470

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

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

The Company is exposed to credit risk on its bank balances including short-term deposits, amounts due from subsidiaries, amounts due from an associate and other receivables. The Company places its deposit with banks having a good credit rating.

The company has amounts due from related parties and an associate of BD 6,442,867 (2010: BD 18,586,041). These receivables are without security which renders them fully exposed to credit risk due to default by the counterparties.

With respect to credit risk arising from the other financial assets of the Company, including bank balances and cash and other receivables, the Company's maximum exposure is equal to the carrying amount of these balances at the reporting date as reflected in the statement of financial position.

Foreign currency risk

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

The Company is exposed to currency risk on its balances with related parties denominated in Euros.

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

	Increase/ decrease in Euro rate to the Bahraini Dinar	*Effect on profit BD*
31 December 2011	**+5%**	**56,259**
	-5%	**(56,259)**
31 December 2010	+5%	130,359
	-5%	(130,359)

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

Capital management

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

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2010. Capital represents equity of the Company and is measured at BD 11,233,870 as at 31 December 2011 (2010: BD 11,868,570).

21 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprises of financial assets and financial liabilities.

Financial assets consist of bank balances, short-term deposits and cash, other receivables, amounts due from related parties and an associate. Financial liabilities consist of trade payables, amounts due to related parties and term loan.

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