Terna Mechanical and Electrical W.L.L

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2011

Terna Mechanical and Electrical W.L.L
REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in submitting their report and the audited financial statements of Terna Mechanical and Electrical W.L.L. ("the Company") for the year ended 31 December 2011.

Principal activities and results for the year

The Company is a subsidiary of Terna Bahrain Holding W.L.L. ("the Parent Company") incorporated in the Kingdom of Bahrain. The ultimate parent company is Terna S.A, a company incorporated in and under the laws of Greece. Its registered office is at 85 Mesogeion Av, T.K. 115-26, Athens, Greece. The ultimate parent company together with its subsidiaries are referred to as the 'Group'.

Results and retained earnings

During the year, the Company generated contract revenue of BD 965,962 (2010: BD 4,714,269) and reported a loss of BD 643,892 (2010: profit of BD 111,855).

The movements in retained earnings are as follows:

	2011	*2010*
	BD	*BD*
Balance as at 1 January	**1,400,359**	1,299,689
(Loss) / profit for the year	**(643,892)**	111,855
Transfer to statutory reserve	**-**	(11,185)
Balance as at 31 December	**756,467**	1,400,359

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 MECHANICAL AND ELECTRICAL W.L.L.

Report on the Financial Statements

We have audited the accompanying financial statements of Terna Mechanical and Electrical 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 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 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.

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
TERNA MECHANICAL AND ELECTRICAL W.L.L. (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2011, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Board of Directors is consistent with the financial statements.

We are not aware of any violations of 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 Mechanical and Electrical W.L.L.

STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Note	*2011* *BD*	*2010* *BD*
ASSETS			
Non-current assets			
Property, plant and equipment	5	**7,096**	29,450
Current assets			
Due from customers for construction contracts	6	**2,419,684**	2,227,146
Contract and other receivables	7	**2,985,245**	3,921,109
Bank balances and cash	8	**70,509**	142,437
		5,475,438	6,290,692
TOTAL ASSETS		**5,482,534**	6,320,142
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**200,000**	200,000
Statutory reserve	10	**155,595**	155,595
Retained earnings		**757,019**	1,400,359
Total equity		**1,112,614**	1,755,954
Non-current liabilities			
Employees' end of service benefits	11	**18,624**	104,571
Other employee benefits		**16,160**	181,806
		34,784	286,377
Current liabilities			
Contract and other payables	12	**4,335,136**	4,277,811
		4,335,136	4,277,811
Total liabilities		**4,369,920**	4,564,188
TOTAL EQUITY AND LIABILITIES		**5,482,534**	6,320,142

D. Antonakos
Chairman

K. Tappuni
Director

The attached notes 1 to 18 form part of these financial statements.

Terna Mechanical and Electrical W.L.L.

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2011

	Note	***2011*** ***BD***	*2010* *BD*
Contract revenue		**965,962**	4,714,269
Operating costs	14	**(1,038,664)**	(2,452,105)
Project material and equipment expenses		**(444,164)**	(1,993,213)
GROSS PROFIT		**(516,866)**	268,951
Other income		**8,698**	11,686
Foreign exchange (loss) / gain		**(3,406)**	2,418
General and administrative expenses		**(127,262)**	(159,273)
Bank charges		**(5,056)**	(11,927)
(LOSS) PROFIT FOR THE YEAR		**(643,892)**	111,855
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(643,892)**	111,855

The attached notes 1 to 18 form part of these financial statements.

Terna Mechanical and Electrical W.L.L.

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2011

	Note	2011 BD	2010 BD
OPERATING ACTIVITIES			
(Loss) profit for the year		**(643,892)**	111,855
Adjustments for:			
Depreciation	5	**10,656**	15,466
Provision for employees' end of service benefits	11	**8,233**	50,960
Operating (loss) profit before working capital changes		**(625,003)**	178,281
Working capital changes:			
Contract and other receivables		**947,422**	2,237,146
Due from customers for contract work		**(192,538)**	(2,227,146)
Due to customers for contract work		**-**	(322,693)
Contract and other payables		**(173,623)**	(11,529)
		(43,742)	(145,941)
Employees' end of service benefits paid	11	**(28,186)**	(6,154)
Net cash flows used in operating activities		**(71,928)**	(152,095)
INVESTING ACTIVITY			
Purchase of equipment	5	**-**	(7,006)
DECREASE IN CASH AND CASH EQUIVALENTS		**(71,928)**	(159,101)
Cash and cash equivalents at 1 January		**142,437**	301,538
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	8	**70,509**	142,437

Non-cash transactions:

a) Transfer of motor vehicles to related parties amounting to BD 11,698 was adjusted against contract and other receivables above.

b) Employees' end of service benefits amounting to BD 65,994 transferred from the Company were adjusted against contract and other payables above.

Terna Mechanical and Electrical W.L.L.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2011

	Share capital BD	*Statutory reserve BD*	*Retained earnings BD*	*Total BD*
Balance as at 31 December 2009	200,000	144,410	1,299,689	1,644,099
Total comprehensive income for the year	-	-	111,855	111,855
Transfer to statutory reserve	-	11,185	(11,185)	-
Balance as at 31 December 2010	200,000	155,595	1,400,359	1,755,954
Total comprehensive income for the year	-	-	(643,892)	(643,892)
Balance as at 31 December 2011	**200,000**	**155,595**	**756,467**	**1,112,062**

The attached notes 1 to 18 form part of these financial statements.

1 ACTIVITIES

Terna Mechanical and Electrical W.L.L. ("the Company") is a limited liability company incorporated in the Kingdom of Bahrain on 15 October 2008 and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 70100. The company is engaged in construction contracting activities.

The Company is a subsidiary of Terna Bahrain Holding W.L.L., a company incorporated in the Kingdom of Bahrain. The ultimate parent company is Terna SA, a company incorporated in and under the laws of Greece. Its registered office is at 85 Mesogeion Av, T.K. 115-26, Athens, Greece. The ultimate parent company together with its subsidiaries are referred to as the 'Group'.

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

The shares of the Company are owned as follows;

Name of the shareholder	*Percentage of shareholding*
Terna Bahrain Holding W.L.L.	70%
KT Engineering Ltd W.L.L	30%

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

2 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 (BD), 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 emphasises 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 a government and 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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*

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 IRS 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.*

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.

Equipment

Equipment are stated at cost less accumulated depreciation and any impairment in value.

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

Equipment	5 years
Motor vehicles	5 years
Computer and office equipment	5 years

Expenditure incurred to replace a component of an item of equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) or derecognition of the asset is included in the statement of comprehensive income in the year the asset is derecognised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Due from / due to customers for contract work
The aggregate of the costs incurred and the profit/loss recognised on the contract is compared against the progress billings up to the period-end. Where the sum of the costs incurred and recognised profit or recognised loss exceeds the progress billings, the balance is shown as due from customers for contract work. Where the progress billings exceed the sum of costs incurred and recognised profit or recognised loss, the balance is shown as due to customers for contract work.

Financial assets
The Company's financial assets include contract and other receivables and bank balances and cash.

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.

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 overdrafts, if any.

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
Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

The Company's financial liabilities include contract and other payables.

Contract and other payables
Liabilities for trade 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

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.

Employees' end of service benefits
The Company makes contributions to the Social Insurance Organisation (SIO) calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

The Company also provides for end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

Contract revenue
Contract revenue is recognised under the percentage of completion method.

When the outcome of the contract can be reliably estimated profit is recognised by reference to completion of the physical proportion of the contract work. When the contract is at an early stage and its outcome cannot be reliably estimated, revenue is recognised to the extent of costs incurred up to the period-end, which is considered recoverable. Revenue arising from contract, variations/claim is not accounted for unless it is probable that the customer will approve the variations/claim and the amount of revenue arising from the variation/claim can be measured reliably.

The aggregate of the costs incurred and the profit/loss recognised on the contract is compared against the progress billings up to the period-end. Where the sum of the costs incurred and recognised profit or recognised loss exceeds the progress billings, the balance is shown as due from customers for construction contracts. Where the progress billings exceed the sum of costs incurred and recognised profit or recognised loss, the balance is shown as due to customers for construction contracts.

3 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;*
- *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.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS 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 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.

Construction contracts
Revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the management team's experience and the nature of the construction activity undertaken, the management makes estimates of the point at which it considers the work is sufficiently advanced such that the cost to complete, rectification costs and revenue can be reliably estimated. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the statement of financial position date, which would affect the revenue and the profit recognised in the future years as an adjustment to the amounts recorded to date. As at 31 December 2011, the management considered that all costs to complete and revenue can be reliably measured.

Impairment of contract receivables
An estimate of the collectible amount of contract receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the date of statement of financial position date, gross contract receivables was BD 2,147,763 (2010: BD 3,000,420) and there was no provision for doubtful debts (2010: Nil). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Impairment of equipment
The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the assets' recoverable amount. An asset's recoverable amount is higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Management does not believe there is any impairment of equipment as at the statement of financial position date.

Useful lives of equipment
The Company's management determines the estimated useful lives of its equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

5 EQUIPMENT

	Equipment BD	*Motor vehicles BD*	*Computer and office equipment BD*	*Total BD*
Cost:				
At 1 January 2011	12,030	36,095	7,077	55,202
Transfers during the year	-	(22,558)	-	(22,558)
At 31 December 2011	12,030	13,537	7,077	32,644
Depreciation:				
At 1 January 2011	7,033	12,930	5,789	25,752
Depreciation charge for the year	3,877	5,536	1,243	10,656
Transfers during the year	-	(10,860)	-	(10,860)
At 31 December 2011	10,910	7,606	7,032	25,548
Net book value:				
At 31 December 2011	**1,120**	**5,931**	**45**	**7,096**

	Equipment BD	*Motor vehicles BD*	*Computer and office equipment BD*	*Total BD*
Cost:				
At 1 January 2010	5,294	36,095	6,807	48,196
Additions during the period	6,736	-	270	7,006
At 31 December 2010	12,030	36,095	7,077	55,202
Depreciation:				
At 1 January 2010	2,138	5,512	2,636	10,286
Depreciation charge for the year	4,895	7,418	3,153	15,466
At 31 December 2010	7,033	12,930	5,789	25,752
Net book value:				
At 31 December 2010	4,997	23,165	1,288	29,450

Depreciation expense for the year has been included in project material and equipment expenses in the statement of comprehensive income.

6 DUE FROM CUSTOMERS FOR CONTRACT WORK

	2011 BD	*2010 BD*
Contract cost incurred till date	**10,612,061**	8,990,727
Recognized profit	**840,061**	1,541,413
Total value of work executed till date including profit	**11,452,122**	10,532,140
Progress billings	**(9,032,438)**	(8,304,994)
	2,419,684	2,227,146

7 CONTRACT AND OTHER RECEIVABLES

	2011 BD	2010 BD
Contract receivables from related parties	**2,147,763**	3,000,420
Retentions receivable from related parties	**442,765**	427,845
Advances to contractors and suppliers	**377,614**	422,753
Advances to employees	**11,967**	53,086
Prepayments	**4,712**	16,543
Other receivable	**564**	462
	2,985,385	3,921,109

Contract receivables are normally settled in 90 to 120 days from the date of invoice.

Retentions are normally recovered within 12 months from conclusion of a project.

For further terms and conditions of related parties, please refer to note 13.

As at 31 December, none of the contract receivables were impaired and the ageing of unimpaired contract receivable is as follows;

	Total BD	Neither past due nor impaired BD	Past due but not impaired: Upto 60 days BD	60 – 90 days BD	90 – 120 days BD	>120 days BD
2011	**2,147,763**	**37,164**	**33,845**	**-**	**-**	**2,076,754**
2010	3,000,420	1,033,249	-	156,619	-	1,810,552

Unimpaired contract receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over contract receivables and the majority are, therefore, unsecured.

8 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
Bank balances :		
- UAE Dirhams	**40,476**	128,390
- US Dollars	**18,246**	1,425
- Bahraini Dinars	**11,168**	10,124
Cash in hand	**619**	2,498
	70,509	142,437

9 SHARE CAPITAL

	2011 BD	2010 BD
Authorised, issued and fully paid:		
2,000 ordinary shares of BD 100 each	**200,000**	200,000

10 STATUTORY RESERVE

The Bahrain Commercial Companies Law and the Company's articles of association requires that 10% of the Company's profit be transferred to the statutory reserve. The Company has resolved to discontinue such annual transfers as the reserve has exceeded 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.

11 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position are as follows:

	2011 ***BD***	*2010* *BD*
Provision at the start of the year	**104,571**	59,765
Charge for the year (note 15)	**8,233**	50,960
Paid during the year	**(28,186)**	(6,154)
Transfer to related parties during the year (note 13)	**(65,994)**	-
Provision at the end of the year	**18,624**	104,571

12 CONTRACT AND OTHER PAYABLES

	2011 ***BD***	*2010* *BD*
Contract payables - related parties	**3,756,071**	3,779,832
Contract payables	**300,330**	271,764
Subcontractors	**168,167**	59,106
Retentions	**97,010**	76,555
Accruals for employee benefits	**16,160**	181,806
Accrued expenses	**14,250**	55,154
Project material	**-**	35,400
	4,351,988	4,459,617

Contract payables and accrued expenses are normally settled on 60 days term.

Retentions payable have average term of one year.

For further terms and conditions of transactions with related parties please refer note 13.

13 RELATED PARTY TRANSACTIONS

Related parties represent the ultimate parent company, the parent company, 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.

13 RELATED PARTY TRANSACTIONS (continued)

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

	2011 Contract revenue BD	2010 Contract revenue BD
Ultimate parent companies		
Terna SA (Sharjah branch)	**380,058**	1,855,417
Terna S.A. (Abu Dhabi branch)	**428,026**	2,479,299
Group company		
Terna Qatar L.L.C.	**(144,712)**	(17,017)
Fellow subsidiary		
Terna Contracting W.L.L	**302,590**	396,569
	965,962	4,714,268

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

	2011		2010	
	Contract receivable BD	Contract payables BD	Contract receivables BD	Contract payables BD
Terna S.A (Abu Dhabi branch)	**1,511,269**	**268,767**	2,106,373	1,112,096
Terna S.A (Sharjah branch)	**590,514**	**3,168,267**	734,559	2,492,401
Terna S.A. - Head office	**-**	**8,058**	-	5,578
Terna Contracting W.L.L.	**-**	**160,391**	159,488	-
Terna Qatar L.L.C	**45,980**	**174**	-	-
Terna Bahrain Holding Company W.L.L	**-**	**150,414**	-	150,414
PCC Terna Contracting W.L.L	**-**	**-**	-	19,343
	2,147,763	**3,756,071**	3,000,420	3,779,832

Retention receivables from related parties are as follows:

	2011 BD	2010 BD
Terna S.A (Abu Dhabi branch)	**237,504**	200,967
Terna S.A (Sharjah branch)	**205,261**	226,878
	442,765	427,845

In 2011, certain employees from the Company were transferred to a fellow subsidiary Terna Contracting W.L.L., Terna SA (Sharjah branch) and Terna S.A. (Abu Dhabi branch). As a result end of service benefits amounting to BD 65,994 (note 11) and other employee benefits amounting to BD 69,248 relating to the transferred employees were also transferred.

Further, in 2011, motor vehicles having a net book value of BD 11,698 were transferred to Terna SA (Sharjah Brannch) and Terna SA (Abu Dhabi Branch).

13 RELATED PARTY TRANSACTIONS (continued)

The sales to and purchases from related parties are made on terms agreed by the management of the Company. Outstanding balances at the year end are unsecured, interest free and payable on demand. There have been no guarantees provided to or received from any related party receivables or payables. For the year ended 31 December 2011, the Company has not recorded any impairment relating to amounts owed by related parties (2010: nil).

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	2011	*2010*
	BD	*BD*
Short-term benefits	**71,802**	95,736
Employees' end of service benefits	**-**	4,492
	71,802	100,228

14 OPERATING COSTS

	2011	*2010*
	BD	*BD*
Staff costs (note 15)	**554,493**	1,469,296
Sub-contractors work	**362,472**	853,340
Travel	**44,781**	56,923
Motor vehicle hire and expenses	**29,145**	32,918
Consultants fees and technician charges	**19,172**	6,264
Communication	**7,329**	12,561
Consumables	**5,849**	7,590
Other expenses	**15,423**	13,213
	1,038,664	2,452,105

15 STAFF COSTS

Staff costs comprise the following expenses:

	2011	*2010*
	BD	*BD*
Salaries and wages	**517,889**	919,657
Employees end of service benefits (note 11)	**8,233**	50,960
Contribution to Social Insurance Organisation	**1,865**	1,626
Other staff benefits	**98,308**	368,250
Hire of labour	**-**	229,031
	626,295	1,569,524

Staff costs have been included in the following accounts in the statement of comprehensive income:

	2011	*2010*
	BD	*BD*
Operating costs (note 14)	**554,493**	1,469,296
General and administrative expenses	**71,802**	100,228
	626,295	1,569,524

16 CONTINGENCIES AND COMMITMENTS

a) Contingencies

At 31 December 2011, the Company had contingent liability in the form of bank guarantee issued amounting to BD 511,550 (31 December 2010: nil) from which it is anticipated that no material liability will arise.

b) Lease rental commitments

Future minimum rentals payable under non-cancellable operating leases as of the reporting date are as follows:

	2011	*2010*
	BD	*BD*
Not later than one year	-	16,278
	-	16,278

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Company's principal financial liabilities comprise retentions payable and contract payable. The Company has contract and other receivables and cash and bank balances that arise directly from its operations. The Company manages risk through a process of ongoing identification and monitoring of risks it faces. The Company is exposed to liquidity risk and credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will have difficulties in meeting its commitments. The Company limits its liquidity risk by ensuring that adequate funds are available from the parent company. Trade payables are normally settled within 60 days of the date of purchase.

Liquidity risk

The table below summarises the maturities of the Company's undiscounted financial liabilities at the reporting date, based on contractual payment dates and current market interest rate.

31 December 2011	***Less than 3 months***	***3 to 12 months***	***Total***
	BD	***BD***	***BD***
Contract payables - related parties	**-**	**3,756,071**	**3,756,071**
Contract payables	**300,330**	**-**	**300,330**
Subcontractors	**-**	**168,167**	**168,167**
Retentions	**-**	**97,010**	**97,010**
	300,330	**4,021,248**	**4,321,578**

31 December 2010	*Less than 3 months*	*3 to 12 months*	*Total*
	BD	*BD*	*BD*
Contract payables - related parties	-	3,779,832	3,779,832
Contract payables	271,764	-	271,764
Subcontractors	59,106	-	59,106
Retentions	-	76,555	76,555
	330,870	3,856,387	4,187,257

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for contract and other receivables) and from bank balances.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 has contract receivables of BD 2,147,763 (2010: BD 3,000,420) due from related parties. All the receivables are without security which renders them fully exposed to credit risk due to default by the counterparties. Management believes amounts due from related parties are fully recoverable and does not believe there is any significant credit risk relating to these balances. The Company has concentration of contract receivable from a related party which comprise 70% of contract receivables as of 31 December 2011 (2010: same).

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

Foreign currency risk

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

The Company mainly transacts its business in Bahraini dinars and other GCC currencies (other than Kuwaiti Dinar) which are all pegged to the United States Dollar. Hence there is no significant currency risk for the Company.

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 to the extent possible.

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 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 1,112,062 as at 31 December 2011 (2010: BD 1,755,954).

18 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of due from customers for construction contracts, bank balances and cash, contract and other receivables. Financial liabilities consist of trade and other payables.

The fair values of the Company's financial assets and liabilities are not materially different from their carrying values as of the statements of financial position dates.