PCC Terna Contracting Company W.L.L.

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2008

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors has pleasure in submitting their second annual report and the audited financial statements for the year ended 31 December 2008.

Principal activities and results for the period

PCC Terna Contracting Company W.L.L ("the Company") is a subsidiary of Terna Bahrain Holding Company W.L.L. The Company is engaged in construction contracting activities and is currently working on the sole project of construction of Riffa Views villas.

Results and retained earnings:

The results and (accumulated losses) retained earnings of the Company are as follows:

	2008	*2007*
	BD	*BD*
Balance at beginning of the year / period	**134,534**	-
(Loss) profit for the year / period	**(1,716,267)**	149,482
Transfer to statutory reserve	**-**	(14,948)
Balance at end of the year / period	**(1,581,733)**	134,534

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 2009, will be submitted at the Annual General Meeting.

Signed on behalf of the Board of Directors

Chairman

____ March 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
PCC TERNA CONTRACTING COMPANY W.L.L.

We have audited the accompanying financial statements of PCC Terna Contracting Company W.L.L. ('the Company'), which comprise the balance sheet as at 31 December 2008 and the income statement, cash flow statement and the statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements
The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to 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 Company’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
PCC TERNA CONTRACTING COMPANY 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 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Going Concern
Without further qualifying our opinion we draw your attention to note 1 to the financial statements. As of 31 December 2008, the Company had a deficiency of assets of BD 1,066,785 and the total current liabilities exceeded the total current assets by BD 1,103,114. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. However, these financial statements have been prepared on a going concern basis as the shareholders have agreed to provide financial support to the Company to meet its obligations as and when they fall due.

Other Matters
We confirm that, in our opinion, proper accounting records have been kept by the Company and the financial statements, and the contents of the Report of the Board of Directors relating to these financial statements, are in agreement therewith. We further report, to the best of our knowledge and belief, that no violations of the Bahrain Commercial Companies Law, nor of the memorandum and articles of association of the Company have occurred during the year ended 31 December 2008 that might have had a material adverse effect on the business of the Company or on its financial position.

____ March 2009
Manama, Kingdom of Bahrain

BALANCE SHEET

At 31 December 2008

	Notes	*2008* *BD*	*2007* *BD*
ASSETS			
Non-current asset			
Property, plant and equipment	5	**1,224,813**	1,219,044
Current assets			
Inventories	6	**778,486**	130,049
Due from customers for construction contracts	7	**2,049,378**	1,520,036
Contract and other receivables	8	**9,127,967**	1,997,218
Bank balances and cash	9	**585,354**	1,970,642
		12,541,185	5,617,945
TOTAL ASSETS		**13,765,998**	6,836,989
(DEFICIENCY OF ASSETS) EQUITY AND LIABILITIES			
(Deficiency of assets) equity			
Share capital	10	**500,000**	500,000
Statutory reserve	11	**14,948**	14,948
(Accumulated losses) retained earnings		**(1,581,733)**	134,534
Total (deficiency of assets) equity		**(1,066,785)**	649,482
Non-current liabilities			
Long term loan	12	**877,500**	-
Employees' end of service benefits	14	**83,759**	26,814
Other payables		**227,225**	55,397
		1,188,484	82,211
Current liabilities			
Current maturity of long term loan	12	**270,000**	-
Trade and other payables	13	**13,374,299**	6,105,296
		13,644,299	6,105,296
TOTAL (DEFICIENCY OF ASSETS) EQUITY AND LIABILITIES		**13,765,998**	6,836,989

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on ___ March 2009.

D. Antonakos
Chairman

C. Vavaletskos
Director

INCOME STATEMENT

For the year ended 31 December 2008

With comparatives for the period from 29 March 2007, the date of incorporation to 31 December 2007

	Notes	***2008*** ***BD***	*29 March to 31 December 2007* *BD*
Contract revenue		**14,796,245**	4,250,176
Other income	16	**59,722**	64,478
		14,855,967	4,314,654
Operating costs	18	**(7,623,916)**	(1,333,795)
Project material and equipment expenses		**(7,134,210)**	(1,769,093)
General and administrative expenses		**(723,360)**	(1,038,444)
Finance cost		**(131,679)**	(23,840)
Future projected losses on contract provided for		**(959,069)**	-
(LOSS) PROFIT FOR THE YEAR/ PERIOD		**(1,716,267)**	149,482

The attached notes 1 to 20 form part of these financial statements.

CASH FLOW STATEMENT

For the year ended 31 December 2008

With comparatives for the period from 29 March 2007, the date of incorporation to 31 December 2007

	Notes	**2008 BD**	*29 March to 31 December 2007 BD*
OPERATING ACTIVITIES			
(Loss) profit for the year/period		**(1,716,267)**	149,482
Adjustments for:			
Depreciation	5	**688,332**	216,494
Provision for employees' end of service benefits	14	**61,984**	26,814
Provision for other payables		**171,828**	55,397
Profit on sale of property, plant and equipment		**(4,198)**	-
Finance cost		**131,679**	23,840
Interest income		**(29,276)**	(61,676)
Operating (loss) profit before working capital changes:		**(695,918)**	410,351
Working capital changes:			
Inventories	6	**(648,437)**	(130,049)
Due from customers for construction	7	**(529,342)**	(1,520,036)
Contract and other receivables	8	**(7,130,749)**	(1,997,218)
Accounts payable and accruals	13	**7,269,003**	6,105,296
Net cash (used in) generated from operations		**(1,735,443)**	2,868,344
Finance cost paid		**(131,679)**	(23,840)
Employees' end of service benefits paid	14	**(5,039)**	-
Net cash (used in) from operating activities		**(1,872,161)**	2,844,504
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(703,903)**	(1,435,538)
Proceeds from sale of property, plant and equipment		**14,000**	-
Interest received		**29,276**	61,676
Net cash used in investing activities		**(660,627)**	(1,373,862)
FINANCING ACTIVITIES			
Issue of term loans	12	**1,147,500**	-
Issue of share capital	10	-	500,000
Net cash from financing activities		**1,147,500**	500,000
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(1,385,288)**	1,970,642
Cash and cash equivalents at the beginning of the year/ period		**1,970,642**	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/ PERIOD	9	**585,354**	1,970,642

The attached notes 1 to 20 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Notes	*Share capital BD*	*Statutory reserve BD*	*(Accumulated losses) retained earnings BD*	*Total BD*
Incorporated 29 March 2007					
Issue of share capital	10	500,000	-	-	500,000
Profit for the period		-	-	149,482	149,482
Transfer to statutory reserve	11	-	14,948	(14,948)	-
Balance as of 31 December 2007		500,000	14,948	134,534	649,482
Loss for the year		-	-	(1,716,267)	(1,716,267)
Balance as of 31 December 2008		**500,000**	**14,948**	**(1,581,733)**	**(1,066,785)**

The attached notes 1 to 20 form part of these financial statements.

1 ACTIVITIES

PCC Terna Contracting Company W.L.L. ("the Company") is a limited liability company incorporated in the Kingdom of Bahrain on 29 March 2007 and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 64762. The company is engaged in construction contracting activities.

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

The previous period was the first accounting period of the Company and the income statement, cash flow statement and statement of changes in equity cover the period from 29 March 2007 to 31 December 2008. Hence the current year figures are not comparable to the previous period figures.

The shares of the Company are owned as follows:

Name of the shareholder	*Percentage of shareholding*
Terna Bahrain Holding Company	80%
Poullaides Construction Company	20%

FUNDAMENTAL ACCOUNTING CONCEPT

Although the Company has a deficiency of assets and net current liabilities at the balance sheet date, the financial statements have been prepared under the going concern assumption as the parent company has agreed to extend financial support to enable the Company to meet its liabilities to third parties as and when they fall due.

The accumulated losses of the Company at the balance sheet date exceeded its share capital. The Bahrain Commercial Companies Law requires that in such situations, an Extraordinary General Meeting of the shareholders should be convened at which the shareholders resolve whether or not to continue the operations of the Company. This meeting has not been convened till date.

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, 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2008.

IFRIC 11 IFRS 2 - Group and Treasury Share Transactions
IFRIC 12 - Service Concession Arrangements
IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Company has also early adopted the following IFRS and IFRIC interpretations as of 1 January 2008.

IFRS 2 Share-based Payment (Revised) effective 1 January 2009
IFRS 8 Operating Segments effective 1 January 2009
IAS 23 Borrowing Costs (Revised) effective 1 January 2009
IFRIC 13 Customer Loyalty Programmes effective 1 January 2009

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Company. There is no effect of the revised IAS 23 Borrowing Costs which requires capitalization of all specifically attributable finance cost as the company already capitalizes the project specific finance cost.

Improvements to IFRSs
In May 2008 the Board issued its first 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 Company has early adopted amendments to the following standards. The adoption of these amendments did not have any effect on the financial performance or position of the Company and did not result in any changes to the disclosures in the Company's financial statements.

IAS 1 Presentation of Financial Statements
IAS 16 Property, Plant and Equipment
IAS 23 Borrowing Costs
IAS 28 Investment in Associate
IAS 31 Interest in Joint ventures
IAS 36 Impairment of Assets
IAS 38 Intangible Assets

Foreign currencies
The Company's financial statements are presented in Bahraini Dinars (BD), which is also the functional currency of the Company. That is the currency of the primary economic environment in which the Company operates. 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 balance sheet date. All differences are taken to the income statement. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

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

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 and trade and other receivables.

Trade and other receivables
Trade 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 cash flow statement, 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.

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Financial liabilities
The Company's financial liabilities include long term loan and trade and other payables.

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 income statement when the liabilities are derecognized as well as through the amortization process.

Trade 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 balance sheet 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)

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 balance sheet 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.

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.

Derecognition of financial instruments

A financial asset (or, where applicable a part of a financial asset or part of a Company 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.

Property, plant and equipment
Property, plant and 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:

Porta cabins	2 years
Plant and equipment	2 years
Furniture and fixtures	2 years
Motor vehicles	2 years

Expenditure incurred to replace a component of an item of property, plant and 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 property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Interest income
Interest income is recognised as interest accrues (using the effective interest method) unless collectability is in doubt.

3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has not applied the following IFRSs and International Financial Reporting Interpretation Committee (IFRIC) interpretations that have been issued but are not yet effective:

- *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and Consolidated and Separate Financial Statements*
- *IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements*
- *IAS 1 Revised Presentation of Financial Statements*
- *IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
- *IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
- *IFRIC 15 Agreement for the Construction of Real Estate*
- *IFRIC 16 Hedges of a Net Investment in a Foreign Operation*

It is not expected the implementation of these revisions and amendments will have any impact on the Company's financial performance or position, however the implementation of the revisions to IAS 1 are expected to have an impact on the presentation and disclosures required in the financial statements of the Company.

IAS 1 Revised Presentation of Financial Statements
The revised Standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company is still evaluating whether it will have one or two statements.

3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Improvements to IFRSs
The Company has early adopted some of the amendments to standards following the 2007 'Improvement to IFRSs' project (see note 2). The Company has not yet adopted the amendments to the following standards and anticipates that these changes will have no material effect on the financial statements, however may result in minor changes in disclosures.

IFRS 7 Financial Instruments: Disclosures
IAS 8 Accounting Policies, Change in Accounting Estimates and Errors
IAS 10 Events after the Reporting Period
IAS 16 Property, Plant and Equipment
IAS 18 Revenue
IAS 19 Employee Benefits
IAS 20 Accounting for Government Grants and Disclosures of Government Assistance
IAS 27 Consolidated and Separate Financial Statements
IAS 29 Financial Reporting in Hyperinflationary Economies
IAS 34 Interim Financial Reporting
IAS 39 Financial Instruments: Recognition and Measurement
IAS 40 Investment Property
IAS 41 Agriculture

4 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 balance sheet 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 trade receivables
An estimate of the collectible amount of trade accounts receivable 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 balance sheet date, gross contract receivable was BD 3,916,230 (2007: BD 918,693) and the provision for doubtful debts was BD nil (2007: BD nil). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

Impairment of property, plant and 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 property, plant and equipment.

4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Useful lives of property, plant and equipment
The Company's management determines the estimated useful lives of its property, plant and 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.

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 balance sheet 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 2008, the management considered that all costs to complete and revenue can be reliably measured.

5 PROPERTY, PLANT AND EQUIPMENT

31 December 2008	*Porta cabins BD*	*Plant and equipment BD*	*Fixtures and fittings BD*	*Motor vehicles BD*	*Total BD*
Cost:					
At 1 January 2008	271,009	703,477	140,392	320,660	1,435,538
Additions during the year	90,406	583,059	6,738	23,700	703,903
Disposals during the year	-	(14,000)	-	-	(14,000)
At 31 December 2008	361,415	1,272,536	147,130	344,360	2,125,441
Depreciation					
At 1 January 2008	(59,179)	(65,762)	(38,709)	(52,844)	(216,494)
Depreciation charge for the year	(99,455)	(431,278)	(81,410)	(76,189)	(688,332)
Depreciation on disposals	-	4,198	-	-	4,198
At 31 December 2008	(158,634)	(492,842)	(120,119)	(129,033)	(900,628)
Net carrying amount:					
At 31 December 2008	**202,781**	**779,694**	**27,011**	**215,327**	**1,224,813**
31 December 2007					
Cost:					
Additions during the period and at 31 December 2007	271,009	703,477	140,392	320,660	1,435,538
Depreciation:					
Charge for the period and at 31 December 2007	(59,179)	(65,762)	(38,709)	(52,844)	(216,494)
Net carrying amount:					
At 31 December 2007	211,830	637,715	101,683	267,816	1,219,044

5 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation expense for the year has been included in the following expense heads in the income

	2008 *BD*	*2007* *BD*
Project material and equipment expenses	**612,143**	163,650
General and administrative expenses	**76,189**	52,844
	688,332	216,494

6 INVENTORIES

	2008 *BD*	*2007* *BD*
Materials at site	**778,486**	127,768
Materials at store	**-**	2,281
	778,486	130,049

7 DUE FROM CUSTOMERS FOR CONSTRUCTION CONTRACTS

	2008 *BD*	*2007* *BD*
Contract cost incurred till date	**19,778,337**	4,165,172
Recognized (losses) profit	**(1,690,985)**	85,004
Total value of work executed till date including profit	**18,087,352**	4,250,176
Less: Progress billings	**(16,037,974)**	(2,730,140)
	2,049,378	1,520,036

8 CONTRACT AND OTHER RECEIVABLES

	2008 *BD*	*2007* *BD*
Advances to subcontractors and suppliers	**5,120,582**	1,010,181
Contract receivable	**3,916,230**	918,693
Prepayments	**45,764**	62,144
Other receivables	**45,391**	6,200
	9,127,967	1,997,218

Contract receivable is non-interest bearing and is due to be settled in 15 days from the date of invoice.

As at 31 December the ageing of unimpaired contract receivable is as follows;

			Past due but not impaired				
	Total *BD*	*Neither past due nor impaired* *BD*	*< 30 days* *BD*	*30 – 60 days* *BD*	*60 – 90 days* *BD*	*90 – 120 days* *BD*	*>120 days* *BD*
2008	**3,916,230**	**1,914,039**	**-**	**2,002,190**	**-**	**-**	**-**
2007	918,693	918,693	-	-	-	-	-

9 BANK BALANCES AND CASH

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

	2008	2007
	BD	BD
Bank balances	**580,045**	266,138
Short term deposits	**-**	1,686,377
Cash in hand	**5,309**	18,127
	585,354	1,970,642

Short term deposit discontinued during the year had an effective interest rate of 5.5% in 2007.

10 SHARE CAPITAL

	2008	2007
	BD	BD
Authorised, issued and fully paid: 10,000 ordinary shares of BD 50 each	**500,000**	500,000

11 STATUTORY RESERVE

As required by the Bahrain Commercial Companies Law, 10% of the profit for the previous period has been transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 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. However, no amount has been transferred to the statutory reserve in this year as the Company incurred a loss.

12 LONG TERM LOAN

	2008	2007
	BD	BD
Total amount outstanding	**1,147,500**	-
Less: current maturity of long term loan	**(270,000)**	-
	877,500	-

A new installment loan facility of BD 1,350,000 was obtained during the year from HSBC. The loan is repayable in 5 years in 60 equal monthly installments. The loan carries an effective interest rate of Base Lending Rate (BLR) minus 3.5% per annum and is collected in arrears every month. The interest rate as at 31 December 2008 was 6%.

The installment loan facility is part of a total credit facility agreement obtained from HSBC of BD 10.85 million. The agreement includes facilities ("limits for specific facilities denoted') for Trade Finance (BD 1,000,000), Import Cash (BD 1,000,000), Guarantee Lines for Performance Bonds (BD 1,500,000) and Advance payment and Retention Bonds (BD 6,500,000) and Invoice discounting (BD 500,000).

As at 31 December 2008 the following facilities had been utilised.

	BD
Advance payment guarantees	**4,291,204**
Performance bonds	**1,500,000**
Retention bonds	**1,490,628**
Deferred payment credit	**124,848**
Other guarantees	**48,589**

12 LONG TERM LOAN (continued)

HSBC has obtained the following securities over the facility: A 100% Corporate Guarantee from the Ultimate parent company of BD 10.85 million;

A letter of undertaking that the residual term loan will repaid within six months of the completion of the project and that the liquidation of machinery will be utilised for a bullet payment in the event of no further projects being undertaken; and

A letter of undertaking that the direct or indirect ownership of the Company by the ultimate parent entity will no be reduced below 80%without the banks prior consent.

13 TRADE AND OTHER PAYABLES

	2008	*2007*
	BD	*BD*
Contract advances	**7,079,739**	4,099,686
Contract payables	**3,311,938**	1,500,470
Due to related parties (note 15)	**2,171,996**	126,733
Retentions payable	**572,281**	-
Accrued expenses	**138,565**	287,944
Other payables	**99,780**	90,463
	13,374,299	6,105,296

Contract payables and accrued expenses are non-interest bearing and are normally settled on 60-day terms.

Due to related parties are non-interest bearing and are normally settled on 30-day terms.

Retentions payable are non-interest bearing and have average term of one year.

Contract advances comprise of sums received from the customer as per contractual agreement. They are adjusted according to the contractual provisions at the time of issuance of each invoice.

14 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the balance sheet are as follows:

	2008	*2007*
	BD	*BD*
Provision at the beginning of the year / period	**26,814**	-
Provided during the year / period	**61,984**	26,814
Paid during the year / period	**(5,039)**	-
Provision at the end of the year / period	**83,759**	26,814

15 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. Pricing policies and terms of these transactions are approved by the Company's management.

Related parties represent the shareholder, 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.

15 RELATED PARTY TRANSACTIONS (continued)

Balances with related parties included in the balance sheet are as follows:

	2008 *BD*	*2007* *BD*
Parent entities		
Parent company	**1,861,804**	59,135
Terna Overseas	**144,766**	24,071
Ultimate parent company	**4,887**	23,400
Group companies		
Terna Contracting	**134,268**	-
Terna SA Abu Dhabi	**20,163**	19,931
Terna SA Sharjah	**6,108**	196
	2,171,996	126,733

These balances are unsecured, interest free and repayable on demand.

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

	2008 *BD*	*2007* *BD*
Short-term benefits	**135,000**	114,016
Employees' end of service benefits	**35,000**	8,162
	170,000	122,178

16 OTHER INCOME

	2008 *BD*	*2007* *BD*
Interest income	**29,276**	61,676
Other income	**24,386**	1,500
Foreign exchange gain	**6,060**	1,302
	59,722	64,478

17 STAFF COSTS

Staff costs have been included in the following expense heads in the income statement:

	2008 *BD*	*2007* *BD*
Operating costs (note 18)	**3,808,437**	1,084,219
General and administrative expenses	**363,183**	238,863
	4,171,620	1,323,082

17 STAFF COSTS (continued)

	2008 *BD*	*2007* *BD*
Staff costs are composed of the following expenses:		
Salaries and wages	**2,472,158**	982,057
Hire of labour	**548,292**	-
Employees end of service benefits	**61,984**	26,814
Contribution to General Organization for Social Income Scheme	**109,022**	25,700
Other staff benefits	**980,164**	288,511
	4,171,620	1,323,082

18 OPERATING COSTS

	2008 *BD*	*2007* *BD*
Staff costs (note 17)	**3,808,437**	1,084,219
Sub-contractors work	**3,272,891**	-
Travel	**130,938**	194,750
Repairs and maintenance	**73,081**	54,456
Motor vehicle hire and expenses	**290,533**	-
Communication	**28,971**	370
Technical fees	**14,304**	-
Other expenses	**4,761**	-
	7,623,916	1,333,795

19 RISK MANAGEMENT

Interest rate risk
The Company has a long term loan outstanding carrying an effective interest rate as mentioned in the notes above.

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

	Increase / decrease in basis points	*Effect on profit BD*
2008	**+ 50**	5,738
	- 50	(5,738)

Liquidity risk
The Company limits its liquidity risk by ensuring bank facilities are available.

The table below summarizes the maturities of the Company's undiscounted financial liabilities at:

31 December 2008	***Less than 3 months BD***	***3 to 12 months BD***	***1 to 5 years BD***	***More than 5 years BD***	***Total BD***
Contract payables	**3,311,938**	-	-	-	**3,311,938**
Amounts due to related parties	**2,171,996**	-	-	-	**2,171,996**
Retentions payable	-	**572,281**	-	-	**572,281**
	5,483,934	**572,281**	-	-	**6,056,215**

19 RISK MANAGEMENT (continued)

Liquidity risk (continued)

31 December 2007	*Less than 3 months BD*	*3 to 12 months BD*	*1 to 5 years BD*	*More than 5 years BD*	*Total BD*
Contract payables	1,500,470	-	-	-	1,500,470
Amounts due to related parties	126,733	-	-	-	126,733
Total	1,627,203	-	-	-	1,627,203

Credit risk

The company has a contract receivable which is 99% concentrated to a single party. The net credit risk (netted with unadjusted advances from the customer) exposure of the company is 35% of the total contract receivable which is BD 1.37 million.

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

Foreign currency risk

The Company is exposed to foreign currency risk on its inter-company payables some of which are denominated in Euro and AED.

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

Increase / decrease in basis points	*Effect on profit BD*
+ 50	(880)
- 50	880

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.

20 COMPARATIVE FIGURES

Certain comparative figures for the previous year have been reclassified to conform with the presentation in the current year. Such reclassifications do not affect previously reported retained earnings or shareholders' equity.