Terna Qatar L.L.C.

FINANCIAL STATEMENTS

31 DECEMBER 2011

ERNST & YOUNG

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

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

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

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

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

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

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

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

T. Sexton

T. F. Sexton
of Ernst & Young
Auditor's Registration No. 114

Date: 18 February 2012
Doha

STATEMENT OF FINANCIAL POSITION
At 31 December 2011

	Notes	***2011*** ***QR***	*2010* *QR*
ASSETS			
Non-current assets			
Property, plant and equipment	3	**29,185,549**	21,190,860
Capital work in progress	4	**8,380,407**	3,321,800
		37,565,956	24,512,660
Current assets			
Work in progress		**59,148,142**	44,783,594
Accounts receivable and prepayments	5	**69,508,052**	59,937,018
Amounts due from related parties	12	**42,369,782**	43,666,987
Cash and bank balances	6	**8,426,397**	109,710,171
		179,452,373	258,097,770
TOTAL ASSETS		**217,018,329**	282,610,430
EQUITY AND LIABILITIES			
Equity			
Share capital	7	**200,000**	200,000
Legal reserve	8	**100,000**	100,000
Retained earnings		**2,687,143**	2,244,577
Total equity		**2,987,143**	2,544,577
Non current liabilities			
Employees' end of service benefits	9	**2,466,471**	1,289,258
Current liabilities			
Advances from customer	10	**113,299,936**	172,634,395
Accounts payable and accruals	11	**81,243,596**	97,325,830
Amounts due to related parties	12	**17,021,183**	8,677,433
Income tax payable	13	**-**	138,937
		211,564,715	278,776,595
Total liabilities		**214,031,186**	280,065,853
TOTAL EQUITY AND LIABILITIES		**217,018,329**	282,610,430

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for Terna Qatar L.L.C.

The attached notes 1 to 16 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December 2011

	Notes	***2011 QR***	*2010 QR*
REVENUE			
Contract revenue		**223,917,243**	105,827,796
Direct costs	14	**(220,751,747)**	(97,757,785)
		3,165,496	8,070,011
General and Administrative expenses	15	**(1,037,960)**	(7,842,866)
OPERATING PROFIT		**2,127,536**	227,145
Other income		**442,566**	70,988
Finance cost - exchange loss		**(2,127,536)**	(227,147)
PROFIT BEFORE TAX		**442,566**	70,986
Income Tax Expense	13	**-**	138,937
PROFIT (LOSS) FOR THE YEAR		**442,566**	(67,951)

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

STATEMENT OF CASHFLOWS

Year Ended 31 December 2011

	2011 *QR*	*2010* *QR*
OPERATING ACTIVITIES		
Profit before tax	**442,566**	70,986
Adjustment for:		
Depreciation	**5,001,381**	1,756,978
Provision for impairment loss on trade receivables	**-**	6,815,000
Provision for employees' end of service benefits	**1,525,309**	722,992
	6,969,256	9,365,956
Working capital adjustments:		
Work in progress	**(14,364,548)**	(22,125,617)
Accounts receivable and prepayments	**(9,571,034)**	(52,083,722)
Amounts due from related parties	**1,297,205**	113,897,356
Advances from customer	**(59,334,459)**	(21,495,605)
Amounts due to related parties	**8,343,750**	91,804,799
Accounts payable and accruals	**(16,082,234)**	1,840,411
Cash (used in) from operations	**(82,742,064)**	121,203,578
Employee end of service benefit paid	**(348,096)**	-
Income tax paid	**(138,937)**	-
Net cash (used in) from operating activities	**(83,229,097)**	121,203,578
INVESTING ACTIVITIES		
Additions to capital work in progress	**(5,058,607)**	(3,321,800)
Additions to property, plant and equipment	**(12,996,070)**	(18,298,174)
Net cash used in investing activities	**(18,054,677)**	(21,619,974)
INCREASE/(DECREASE) IN CASH AND BANK BALANCES	**(101,283,774)**	99,583,604
Cash and bank balances at 1 January	**109,710,171**	10,126,567
CASH AND BANK BALANCES AT 31 DECEMBER	**8,426,397**	109,710,171

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

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2011

	Share Capital QR	*Legal Reserve QR*	*Retained earnings QR*	*Total QR*
Balance at 1 January 2010	200,000	100,000	2,312,528	2,612,528
Loss for the year	-	-	(67,951)	(67,951)
Balance at 31 December 2010	200,000	100,000	2,244,577	2,544,577
Profit for the year	-	-	442,566	442,566
Balance at 31 December 2011	**200,000**	**100,000**	**2,687,143**	**2,987,143**

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

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES.

Terna Qatar L.L.C. (the "Company") is registered and incorporated in the State of Qatar as a company with limited liability. The Company was incorporated on 17 December 2006 and is registered in Qatar under commercial registration number 34407. The principal activities of the company are engage in construction contracts and provision of advisory services. The shareholding of the company is as follows.

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

The financial statements as of and for the year ended 31 December 2011 were approved and authorized for issue by the Board of Directors on 18 February 2012.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

Basis of Measurement
The financial statements are prepared under the historical cost convention unless stated otherwise. The financial statements have been prepared and presented in Qatar Riyal which is the Company's functional and presentation currency.

Judgement and Estimates
The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of asset, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with significant risk of material adjustment in the future periods are discussed below.

Impairment of accounts receivable
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.

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

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies

Estimating useful lives of property and equipment (Continued)
Depreciation on property and equipment recognized in the statements of comprehensive income amounted to QR 5,001,381 in 2011 (2010: QR 1,756,978). As of 31 December 2011, net carrying value of property and equipment amounted to QR 29,185,549 in 2011 (2010: QR 21,190,860).

Estimating revenue and future losses on contracts
Contract revenues are recognized using the percentage of completion method. The stage of completion of contracts is determined by reference to the cost to cost method. An estimate of the cost to complete is made for all contracts in progress at the statement of financial position date. When the costs to complete and the actual cost incurred to date exceed the contract revenue, a provision for future losses is recognized.

The following summary explains the significant accounting policies which have been adopted in the preparation of the Company's financial statements. These accounting policies have been applied consistently to all periods presented in these financial statements.

Adoption of new Standards, amendments to standards and interpretations
The following are approved new standards, amendments to standards, and interpretations as part of IFRS issued by the International Accounting Standards Board (IASB).

IAS 24 Related Party Transactions (Amendment)
The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of 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 financial performance of the Company.

New standards, interpretations and amendments thereof, issued and effective but not relevant
The following new standards, interpretations and amendments effective as of 1 January 2011 have been adopted but are not relevant to the operations of the Company:

- *IAS 32 Financial instruments: Presentation (Amendment)*
- *IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)*

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*
- *IAS 27 Consolidated and Separate Financial Statements*
- *IFRS 7 Financial Instruments*

The adoption of the above new standard, amendment to a standard and interpretation did not have a material effect on the Company's financial statements. Additional disclosures required by the above new standard, amendment to a standard and interpretation above were included in the Company's financial statements, where applicable.

New standards issued and but not yet effective
The Company is currently considering the implications of the following new IFRS which are effective from 1 January 2013:

- *IFRS 10 Consolidated Financial Statements*
- *IFRS 11 Joint Arrangements*
- *IFRS 12 Disclosure of Interests in Other Entities*

Under prevailing circumstances, the adoption of the above revised standards is not expected to have significant implication on the Company's financial statements for the periods beyond 31 December 31, 2011.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Contract Revenue
Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the statement of financial position date.

Taxation
Taxation is provided for in accordance with Qatar Income Tax Law No. 21 of 2009.

Current tax
Current income tax is the expected tax payable on the taxable income for the year, using the tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

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

Porta cabins	20 years
Plant & machinery	6-7 years
Motor vehicles	5 years
Electrical equipment	5 years
Computer equipment	3 years
Furniture and fittings	6-7 years
Telephones	6-7 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 statement of comprehensive income as the expense is incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that 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 de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

Impairment of non-financial assets
Assets that have an indefinite useful life – for example goodwill or intangible assets not ready for use – are not subject to amortization but tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill, if any, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets
The financial assets of the Company includes the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets, if expected to be settled within 12 months, otherwise, they are classified as non-current. The Company held no such financial assets at 31 December 2011 and for the year then ended.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Company's loans and receivables consist of due from related parties, accounts receivable and cash and cash equivalents.

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

The criteria that the Company uses to determine that there is objective evidence of impairment loss include:

- Breach of contract, such as a default or delinquency in payments; or
- It has become probable that the customer will enter bankruptcy or other financial reorganization.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liabilities simultaneously.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable.

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.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognised when the company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and reliably measured.

Employees' end of service benefits
The company provides end of service benefits to its 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, calculated under the provisions of the Qatar Labour Law and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

3 PROPERTY, PLANT AND EQUIPMENT

	Plant & Machinery QR	*Motor Vehicles* QR	*Furniture & Fittings* QR	*Porta Cabins* QR	*Electronic Equipment* QR	*Computer equipment* QR	*Telephones* QR	*Total* QR
Gross carrying value:								
At 1 January 2011	17,371,753	2,497,255	776,219	930,850	459,709	1,480,570	87,892	23,604,248
Additions	5,472,669	1,402,000	2,701,976	1,663,237	692,796	731,607	331,785	12,996,070
At 31 December 2011	22,844,422	3,899,255	3,478,195	2,594,087	1,152,505	2,212,177	419,677	36,600,318
Depreciation:								
At 1 January 2011	1,209,487	389,072	126,695	9,543	106,207	549,660	22,724	2,413,388
Provisions	3,080,555	708,235	213,546	97,310	244,296	615,352	42,087	5,001,381
At 31 December 2011	4,290,042	1,097,307	340,241	106,853	350,503	1,165,012	64,811	7,414,769
Net carrying values:								
At 31 December 2011	**18,554,380**	**2,801,948**	**3,137,954**	**2,487,234**	**802,002**	**1,047,165**	**354,866**	**29,185,549**

3 PROPERTY, PLANT AND EQUIPMENT (continued)

	Plant & Machinery QR	*Motor Vehicles* QR	*Furniture & Fittings* QR	*Porta Cabins* QR	*Electronic Equipment* QR	*Computer equipment* QR	*Telephones* QR	*Total* QR
Gross carrying value:								
At 1 January 2010	3,015,782	1,020,755	352,702	30,850	250,582	571,383	64,020	5,306,074
Additions	14,355,971	1,476,500	423,517	900,000	209,127	909,187	23,872	18,298,174
At 31 December 2010	17,371,753	2,497,255	776,219	930,850	459,709	1,480,570	87,892	23,604,248
Depreciation:								
At 1 January 2010	234,054	86,661	50,381	418	42,327	230,962	11,607	656,410
Provisions	975,433	302,411	76,314	9,125	63,880	318,698	11,117	1,756,978
At 31 December 2010	1,209,487	389,072	126,695	9,543	106,207	549,660	22,724	2,413,388
Net carrying value:								
At 31 December 2010	**16,162,266**	**2,108,183**	**649,524**	**921,307**	**353,502**	**930,910**	**65,168**	**21,190,860**

4 CAPITAL WORK IN PROGRESS

	2011	*2010*
	QR	*QR*
At 1 January	**3,321,800**	-
Additions during the year	**5,058,607**	3,321,800
At 31 December		
	8,380,407	3,321,800

5 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2011	*2010*
	QR	*QR*
Trade receivables	**19,947,501**	53,473,848
Less: Impairment of trade receivable **(Note 5.1)**	-	(6,815,000)
	19,947,501	46,658,848
Deposits and prepayments	**1,669,453**	2,512,020
Other receivables and accrued income	**3,195,085**	3,231,069
Retentions	**28,073,481**	7,165,202
Advance to suppliers	**16,622,532**	369,879
	69,508,052	59,937,018

5.1 Impairment of trade receivables

	2011	*2010*
	QR	*QR*
At 1 January	**6,815,000**	-
Provision during the year	-	6,815,000
Written off during the year	**(6,815,000)**	
At 31 December	-	-
	-	6,815,000

6 CASH AND BANK BALANCES

	2011	*2010*
	QR	*QR*
Cash at bank	**7,690,698**	109,445,592
Cash at hand	**735,699**	264,579
	8,426,397	109,710,171

7 SHARE CAPITAL

	2011 *QR*	*2010* *QR*
Authorised, issued and fully paid 200 ordinary shares of QR 1,000 each	**200,000**	200,000
	200,000	200,000

8 LEGAL RESERVE

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

9 EMPLOYEES' END OF SERVICE BENEFITS

	2011 *QR*	*2010* *QR*
At 1 January	**1,289,258**	566,266
Provided during the year	**1,525,309**	722,992
Paid during the year	**(348,096)**	-
At 31 December	**2,466,471**	1,289,258

10 ADVANCES FROM CUSTOMER

The advances of QR 113,299,936 as at 31 December 2011(2010: QR 172,634,395) relates to the contract the company entered into with Al Merqab Real Estate LLC for construction of a commercial development. This balance accounts for 30% of the contract price of QR 647.1 million less advances released up to 31 December 2011.

The company is unconditionally bound to Al Merqab Real Estate LLC for an outstanding guarantee facility at year end under an advance payment guarantee bond issued by HSBC amounting to QR194,130,000 as at 31 December 2011 (2010: QR 194,130,000).

11 ACCOUNTS PAYABLE AND ACCRUALS

	2011 *QR*	*2010* *QR*
Trade payables	**55,243,066**	16,810,878
Accrual expense	**10,563,777**	6,801,286
Short term advances	-	69,000,000
Withholding tax payable	-	6,941
Retention payables	**5,642,660**	164,969
Other payables	**9,794,093**	4,541,756
	81,243,596	97,325,830

12 TRANSACTIONS WITH RELATED PARTIES

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

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

	2011		*2010*	
	Due from QR	***Due to QR***	*Due from QR*	*Due to QR*
Terna Bahrain Holding W.L.L	**-**	**9,309,759**	1,908,408	609,318
QBC Terna Joint Venture	**42,368,096**	**-**	41,758,579	-
Terna Overseas Limited	**-**	**1,666,195**	-	3,850,365
Terna S.A	**-**	**2,160,500**	-	1,044,059
Terna SA - Sharjah	**-**	**525,935**	-	467,486
Terna S.A. - Abu Dhabi	**-**	**2,891,056**	-	2,684,052
PCC Terna - Bahrain	**-**	**-**	-	5,799
Terna Contracting W.L.L.	**-**	**22,123**	-	16,354
Terna Mechanical and Electrical W.L.L.	**1,686**	**445,615**	-	-
	42,369,782	**17,021,183**	43,666,987	8,677,433

13 INCOME TAX EXPENSE/LIABILITY

The taxable (loss) profit for the year is derived after adjusting the followings:

	2011 QR	*2010 QR*
Accounting profit for the year	**442,566**	70,986
Adjustments for:		
Add: Accounting depreciation	**5,001,381**	1,756,978
Disallowed Provision for doubtful debts	**-**	6,815,000
Less: Tax depreciation	**(6,174,094)**	(4,673,327)
Taxable (loss)/profit	**(730,147)**	3,969,637
(Loss) /Profit attributable to 35% of non-Qatari shareholders (2010 : 35%)	**-**	1,389,373
Income tax expense at the rate of 10%	**-**	138,937

14 DIRECT COSTS

		2011 *QR*	*2010* *QR*
Material		**101,292,975**	27,759,742
Salaries and related expenses		**49,279,032**	26,597,248
Sub-contract costs		**37,237,264**	24,045,540
Rent expenses		**9,007,067**	8,039,017
Depreciation	3	**5,001,381**	1,756,978
Other office expenses		**4,899,368**	2,211,712
Letters of guarantee charges		**3,880,298**	2,021,732
Miscellaneous		**3,850,647**	1,763,870
Hire of labour		**1,384,504**	-
Vehicle hire and related costs		**1,190,393**	775,450
Travel and hotels		**1,116,367**	1,366,412
Bank charges and commissions		**1,073,106**	714,426
Communication and courier charges		**752,732**	387,595
Insurance		**581,215**	124,700
Accommodation and subsistence		**205,398**	193,363
		220,751,747	97,757,785

15 GENERAL AND ADMINISTRATIVE EXPENSES

	2011 *QR*	*2010* *QR*
Printing and stationary	**617,075**	473,046
Legal and consultants fees	**271,610**	387,195
Tender expense	**115,443**	93,117
Entertainment and advertising	**33,832**	74,508
Provision for impairment provision on trade receivables	**-**	6,815,000
	1,037,960	7,842,866

16 CONTINGENCIES

At 31 December 2011, the Company had contingent liabilities in respect of bank guarantee and performance bond in relation to the construction contract amounting to QR 315,040,000 (2010: QR 258,840,000).

17 FINANCIAL RISK MANAGEMENT

Objectives and policies

The Company's principal financial liabilities comprise trade payables, amounts due to related parties and advances from client. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables and cash and bank balances, which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, and foreign currency risk. The management reviews and agrees policies for managing each of these risks which are summarised below.

17 FINANCIAL RISK MANAGEMENT (Continued)

Credit risk
The Company seeks to limit its credit risk with respect to the customer by setting credit periods and monitoring outstanding receivables.

The Company's main customer is the Joint venture with Qatar Building Company and this account for substantial portion of accounts receivable at 31 December 2011.

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

	2011	*2010*
	QR	*QR*
Bank balances	**7,690,698**	109,445,592
Trade receivables	**19,947,501**	46,658,848
Other receivables	**3,195,085**	3,231,069
Retention and advances	**44,696,013**	7,535,081
Amounts due from related parties	**42,369,782**	43,666,987
	117,899,079	210,537,577

Liquidity risk
The company limits its liquidity risk by complying with the terms of any supplier agreements and by utilising the excess funds with banks to settle the project obligation as they fall due. Accounts payable are normally settled within 30 days.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2011, based on contractual payment dates and current market interest rates.

31 December 2011	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	55,243,066	-	-	-	55,243,066
Amounts due to relate parties	17,021,183	-	-	-	17,021,183
Accrued Expenses	10,563,777	-	-	-	10,563,777
Other payables	15,436,753	-	-	-	15,436,753
	98,264,779	**-**	**-**	**-**	**98,264,779**

31 December 2010	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	16,810,878	-	-	-	16,810,878
Amounts due to relate parties	8,677,433	-	-	-	8,677,433
Accrued Expenses	6,801,286	-	-	-	6,801,286
Short term running finance	69,000,000	-	-	-	69,000,000
Withholding tax payable	6,941	-	-	-	6,941
Other payables	4,706,725	-	-	-	4,706,725
	106,003,263	-	-	-	106,003,263

17 FINANCIAL RISK MANAGEMENT (continued)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The company exposes to foreign currency risk due to related party payables. Company does not have a forward foreign exchange contracts to hedge anticipated payments to suppliers in foreign currencies. Other than related party payable the Company is not exposed to significant currency risk. As the Qatari Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

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.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2011. Capital comprises share capital, statutory reserve and retained earnings and, amounted to QR 2,987,143 as at 31 December 2011 (2010: QR 2,544,577).

18 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of payables.

The fair values of financial instruments are not materially different from their carrying values.