Terna Bahrain Holding W.L.L.

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2010

Ernst & Young

ERNST & YOUNG

The Board of Directors has the pleasure in submitting their annual report and the audited financial statements for the year ended 31 December 2010.

Principal activities and results for the year

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

Results and accumulated losses

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

	2010	*2009*
	BD	*BD*
Balance at 1 January	**(4,513,041)**	171,805
Loss for the year	**(78,618)**	(4,684,846)
Balance at 31 December	**(4,591,659)**	(4,513,041)

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 2011, will be submitted at the Annual General Meeting.

Signed on behalf of the Board of Directors

D.Antonakos
Chairman
9 March 2011

TERNA BAHRAIN HOLDING W.L.L.
Manama
Kingdom of Bahrain
CR No 63267

ERNST & YOUNG

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

Report on the Financial Statements

We have audited the accompanying financial statements of Terna Bahrain Holding W.L.L. ("the Company"), which comprise the statement of financial position as at 31 December 2010, 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 Company's 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 management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

Basis for Qualified Opinion

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

Qualified Opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph above, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2010 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Regulatory Requirements

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. The Bahrain Commercial Companies Law requires that in the case of a company that has lost a substantial portion of its capital, an Extraordinary General Meeting of the shareholders should be convened at which the shareholders resolve whether or not to continue the operations of the Company. This meeting has not been convened till date. Except for this matter, 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 2010 that might have had a material adverse effect on the business of the Company or on its financial position.

Ernst + Young

9 March 2011
Manama, Kingdom of Bahrain

STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Note	2010 BD	2009 BD
ASSETS			
Non-current assets			
Investment in subsidiaries	6	**3,711,900**	1,539,900
Investment in an associate	7	**4,373,921**	4,376,754
		8,085,821	5,916,654
Current assets			
Amounts due from related parties	8	**15,654,295**	8,887,617
Amounts due from an associate	9	**2,931,746**	2,901,879
Other receivables		**184,812**	55,332
Bank balances, short-term deposits and cash	10	**122,698**	539,289
Claims receivable	11	**2,500,000**	-
		21,393,551	12,384,117
TOTAL ASSETS		**29,479,372**	18,300,771
EQUITY (DEFICIENCY OF ASSETS) AND LIABILITIES			
Equity (Deficiency of assets)			
Share capital	12	**847,742**	847,742
Statutory reserve	13	**35,610**	35,610
Contributed surplus	14	**15,576,877**	-
Accumulated losses		**(4,591,659)**	(4,513,041)
Total equity (deficiency of assets)		**11,868,570**	(3,629,689)
Non-current liability			
Employees' end of service benefits		**3,938**	2,710
Term loan	15	**2,857,233**	4,250,026
		2,861,171	4,252,736
Current liabilities			
Accounts payable	16	**703,564**	51,018
Accrued expenses		**133,000**	43,000
Amounts due to related parties	17	**13,913,067**	17,583,706
		14,749,631	17,677,724
Total liabilities		**17,610,802**	21,930,460
TOTAL EQUITY (DEFICIENCY OF ASSETS) AND LIABILITIES		**29,479,372**	18,300,771

TERNA BAHRAIN HOLDING W.L.L.
Manama
Kingdom of Bahrain
CR No 65267

D. Antonakos
Chairman

K. Iliadis
Director

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

Terna Bahrain Holding W.L.L.

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2010

	Note	*2010* *BD*	*2009* *BD*
Recoverable costs	11	**2,500,000**	-
Other income		**96,747**	88,296
Interest income		**1,159**	51,597
Foreign exchange gains (net)		**-**	228,483
		2,597,906	368,376
Legal and professional fees		**(2,232,221)**	(254,915)
Foreign exchange losses (net)		**(150,637)**	-
Staff costs		**(148,759)**	(65,826)
General and administrative expenses		**(84,025)**	(62,375)
Finance costs		**(59,792)**	(157,890)
Bank charges		**(1,090)**	(12,216)
Impairment of investment in an associate		**-**	(4,500,000)
LOSS FOR THE YEAR		**(78,618)**	(4,684,846)
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(78,618)**	(4,684,846)

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

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2010

	Note	2010 BD	2009 BD
OPERATING ACTIVITIES			
Loss for the year		**(78,618)**	(4,684,846)
Adjustments for:			
Impairment of investment in associate		**-**	4,500,000
Recoverable costs	11	**(2,500,000)**	-
Interest income		**(1,159)**	(51,597)
Finance costs		**59,792**	157,890
Unrealised foreign exchange loss		**2,833**	-
Provision for end of service benefit		**1,228**	1,198
Operating loss before working capital changes:		**(2,515,924)**	(77,355)
Working capital changes:			
Amounts due to related parties		**11,906,238**	(2,877,247)
Amounts due from related parties		**(8,958,344)**	(1,549,453)
Amounts due from an associate		**(29,867)**	(56,882)
Other receivables		**(129,480)**	-
Trade and other payables		**742,546**	46,847
Net cash from (used in) operating activities		**1,015,169**	(4,514,090)
INVESTING ACTIVITIES			
Investment in associate	7	**-**	(308,608)
Interest received		**1,159**	51,597
Net cash from (used in) investing activities		**1,159**	(257,011)
FINANCING ACTIVITIES			
Finance costs paid		**(40,126)**	(208,044)
Term loan paid		**(1,392,793)**	(1,452,974)
Net cash used in financing activities		**(1,432,919)**	(1,661,018)
DECREASE IN CASH AND CASH EQUIVALENTS		**(416,591)**	(6,432,119)
Cash and cash equivalents at 1 January		**539,289**	6,971,408
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	**122,698**	539,289

Non cash item:

Investment in subsidiaries of BD 2,172,000 was made by capitalisation of amounts due from the subsidiary as share capital.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2010

	Share capital BD	*Statutory reserve BD*	*Contributed surplus BD*	*Accumulated losses BD*	*Total BD*
Balance at 1 January 2010	847,742	35,610	-	(4,513,041)	(3,629,689)
Total comprehensive loss for the year	-	-	-	(78,618)	(78,618)
Contributions from Terna Overseas Ltd. (note 14)	-	-	15,576,877	-	15,576,877
Balance at 31 December 2010	**847,742**	**35,610**	**15,576,877**	**(4,591,659)**	**11,868,570**
Balance at 1 January 2009	847,742	35,610	-	171,805	1,055,157
Total comprehensive loss for the year	-	-	-	(4,684,846)	(4,684,846)
Balance at 31 December 2009	847,742	35,610	-	(4,513,041)	(3,629,689)

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

1 ACTIVITIES

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

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

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

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 9 March 2011.

The Company has the following subsidiaries and associate:

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

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

2 FUNDAMENTAL ACCOUNTING CONCEPT

The Company incurred a loss of BD 78,618 for the year ended 31 December 2010 (2009 : loss of BD 4,684,846) and, as of that date, the Company's accumulated losses have exceeded the Company's share capital by BD 3,743,917 (2009: BD 3,665,299).

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Changes in accounting policies and procedures
The accounting policies are consistent with those used in the previous year, except that the Company has adopted the following new and amended IFRS and IFRIC interpretations:

- *IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39*
- *IAS 17 Leasing (Amendment)*
- *IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective 1 July 2009*
- *IFRIC 17 Distributions of Non-cash Assets to Owners effective 1 July 2009*
- *IFRIC 18 Transfers of Assets from Customers effective 1 July 2009*

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of financial position date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Financial Assets
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, other receivables and amounts due from related parties and an associate.

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

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

Impairment and uncollectibility of financial assets
An assessment is made at each statement of financial position 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 statement of comprehensive income. 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 term loan, amounts due to related parties and trade and other payables.

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Amortised cost of financial instruments

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

Fair value of financial instruments

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

Derecognition of financial instruments

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

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

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

Provisions

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

Revenue recognition

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (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 year-end, which is considered recoverable. Revenue arising from contract, variations/claims is not accounted for unless it is probable that the customer will approve the variations/claims and the amount of revenue arising from the variation/claims 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 year-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 collection is in doubt.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective and not early adopted up to the date of the issuance of Company's financial statements are listed below:

- IAS 24 Related Party Disclosures (Amendment) effective for annual periods beginning on or after 1 January 2011
- IAS 32 Financial Instruments: Presentation - Classification of Rights Issues (Amendment) effective for annual periods beginning on or after 1 February 2010
- IFRS 9 Financial Instruments: Classification and Measurement effective for annual periods beginning on or after 1 January 2013
- IFRIC 14 Prepayments of a minimum funding requirement (Amendment) effective for annual periods beginning on or after 1 January 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective for annual beginning on or after 1 July 2010

IAS 24 Related Party Disclosures (Amendment)
The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Company does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IFRS 9 Financial Instruments
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Improvements to IFRSs (issued in May 2010)
The IASB issued

- *IAS 1 Presentation of Financial Statements*
- *IAS 27 Consolidated and Separate Financial Statements*

The Company, however, expects no impact from the adoption of the new standards and amendments on its financial position or performance.

5 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

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

6 INVESTMENT IN SUBSIDIARIES

	Percentage holding	*2010 BD*	*2009 BD*
PCC-Terna Contracting Company W.L.L.	96.26%	**2,572,000**	400,000
Terna Contracting W.L.L.	99.99%	**999,900**	999,900
Terna Mechanical and Electrical W.L.L.	70%	**140,000**	140,000
		3,711,900	1,539,900

During the year the Company increased its investment in PCC-Terna Contracting Company W.L.L (PCC-Terna) by BD 2,172,000. As the other shareholders in PCC-Terna did not elect to do the same, the Company's holding in the subsidiary increased from 80% to 96.26%.

7 INVESTMENT IN AN ASSOCIATE

	Percentage holding	*2010 BD*	*2009 BD*
Hamriya Cement Company FZC	40%	**8,873,921**	8,876,754
Less: provision for impairment		**(4,500,000)**	(4,500,000)
		4,373,921	4,376,754

During 2009, the Company was required to invest a further BD 308,608 in the associate to further its operations. The Company's holding in the associate did not change. Management has assessed the investment in the associate for impairment for the period and do not believe any further impairment is warranted. The movement in the balance above is due to the foreign exchange gain/loss on long term funds injected into the associate classified as investment in associate in accordance with IAS 28.

8 AMOUNTS DUE FROM RELATED PARTIES

	2010 *BD*	*2009* *BD*
Ultimate parent company		
Terna S.A. (Abu Dhabi branch)	**14,344**	-
Terna S.A. (Sharjah branch)	**1,104,185**	-
Parent company	-	1,848,292
Subsidiaries:		
PCC - Terna Contracting W.L.L.	**3,891,009**	6,870,405
Terna Mechanical and Electrical W.L.L.	**150,414**	120,242
Group Companies:		
Terna Qatar Company L.L.C.	**10,494,343**	48,139
Malcem Construction Materials	-	539
	15,654,295	8,887,617

For terms and conditions please refer note 18.

9 AMOUNTS DUE FROM AN ASSOCIATE

	2010 *BD*	*2009* *BD*
Hamriya Cement Company FZC	**2,931,746**	2,901,879

For terms and conditions please refer note 18.

10 BANK BALANCES, SHORT-TERM DEPOSITS AND CASH

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

	2010 *BD*	*2009* *BD*
Cash in hand	**4**	4
Bank balances	**92,485**	521,667
Short term deposits	**30,209**	17,618
	122,698	539,289

Short term deposits comprise of term deposits with a commercial bank in Bahrain denominated in Bahraini Dinars, which are made for periods varying between 1 - 30 days earning interest at an effective interest rate of 3.25% (2009: 3.25%).

Bank balances denominated in currencies other than Bahraini Dinars are as follows :

	2010 *BD*	*2009* *BD*
Euro	**43,746**	518,772
United Arab Emirates Dirhams	**16,035**	15
United States Dollars	**63**	63
	59,844	518,850

11 CLAIMS RECEIVABLE

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

12 SHARE CAPITAL

	2010	*2009*
	BD	*BD*
Authorised, issued and fully paid:		
8,500 ordinary shares of Euro 200 each	**847,742**	847,742

13 STATUTORY RESERVE

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

14 CONTRIBUTED SURPLUS

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

15 TERM LOAN

This is a loan from the parent company denominated in US Dollars. It carries interest at a rate of LIBOR plus 1.2% per annum and is repayable before 20 September 2012. The effective interest rate at 31 December 2010 was 1.67% (2009: 1.88%) per annum. Accrued Interest payable on the loan is included within amounts due to related parties. The term loan is unsecured.

16 ACCOUNTS PAYABLE

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

17 AMOUNTS DUE TO RELATED PARTIES

	2010	*2009*
	BD	*BD*
Parent entities:		
Terna S.A.	**154,419**	132,240
Terna S.A. (Abu Dhabi branch)	**-**	1,346,656
Terna S.A. (Sharjah branch)	**-**	320,952
Terna Overseas Ltd.	**1,592,861**	-
Group Companies:		
Terna Qatar Company L.L.C.	**10,615,258**	12,485,258
Subsidiary:		
Terna Contracting W.L.L.	**1,550,529**	3,298,600
	13,913,067	17,583,706

The payable to Terna Qatar Company L.L.C. (Terna Qatar) represents amounts received for short term cash facilitation of the Company and is denominated in Bahraini Dinars.

For terms and conditions please refer note 18.

18 RELATED PARTY TRANSACTIONS

Related parties represent the parent company, the ultimate parent company, the subsidiaries, the associate, key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

See note 8 for amounts due from related parties.

See note 9 for amounts due from an associate.

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

See note 17 for amounts due to related parties.

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

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

	Finance charges	
	2010	*2009*
	BD	*BD*
Parent Company	**59,792**	157,890

Compensation of key management personnel

The remuneration paid to a director during the year ended 31 December 2010 was as follows:

	2010	*2009*
	BD	*BD*
Short term benefits	**40,182**	32,609

19 CONTINGENCIES

Poullaides Construction Company W.L.L. dispute

The Company has entered into arbitration before the ICC Arbitration Forum ("ICC) with Poullaides Construction Company WLL (PCC) in respect of a dispute arising out of a shareholders agreement which the parties have entered into for PCC-Terna Construction Company W.L.L. PCC has filed a claim of BD 5,815,943 in damages allegedly caused by the Company in terminating the Shareholders Agreement. The Company has filed a counter claim for damages of BD 8,394,903 against PCC before the same forum. PCC has also initiated separate arbitration proceedings against the Company before the ICC in respect of the validity of the increase in share capital of PCC-Terna.

The Board of Directors based on independent legal counsel's advice, believes there is no merit to PCC's claim and expects the Company to be successful in its defence of the claim by PCC and thus has not made any provision in the financial statements. Arbitration for both claims is expected to be completed during 2011.

19 CONTINGENCIES (continued)

Bin Kamil dispute

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

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

Both the Company and BKG have requested that the ICC order the transfer of HCC shares owned by the Company to BKG in accordance with the relevant provision of SHA. The value of the transfer is subject to the arbitration proceedings.

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

Legal costs

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

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

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

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Interest rate risk

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

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

	Increase / decrease in basis points	*Effect on profit BD*
2010		
	+ 50	**(14,135)**
	- 50	**14,135**
2009		
	+ 50	(21,050)
	- 50	21,050

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

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

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

31 December 2009	*Less than 3 months BD*	*3 to 12 months BD*	*1 to 5 years BD*	*More than 5 years BD*	*Total BD*
Amounts due to related parties	17,583,706	-	-	-	17,583,706
Accounts payable and accruals	94,018	-	-	-	94,018
Term loan	20,096	61,406	4,419,935	-	4,501,437
Total	17,697,820	61,406	4,419,935	-	22,179,161

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

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

The company has receivables of BD 18,586,041 (2009: BD 11,789,496) due from related parties. All the receivables are without security which renders them fully exposed to credit risk due to default by the counterparties.

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

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

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

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

	Increase/ decrease in Euro rate to the Bahraini Dinar	*Effect on profit BD*
31 December 2010	**+5%**	**130,359**
	-5%	**(130,359)**
31 December 2009	+5%	83,197
	-5%	(83,197)

The Company also has balances denominated in United Arab Emirates Dirhams (AED) and United States Dollars (USD). Both the Bahraini Dinar and the AED are pegged to the United States Dollar, thus no significant foreign currency risk exists against these balances.

Capital management

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

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

21 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprises of financial assets and financial liabilities.

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

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