Terna Contracting W.L.L.

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2010

Ernst & Young

ERNST & YOUNG

REPORT OF THE BOARD OF DIRECTORS

The Directors have the pleasure in submitting their report and the audited financial statements of Terna Contracting W.L.L. ("the Company") for the year ended 31 December 2010.

Principal activities and results for the year

Terna Contracting W.L.L is a wholly owned subsidiary of Terna Bahrain Holding W.L.L. The company is engaged in construction contracting activities.

Results and retained earnings:

During the year, the Company generated contract revenue of BD 4,167,972 (2009: BD 8,297,447) and reported a profit of BD 171,127 (2009: BD 1,066,699).

The movements in retained earnings are as follows:

	2010	*2009*
	BD	*BD*
Balance at the beginning of the year	**1,565,629**	605,600
Profit for the year	**171,127**	1,066,699
Transfer to statutory reserve	**(17,113)**	(106,670)
Balance at 31 December	**1,719,643**	1,565,629

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 CONTRACTING W.L.L.
CR. 68262
P.O. BOX. 54368
Kingdom of Bahrain
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ERNST & YOUNG

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

Report on the Financial Statements

We have audited the accompanying financial statements of Terna Contracting 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TERNA CONTRACTING 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 2010, 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. 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

Terna Contracting W.L.L.

STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Note	*2010* *BD*	*2009* *BD*
ASSETS			
Non-current asset			
Property, plant and equipment	5	**325,670**	151,546
Intangible assets	6	**458**	2,475
		326,128	154,021
Current assets			
Due from customers for construction contracts	7	**1,217,880**	306,017
Contract and other receivables	8	**3,236,211**	3,941,373
Bank balances and cash	9	**319,918**	55,087
		4,774,009	4,302,477
TOTAL ASSETS		**5,100,137**	4,456,498
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**1,000,000**	1,000,000
Statutory reserve	11	**191,072**	173,959
Retained earnings		**1,719,643**	1,565,629
Total equity		**2,910,715**	2,739,588
Non-current liabilities			
Employees' end of service benefits	12	**89,172**	32,426
		89,172	32,426
Current liabilities			
Trade and other payables	13	**2,100,250**	1,684,484
		2,100,250	1,684,484
Total liabilities		**2,189,422**	1,716,910
TOTAL EQUITY AND LIABILITIES		**5,100,137**	4,456,498

TERNA CONTRACTING W.L.L.
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D. Antonakos
Chairman

D.Xoudis
Director

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2010

	Note	2010 BD	2009 BD
Contract revenue		**4,167,972**	8,297,447
Other income		**185,254**	23,523
		4,353,226	8,320,970
Operating costs	14	**(2,002,770)**	(5,435,367)
Project material and equipment expenses	15	**(1,361,609)**	(1,213,010)
General and administrative expenses		**(763,428)**	(570,851)
Write back of (provision for) future projected losses on projects		**6,229**	(19,031)
Finance costs		**(60,521)**	(16,012)
PROFIT FOR THE YEAR	16	**171,127**	1,066,699
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**171,127**	1,066,699

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

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2010

	Note	2010 BD	2009 BD
OPERATING ACTIVITIES			
Profit for the year		**171,127**	1,066,699
Adjustments for:			
Depreciation	5	**102,517**	123,731
Amortisation		**2,017**	1,642
Provision for employees' end of service benefits	12	**51,897**	19,542
Operating profit before working capital changes		**327,558**	1,211,614
Working capital changes:			
Trade and other receivables		**(911,863)**	(533,951)
Due from customers for construction contracts		**705,162**	(681,762)
Trade and other payables		**420,615**	32,468
		213,914	(1,183,245)
Employees' end of service benefits paid	12	**-**	(200)
Net cash from operating activities		**541,472**	28,169
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(276,641)**	(124,741)
Purchase of intangible asset		**-**	(2,200)
Net cash used in investing activities		**(276,641)**	(126,941)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**264,831**	(98,772)
Bank balances and cash at I January		**55,087**	153,859
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	**319,918**	55,087

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

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2010

	Share capital BD	*Statutory reserve BD*	*Retained earnings BD*	*Total BD*
Balance at 1 January 2010	1,000,000	173,959	1,565,629	2,739,588
Total comprehensive income for the year	-	-	171,127	171,127
Transfer to statutory reserve (note 11)	-	17,113	(17,113)	-
Balance at 31 December 2010	**1,000,000**	**191,072**	**1,719,643**	**2,910,715**
Balance at 1 January 2009	1,000,000	67,289	605,600	1,672,889
Total comprehensive income for the year	-	-	1,066,699	1,066,699
Transfer to statutory reserve (note 11)	-	106,670	(106,670)	-
Balance at 31 December 2009	1,000,000	173,959	1,565,629	2,739,588

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

1 ACTIVITIES

Terna Contracting W.L.L. ("the Company") is a limited liability company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 68262 on 2 April 2008. The company is engaged in construction contracting activities.

The Company is a subsidiary of Terna Bahrain Holding W.L.L., a company incorporated in the Kingdom of Bahrain. The ultimate parent company is Terna SA, a company incorporated in and under the laws of Greece. Its registered office is at 85 Mesogeion Av, T.K. 115-26, Athens, Greece.

The Company's registered office is at Villa 418, Road 3207, Block 332, Zinj Area, 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 shares of the Company are owned as follows;

Name of the shareholder	*Percentage of shareholding*
Terna Bahrain Holding W.L.L.	99.99%
Terna Overseas Limited	0.01%

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.

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*

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

2 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 position 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.

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	5 years
Plant and equipment	1 to 5 years
Furniture and fixtures	1 to 5 years
Motor vehicles	5 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 furniture 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 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.

Intangible assets
Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

Due from / to customers for construction contracts
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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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 statement of the 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, if any.

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

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

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

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 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 simultaneouslv.

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.

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 statement of 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 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.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Contract revenue (continued)

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.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

3 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:

- IFRS 9 Financial Instruments: Classification and Measurement effective for annual periods beginning on or after 1 January 2013
- 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
- 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
- Improvements to IFRSs (issued May 2010) effective for annual periods on or after either 1 July 2010 or 1 January 2011.

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.

3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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.

Improvements to IFRSs (issued in May 2010)
The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below, may resulted in changes to accounting policies and disclosures but will not have any impact on the financial position or financial performance of the Company.

- *IFRS 7 Financial Instruments: Disclosures*
- *IAS 1 Presentation of Financial Statements*

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

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 statement of position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of contract receivables
An estimate of the collectible amount of contract 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 reporting date, gross contract receivable was BD 887,090 (2009: BD 107,609) and the provision for doubtful debts was nil (2009: nil). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Construction contracts
Revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the management team's experience and the nature of the construction activity undertaken, the management makes estimates of the point at which it considers the work is sufficiently advanced such that the cost to complete, rectification costs and revenue can be reliably estimated. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the statement of position date, which would affect the revenue and the profit recognised in the future years as an adjustment to the amounts recorded to date. As at 31 December 2010, the management considered that all costs to complete and revenue can be reliably measured.

4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

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 as at the reporting date.

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.

5 PROPERTY, PLANT AND EQUIPMENT

31 December 2010	*Porta cabins BD*	*Plant and equipment BD*	*Fixtures and fittings BD*	*Motor vehicles BD*	*Total BD*
Cost:					
At 1 January 2010	45,736	168,078	25,829	59,670	299,313
Additions during the year	11,450	254,249	3,930	7,012	276,641
At 31 December 2010	57,186	422,327	29,759	66,682	575,954
Depreciation:					
At 1 January 2010	12,215	95,607	23,153	16,792	147,767
Depreciation charge for the year	9,868	77,018	2,996	12,635	102,517
At 31 December 2010	22,083	172,625	26,149	29,427	250,284
Net book value:					
At 31 December 2010	**35,103**	**249,702**	**3,610**	**37,255**	**325,670**

31 December 2009	*Porta cabins BD*	*Plant and equipment BD*	*Fixtures and fittings BD*	*Motor vehicles BD*	*Total BD*
Cost:					
At 1 January 2009	30,014	71,102	13,786	59,670	174,572
Additions during the year	15,722	96,976	12,043	-	124,741
At 31 December 2009	45,736	168,078	25,829	59,670	299,313
Depreciation:					
At 1 January 2009	3,066	10,499	5,612	4,859	24,036
Depreciation charge for the year	9,149	85,108	17,541	11,933	123,731
At 31 December 2009	12,215	95,607	23,153	16,792	147,767
Net book value:					
At 31 December 2009	33,521	72,471	2,676	42,878	151,546

Depreciation expense for the year has been included in the following accounts in the statement of comprehensive income;

	***2010* BD**	*2009 BD*
Project materials, equipment and other expenses (note 15)	**90,584**	111,798
General and administrative expenses	**11,933**	11,933
	102,517	123,731

6 INTANGIBLE ASSETS

Intangible assets pertain to payroll software with an estimated useful life of 24 months. (2009:same)

7 DUE FROM CUSTOMERS FOR CONSTRUCTION CONTRACTS

	2010 BD	2009 BD
Contract cost incurred till date	**5,793,439**	1,732,217
Recognized profit	**370,361**	257,382
Total value of work executed till date including profit	**6,163,800**	1,989,599
Less: Progress billings	**(4,945,920)**	(1,683,582)
	1,217,880	306,017

The amounts due from customers represent work in progress of ongoing projects. It includes a provision for future losses amounting to BD 12,802 (BD 19,103).

8 CONTRACT AND OTHER RECEIVABLES

	2010 BD	2009 BD
Contract receivables	**887,090**	107,609
Retentions	**316,393**	211,725
Due from related parties (note 17)	**1,552,827**	3,489,282
Advances to suppliers	**293,975**	99,449
Prepayments	**167,157**	12,439
Other receivables	**18,769**	20,869
	3,236,211	3,941,373

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

Terms and conditions relating to ~~due from~~ related parties are disclosed in note 17.

As at year end, the ageing of unimpaired contract receivables is as follows:

			Past due but not impaired	
	Total BD	Neither past due nor impaired BD	< 30 days BD	30 – 60 days BD
31 December 2010	**887,090**	**401,601**	**343,004**	**142,485**
31 December 2009	107,609	29,391	78,218	-

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

9 BANK BALANCES 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*
Bank balances	**319,729**	51,627
Cash in hand	**189**	3,460
	319,918	55,087

10 SHARE CAPITAL

	2010 *BD*	*2009* *BD*
Authorised, issued and fully paid: 20,000 ordinary shares of BD 50 each	**1,000,000**	1,000,000

11 STATUTORY RESERVE

As required by Bahrain Commercial Companies Law, 10% of the net profit for the 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.

12 EMPLOYEES' END OF SERVICE BENEFITS

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

	2010 *BD*	*2009* *BD*
At 1 January	**32,426**	13,084
Provided during the year	**51,897**	19,542
Transferred from a group company (note)	**4,849**	-
Paid during the year	-	(200)
At 31 December	**89,172**	32,426

Note: Pertains to end of service benefits of employees transferred from a group company during the year.

13 TRADE AND OTHER PAYABLES

	2010 *BD*	*2009* *BD*
Contract payables	**761,205**	659,855
Contract payables - related party (note 17)	**159,488**	348,702
Accrued expenditure	**471,386**	275,732
Contract advances	**201,460**	115,692
Retention payable	**176,420**	178,734
Accruals for employee benefits	**133,256**	51,075
Other payables - related party (note 17)	**132,808**	32,572
Other payables	**64,227**	22,122
	2,100,250	1,684,484

Contract payables and accrued expenses (including amounts due to related parties) are non-interest bearing and are normally settled on 60-day terms.

13 TRADE AND OTHER PAYABLES (continued)

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.

Retention money is non interest bearing and payable in accordance with the terms of contracts.

For terms and conditions for amounts due to a related party see note 17.

14 OPERATING COSTS

	2010	*2009*
	BD	*BD*
Staff costs (note 16)	**1,100,394**	1,068,503
Sub-contractors' work	**626,687**	4,096,691
Motor vehicle hire and expenses	**108,025**	156,775
Consumables	**48,853**	11,836
Travel	**45,025**	31,426
Repairs and maintenance	**27,812**	34,649
Other expenses	**23,577**	5,127
Communication	**18,238**	9,277
Consultants fee and technician charges	**4,159**	21,083
	2,002,770	5,435,367

15 PROJECT MATERIAL AND EQUIPMENT EXPENSES

	2010	2009
	BD	*BD*
Materials	**727,458**	1,101,212
Piling	**543,567**	-
Depreciation	**90,584**	111,798
	1,361,609	1,213,010

16 PROFIT FOR THE YEAR

Profit for the year is stated after charging staff cost and operating lease rentals.

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

	2010	*2009*
	BD	*BD*
Operating costs (note 14)	**1,100,394**	1,068,503
General and administrative expenses	**335,031**	270,058
	1,435,425	1,338,561
Staff costs comprises of the following:		
Salaries and wages	**911,961**	732,527
Other staff benefits and expenses	**386,892**	218,670
Employees' end of service benefits	**51,897**	19,542
Contribution to Social Insurance Organization	**42,474**	47,419
Hire of labour	**42,201**	320,403
	1,435,425	1,338,561
Rentals-operating leases	**10,814**	6,819

17 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.

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

	2010		2009	
	Expenses	*Other income*	*Expenses*	*Other income*
	BD	*BD*	*BD*	*BD*
Terna Mechanical and Electrical W.L.L	**924**	**3,313**	-	3,030

Amounts due from related parties included in the statement of financial position are as follows:

	2010	*2009*
	BD	*BD*
Ultimate parent		
Terna S.A. (Abu Dhabi branch)	**613**	613
Parent company		
Terna Bahrain Holding Company W.L.L	**1,550,529**	3,298,600
Under common control of ultimate parent		
Terna Qatar Company L.L.C	**1,685**	1,685
Fellow subsidiaries of parent		
PCC-Terna Contracting Company W.L.L	-	185,354
Terna Mechanical and Electrical W.L.L	-	3,030
	1,552,827	3,489,282

Amounts due to related parties included in the statement of financial position are as follows:

	2010	*2009*
	BD	*BD*
Parent entities		
Terna S.A.	**13,979**	5,642
Terna Overseas Ltd	**43,526**	26,930
Fellow subsidiaries		
Terna Mechanical and Electrical W.L.L	**159,488**	348,702
PCC - Terna Contracting Company W.L.L.	**75,303**	-
	292,296	381,274

Terms and conditions of transaction with related parties:

Outstanding balances at the year end are unsecured, interest free and payable on demand except for balances with Terna Mechanical and Electrical W.L.L. ("MEP"). 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. (2009: nil)

Balances with MEP are trade payables based on arms length transactions and are normally payable within 30 to 60 days of invoice.

17 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

	2010	*2009*
	BD	*BD*
Short-term benefits	**105,000**	102,962
Employees' end of service benefits	**20,000**	9,000
	125,000	111,962

18 CONTINGENCIES AND COMMITMENTS

a) Guarantees

The Company's bankers have given performance and advance payment guarantees amounting to BD 2,373,753 (2009: BD 5,000) in respect of various contracts undertaken for execution. These are secured by joint and several guarantees from the shareholders.

b) Lease rental commitments

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

	2010	*2009*
	BD	*BD*
Not later than one year	**27,600**	8,800
Later than one year and not later than five years	**110,400**	-
Later than five years	**131,100**	-
	269,100	8,800

19 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 liquidity, currency, and credit risks.

Board of Directors

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

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 has contract receivables and unbilled amounts due from customers for construction contracts amounting to BD 2,105 thousand (2009: BD 414 thousand). The net credit risk (netted with unadjusted advances from the customers) exposure of the Company is 89% (2009: 72%) of contract receivable and amount due from customers for construction contracts. Contract receivables relate mainly to balances from four customers that aggregate to 90% of the balance (2009: two customers at 91%).

Management believes due from related parties are fully recoverable and does not believe there is any significant credit risk relating to these balances. All the receivables are unsecured.

19 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 contract agreement require amounts to be paid within 15 days of approval of work completion certificate. Trade payables are normally settled within 60 days of the date of purchase. The table below summarises the maturities of the Company's financial liabilities, based on payment dates:

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

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*
Contract payables	**761,205**	**-**	**-**	**-**	**761,205**
Amounts due to related parties	**-**	**292,296**	**-**	**-**	**292,296**
Retentions payable	**-**	**176,420**	**-**	**-**	**176,420**
Other payables	**535,613**	**133,256**	**-**	**-**	**668,869**
	1,296,818	**601,972**	**-**	**-**	**1,898,790**

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*
Contract payables	659,855	-	-	-	659,855
Amounts due to related parties	-	381,274	-	-	381,274
Retentions payable	-	178,734	-	-	178,734
Other payables	297,854	51,075	-	-	348,929
	957,709	611,083	-	-	1,568,792

Currency risk
The Company's exposure to foreign currency risk is limited to its due to related parties which are denominated in Euro. The currency risk associated with a 5% change in foreign exchange rates on these balances is insignificant.

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 economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009.

20 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances and cash, due from related parties and contracts and other receivables. Financial liabilities consist of trade and other payables and due to related parties.

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