

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2010

Ernst & Young

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

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

Principal activities and results for the period

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

Results and appropriation of comprehensive income

During the year, the Company generated contract revenue of BD 4,714,269 (2009: BD 5,817,872) and reported a net profit of BD 111,855 (2009: BD 1,444,099).

The movements in retained earnings are as follows:

	2010 BD	2009 BD
Balance at 1 January 2010 Profit for the period Transfer to statutory reserve	1,299,689 111,855 (11,185)	- 1,444,099 (144,410)
Balance at 31 December 2010	1,400,359	1,299,689

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 MECHANICAL & ELECTRICAL W.L.L شركة تيرنا الميكانيكية والكهربائية ذ م.م

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

Report on the Financial Statements

We have audited the accompanying financial statements of Terna Mechanical and Electrical W.L.L. ("the Company"), which comprise the statement of financial position as at 31 December 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 Consolidated 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

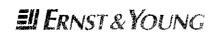
Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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 MECHANICAL AND ELECTRICAL W.L.L. (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 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.

9 March 2011

Manama, Kingdom of Bahrain

Ernst + Young

STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Note	2010 BD	2009 BD
ASSETS			
Non-current asset Property, plant and equipment	5	29,450	37,910
Current assets Due from customers for construction contracts Contract and other receivables Bank balances and cash	6 7 8	2,227,146 3,921,109 142,437	6,158,255 301,538
	•	6,290,692	6,459,793
TOTAL ASSETS		6,320,142	6,497,703
EQUITY AND LIABILITIES			
Equity Share capital Statutory reserve Retained earnings Total equity	9 10	200,000 155,595 1,400,359 1,755,954	200,000 144,410 1,299,689 1,644,099
Non-current llabilities Employees' end of service benefits Other employee benefits	11	104,571 181,806 286,377	59,765 122,452 182,217
Current liabilities Due to customers for construction contracts Contract and other payables	6 12	4,277,811	322,693 4,348,694
Tendester Opposite.		4,277,811	4,671,387
Total liabilities		4,564,188	4,853,604
TOTAL EQUITY AND LIABILITIES		6,320,142	6,497,703

D. Antonakos Chairman TERNA MECHANICAL & ELECTRICAL W.L.L شركة تترنا الميكانيكية والكهربائية ذ م.م

C.R. 70100 P.O. Box: 54368 Kingdom of Bahrain K.Tappuni Director

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2010

			Period from	
		15 October 20		
		to 31 Decembe		
÷		2010	2009	
	Note	BD	BD	
Contract revenue		4,714,269	5,817,872	
Other income		11,686	-	
		4,725,955	5,817,872	
Foreign exchange gains and losses		2,418	(17,722)	
Operating costs	14	(2,452,105)	(2,140,843)	
Project material and equipment expenses		(1,993,213)	(2,000,606)	
General and administrative expenses		(159,273)	(206,195)	
Bank charges		(11,927)	(8,407)	
PROFIT FOR THE YEAR / PERIOD		111,855	1,444,099	
Other comprehensive income		-	-	
COMPREHENSIVE INCOME FOR THE YEAR / PERIOD		111,855	1,444,099	

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2010

		_	Period from October 2008 31 December
<i>.</i> .	Note	2010 BD	2009 BD
	71010		55
OPERATING ACTIVITIES Profit for the period		111,855	1,444,099
Adjustments for:		,	, .
Depreciation	5	15,466	10,286
Provision for employees' end of service benefits Provision for other employee benefits	11	50,960 95,802	61,144 122,452
Operating profit before working capital changes		274,083	1,637,981
Working capital changes:		·	
Decrease/(increase) in contract and other receivables		2,237,146	(6,158,255)
Increase in due from customers for construction contracts		(2,227,146)	-
(Decrease)/increase in due to customers for construction (Decrease)/increase in contract and other payables		(322,693) (70,883)	322,693 4,348,694
· ·	•		
		(109,493)	151,113
Employees' end of service benefits paid Other employee benefits paid		(6,154) (36,448)	(1,379) -
Net cash flows (used in)/from operating activities		(152,095)	149,734
INVESTING ACTIVITY			
Purchase of property, plant and equipment	5	(7,006)	(48,196)
Cash flows used in investing activity		(7,006)	(48,196)
FINANCING ACTIVITY			
FINANCING ACTIVITY Issue of share capital	9	_	200,000
·	3		
Cash flows used in financing activity			200,000
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(159,101)	301,538
Cash and cash equivalents at 1 January		301,538	
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	8	142,437	301,538

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2010

	Share capital BD	Statutory reserve BD	Retained earnings BD	Total BD
Incorporated 15 October 2008				
Issue of share capital	200,000	-	-	200,000
Comprehensive income for the period	-	-	1,444,099	1,444,099
Transfer to statutory reserve	-	144,410	(144,410)	-
Balance at 31 December 2009	200,000	144,410	1,299,689	1,644,099
Comprehensive income for the period	-	-	111,855	111,855
Transfer to statutory reserve	-	11,185	(11,185)	-
Balance at 31 December 2010	200,000	155,595	1,400,359	1,755,954

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

1 ACTIVITIES

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

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

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

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 9 March 2010.

The shares of the Company are owned as follows;

Name of the shareholder

Percentage of shareholding

Terna Bahrain Holding W.L.L. KT Engineering Ltd W.L.L 70% 30%

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.

The comparative figures for statements of comprehensive income, cash flows and changes in equity are for the period from 15 October 2008 to 31 December 2009 whereas the current period figures are for the year ended 31 December 2010. The comparative amounts of statements of comprehensive income, cash flows and changes in equity and related notes are not entirely comparable to that extent.

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 disclosures

The accounting policies are consistent with those used in the preparation of the previous periods financial statements for the period ended 31 December 2009, except for the adoption of the new and amended IFRS and IFRIC interpretations effective as of 1 January 2010:

- 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 implementation of these revisions and amendments does not have any significant impact on the Company's financial performance or position.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

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 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.

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:

Equipment 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 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 the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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

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.

Financial assets

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

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

Contract and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and net of outstanding overdrafts.

Impairment and uncollectibility of financial assets

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

Financial liabilities

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

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

Contract and other payables

Liabilities for trade and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Offsetting of financial instruments

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

Amortised cost of financial instruments

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

Fair value of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial instruments

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

the rights to receive cash flows from the asset have expired; or

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

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

Provisions

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

Employees end of service benefits

The Company makes contributions to the Social Insurance Organisation 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

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:

- 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 periods beginning on or after 1 July 2010
- Improvements to IFRSs (issued May 2010)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

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

Construction contracts

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

Impairment of contract receivables

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

At the date of statement of financial position date, gross contract receivables was BD 3,000,420 (2009: BD 4,194,454) and there was no provision for doubtful debts (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.

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 statement of financial position 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

5 PROPERTY, PLANT AND EQUIPMENT

Contr	; Equipment BD	Motor vehicles BD	Computer and office equipment BD	Total BD
Cost: At 1 January 2010	5,294	36,095	6,807	48,196
Additions during the period	6,736		270	7,006
At 31 December 2010	12,030	36,095	7,077	55,202
Depreciation:				
At 1 January 2010	(2,138)	(5,512)	(2,636)	(10,286)
Depreciation charge for the year	(4,895)	(7,418)	(3,153)	(15,466)
At 31 December 2010	(7,033)	(12,930)	(5,789)	(25,752)
Net book value: At 31 December 2010	4,997	23,165	1,288	29,450
	Equipment BD	Motor vehicles BD	Computer and office equipment BD	Total BD
Cost:	80	טם	ы	טפ
Additions during the period	5,294	36,095	6,807	48,196
At 31 December 2009	5,294	36,095	6,807	48,196
Depreciation: Depreciation charge for the year	(2,138)	(5,512)	(2,636)	(10,286)
	(2,138)	(5,512)	(2,636)	(10,286)
Not hank value				· · ·
Net book value: At 31 December 2009	3,156	30,583	4,171	37,910

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

6 DUE FROM / (TO) CUSTOMERS FOR CONSTRUCTION CONTRACTS

	2010 BD	2009 BD
Contract cost incurred till date Recognized profit	8,990,727 1,541,413	3,078,612 943,211
Total value of work executed till date including profit	10,532,140	4,021,823
Less: Progress billings	(8,304,994)	(4,344,516)
	2,227,146	(322,693)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

7 CONTRACT AND OTHER RECEIVABLES

2010	2009
BD	BD
Contract receivables from related parties 3,000,420	4,194,454
Retentions receivable from related parties 427,845	269,834
Advances to contractors and suppliers 422,753	204,797
Prepayments 16,543	11,432
Advances to employees 53,086	12,392
Other receivable 462	206
Contractual advances receivable -	1,460,057
Retentions -	5,083
3,921,109	6,158,255

Contractual advances receivable represented advances to be paid by Terna S.A. (Sharjah branch) in accordance with sales contracts with this company. The advances are included in note 12 in 2009.

Contract receivables from related parties relate to the following entities:

	2010 BD	2009 BD
Fellow subsidiaries		· -
Terna Contracting W.L.L.	159,488	348,702
Ultimate parent company		
Terna S.A (Abu Dhabi branch)	2,106,373	2,972,079
Terna S.A (Sharjah branch)	734,559	873,673
	3,000,420	4,194,454
Retention receivables from related parties:		
·	2010	2009
	BD	BD
Ultimate parent company		
Terna S.A (Abu Dhabi branch)	200,967	159,798
Terna S.A (Sharjah branch)	226,878	110,036

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

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

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

As at period end the ageing of unimpaired contract receivable is as follows;

	Neither			Past due but not impaired			
	Total BD	past due nor impaired BD	< 30 days BD	30 – 60 days BD	60 – 90 days BD	90 – 120 days BD	>120 days BD
2010	3,000,420	1,033,249	-	•	156,619	•	1,810,552
2009	4,194,454	3,561,789	-	-	632,665	<u>-</u>	-

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

8 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	139,939	290,982
Cash in hand	2,498	10,556
	142,437	301,538
Bank balances denominated in currencies other than Bahraini Dinars are as follo	ows :	
	2010	2009
	BD	BD
UAE Dirhams	128,390	45,771
USA Dollars	1,425	<u>-</u>
	129,815	45,771
9 SHARE CAPITAL		
	2010	2009
	BD	BD
Authorised, issued and fully paid:		
2,000 ordinary shares of BD 100 each	200,000	200,000

10 STATUTORY RESERVE

Bahrain Commercial Companies Law requires that 10% of the Company's profit be transferred to the 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.

11 EMPLOYEES' END OF SERVICE BENEFITS

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

	2010 BD	2009 BD
Provision at the start of the year / period Charge for the year / period Paid during the year / period	59,765 50,960 (6,154)	- 61,144 (1,379)
Provision at the end of the year / period	104,571	59,765

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

12 CONTRACT AND OTHER PAYABLES

·	2010 BD	2009 BD
Contract payables - related parties	3,779,832	1,579,321
Contract payables	271,764	518,632
Retentions	76,555	22,507
Subcontractors	59,106	47,056
Project material accrual	35,400	202,213
Other payables	55,154	9,611
Contract advances from Terna S.A (Sharjah branch)	•	1,953,865
Contract advances	-	15,489
	4,277,811	4,348,694

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. Contract advances from Terna S.A (Sharjah branch) represented advances required according to the sale contracts with Terna S.A Sharjah, of which BD 1,460,057 was still receivable as at 31 December 2009 and is included as a contract advance receivable in note 7 in the 2009 comparatives.

Contract payables and accrued expenses are normally settled in 60-days.

Retentions payable have average term of one year.

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

Contract payables to related parties comprise the following balances.

	2010	2009
Due to related parties	BD	BD
Ultimate parent company		
Terna S.A head office	5,578	_
Terna S.A. (Abu Dhabi branch)	1,112,096	340,235
Terna S.A. (Sharjah branch)	2,492,401	1,108,803
Parent company		
Terna Bahrain Holding Company W.L.L	150,414	120,242
Fellow subsidiaries		
Terna Contracting W.L.L	_	3.030
PCC Terna Contracting W.L.L	19,343	7,011
	3,779,832	1,579,321
Fellow subsidiaries Terna Contracting W.L.L	19,343	3,030 7,011

13 RELATED PARTY TRANSACTIONS

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

For amounts due from related parties, see note 7.

For amounts due to related parties, see note 12.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

RELATED PARTY TRANSACTIONS (continued) 13

Transaction with related parties included in the statement of comprehensive income during the period from 1 January 2010 to 31 December 2010 are as follows:

	2010		Period from 15 October 2008 to 31 December 2009	
	Contract		Contract	
	revenue	Expenses	revenu e	Expenses
	BD	BD	BD	BD
Ultimate parent company				
Terna S.A Head Office	-	5,578		4 400 502
Terna SA (Sharjah branch)	1,855,417	2,492,401	1,585,709	1,108,803
Terna S.A. (Abu Dhabi branch)	2,479,299	1,112,096	2,117,382	340,235
Group company			007.700	
Terna Qatar L.L.C.	(17,017)	•	207,708	-
Parent		450 444		120,242
Terna Bahrain Holding W.L.L	-	150,414	•	120,242
Fellow subsidiaries		40 242		3,030
PCC Teran Contracting W.L.L	-	19,343	4 007 072	7,011
Terna Contracting W.L.L	396,569		1,907,073	7,011
	4,714,268	3,779,832	5,817,872	1,579,321

Terms and conditions of transaction with related parties:

The sales and purchases from related parties are made on terms agreed by the management of the group. 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 period ended 31 December 2010, the Company has not recorded any impairment of receivables relating to amounts owed by related parties.

The expenses charged by the related parties mainly relate to project materials, supplier payments, communication expenses, salaries, wages and labor hire.

Compensation of key management personnel

The remuneration of key management personnel during the period was as follows:		15 October 2008 to 31 December
	2010 BD	2009 BD
Short-term benefits Employees' end of service benefits	95,736 4,492	96,702 12,779
	100,228	109,481

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

14 OPERATING COSTS

14 OPERATING COSTS		
•		15 October
		2008 to
		31 December
;	2010	2009
	BD	BD
Staff costs	1,469,296	1,090,330
Sub-contractors work	853,340	872,866
Travel	56,923	50,720
Motor vehicle hire and expenses	32,918	15,546
Communication	12,561	28,165
Consumables	7,590	4,560
Consultants fees and technician charges	6,264	73,699
Other expenses	13,213	4,957
	2,452,105	2,140,843
15 STAFF COSTS		
Staff costs comprise of the following expenses:		. •
		15 October
		2008 to
		31 December
	2010	2009
	BD	BD
Salaries and wages	919,657	841,729
Employees end of service benefits	50,960	59,517
Contribution to Social Insurance Organisation	1,626	847
Other staff benefits	368,250	265,342
Hire of labour	229,031	32,376
	1,569,524	1,199,811

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

		15 October 2008 to
	2010 BD	31 December 2009 BD
Operating costs (note 14) General and administrative expenses	1,469,296 100,228	1,090,330 109,481
	1,569,524	1,199,811

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

16 CONTINGENCIES AND COMMITMENTS

Lease rental commitments

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

	2010 BD	2009 BD
Not later than one year Later than one year and not later than five years Later than five years	16,278 - -	16,297 - -
	16,278	16,297

17 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, interest rate 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.

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. Contract 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:

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 - related parties Contract payables Subcontractors Retentions	3,779,832 271,764 59,106	- - - 76,555	-		3,779,832 271,764 59,106 76,555
	4,110,702	76,555	-		4,187,257
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 - related parties Contract payables Subcontractors Retentions	1,579,321 518,632 47,056	- - - 22,507	-	- - -	1,579,321 518,632 47,056 22,507
	2,145,009	22,507	-	-	2,167,516

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

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FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued) 17

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 a contract receivable which is 70% concentrated to Terna Abu Dhabi, a related party. The net credit risk (netted with unadjusted advances from the customer) exposure of the company is 70% of the total net contract receivable which is BD 3 million.

The company has receivables of BD 3,000,420 due from related parties. All the receivables are without security which renders them fully exposed to credit risk due to default by the counterparties. Management believes amounts due from related parties are fully recoverable and does not believe there is any significant credit risk relating to these balances.

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

Currency risk

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

Capital management

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

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

FAIR VALUES OF FINANCIAL INSTRUMENTS 18

Financial instruments comprise of financial assets and financial liabilities.

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

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