PCC - Terna Contracting Company W.L.L.

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2010

REPORT OF THE BOARD OF DIRECTORS

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

Principal activities and results for the year

PCC - Terna Contracting Company W.L.L is a subsidiary of Terna Bahrain Holding Company W.L.L. The Company was engaged only in construction contracting activities until the prior year. During the year the company's activities were amended to include real estate activities including trading, construction, managing or leading properties and also promote the Company's business.

Results and retained earnings / accumulated losses:

During the year, the Company generated contract revenue of BD 15,101,151 (2009: BD 16,395,674) and reported a profit of BD 2,499,440 (2009: loss of BD 390,777).

The movements in retained earnings (accumulated losses) are as follows:

	2010	*2009*
	BD	*BD*
Balance at 1 January	**(1.972.510)**	(1.581.733)
Profit for the year	**2.499.440**	(390.777)
Transfer to statutory reserve	**(52.693)**	-
Balance at the end of the year	**474.237**	(1.972.510)

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.Rammos
Chairman
9 March 2011

PCC-TERNA CONTRACTING CO. W.L.L.
C.R.64762
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PCC - TERNA CONTRACTING COMPANY W.L.L.

Report on the Financial Statements

We have audited the accompanying financial statements of PCC - Terna Contracting Company 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
PCC TERNA CONTRACTING COMPANY W.L.L. (continued)

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

STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	**2010 BD**	2009 BD
ASSETS			
Non-current asset			
Property, plant and equipment	5	**379.478**	591.503
Current assets			
Inventories	6	**53.529**	635.467
Due from customers for construction contracts	7	**-**	3.485.085
Contract and other receivables	8	**8.900.336**	10.652.864
Bank balances and cash	9	**327.382**	85.283
		9.281.247	14.858.699
TOTAL ASSETS		**9.660.725**	15.450.202
EQUITY (DEFICIENCY OF ASSETS) AND LIABILITIES			
Deficiency of assets			
Share capital	10	**2.672.000**	500.000
Statutory reserve	11	**67.641**	14.948
Retained earnings/(accumulated losses)		**474.237**	(1.972.510)
Total equity (deficiency of assets)		**3.213.878**	(1.457.562)
Non-current liabilities			
Term loan	12	**-**	607.500
Employees' end of service benefits	13	**151.311**	119.652
		151.311	727.152
Current liabilities			
Current portion of term loan	12	**607.500**	270.000
Trade and other payables	14	**5.688.036**	15.910.612
		6.295.536	16.180.612
Total Liabilities		**6.446.847**	16.907.764
TOTAL EQUITY (DEFICIENCY OF ASSETS) AND LIABILITIES		**9.660.725**	15.450.202

D. Rammos
Chairman

PCC-TERNA CONTRACTING CO. W.L.L.
C.R. 64762
P.O.Box 54368
Kingdom of bahrain

G. Stratigos
Director

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2010

	Notes	**2010 BD**	2009 BD
Contract revenue		**15,101,151**	16,395,674
Other income	15	**1,267,110**	69,880
		16,368,261	16,465,554
Operating costs	16	**(11,501,128)**	(10,517,511)
Project material and equipment expenses	17	**(2,310,803)**	(5,918,559)
General and administrative expenses		**(588,680)**	(585,214)
Finance costs	18	**(68,765)**	(193,561)
Future projected losses on contract written back		**600,555**	358,514
PROFIT FOR THE YEAR	19	**2,499,440**	(390,777)
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**2,499,440**	(390,777)

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2010

	Notes	*2010* BD	*2009* BD
OPERATING ACTIVITIES			
Profit for the year		**2,499,440**	(390,777)
Adjustments for:			
Depreciation	5	**230,181**	687,083
Provision for employees' end of service benefits	13	**45,436**	42,136
Finance costs	18	**65,264**	193,561
Operating profit before working capital changes		**2,840,321**	532,003
Working capital changes:			
Inventories		**581,938**	143,019
Due from customers for construction contracts		**3,485,085**	(1,435,707)
Contract and other receivables		**1,752,528**	(1,524,897)
Trade and other payables		**(8,050,576)**	2,309,088
Net cash generated from operations		**609,296**	23,506
Employees' end of service benefits paid	13	**(13,777)**	(6,243)
Net cash from operating activities		**595,519**	17,263
INVESTING ACTIVITY			
Purchase of property, plant and equipment	5	**(18,156)**	(53,773)
Net cash used in investing activity		**(18,156)**	(53,773)
FINANCING ACTIVITIES			
Term loan		**(270,000)**	(270,000)
Finance costs paid		**(65,264)**	(193,561)
Net cash used in financing activities		**(335,264)**	(463,561)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**242,099**	(500,071)
Cash and cash equivalents at 1 January		**85,283**	585,354
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	**327,382**	85,283

Non cash transactions:
During the year amounts payable to shareholders of BD 2,172,000 was converted to share capital.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2010

	Share capital *BD*	*Statutory reserve* *BD*	*Retained earnings (accumulated losses)* *BD*	*Total* *BD*
Balance at 1 January 2010	500,000	14,948	(1,972,510)	(1,457,562)
Issue of share capital (note 10)	2,172,000	-	-	2,172,000
Total comprehensive income for the year	-	-	2,499,440	2,499,440
Transfer to statutory reserve (note 11)	-	52,693	(52,693)	-
Balance at 31 December 2010	**2,672,000**	**67,641**	**474,237**	**3,213,878**
Balance at 1 January 2009	500,000	14,948	(1,581,733)	(1,066,785)
Total comprehensive loss for the year	-	-	(390,777)	(390,777)
Balance at 31 December 2009	500,000	14,948	(1,972,510)	(1,457,562)

The attached notes 1 to 24 form part of these financial statements.

1 ACTIVITIES

PCC - Terna Contracting Company W.L.L. ("the Company") is a limited liability company incorporated in the Kingdom of Bahrain on 29 March 2007 and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 64762. The company is engaged in construction contracting activities, real estate activities including trading, construction, managing or leading properties. It is also responsible to promote the Company's business, join other established companies and set up branches, divisions, subsidiaries, regional offices or own shares and stocks in other established companies and other activities to achieve the objectives of the company.

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

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

The 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***	
	2010	2009
Terna Bahrain Holding Company W.L.L.	96.26%	80%
Poullaides Construction Company W.L.L.	3.74%	20%

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 disclosures
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 or 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 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 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	5 years
Furniture and fixtures	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 the 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.

Inventories
Inventories, which comprise accessories used in construction, are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, and is determined on a first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

Initial recognition
Financial assets are recognised initially at fair value.

The Company's financial assets include bank balances and cash, 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 the 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 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 term loan and trade and other payables.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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:

2 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 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 fulfillment 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 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:

- 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.

3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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.

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.

Improvements to IFRSs (issued in May 2010) (continued)
- *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 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 statement of financial position date, gross contract receivables was BD 8,718,190 (2009: BD 8,086,407) and there was no provision for doubtful debts (2009: same). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

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.

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 asset's 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 charges 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	368,780	1,313,269	152,805	344,360	2,179,214
Additions during the year	-	18,156	-	-	18,156
At 31 December 2010	368,780	1,331,425	152,805	344,360	2,197,370
Depreciation:					
At 1 January 2010	214,471	1,030,977	152,805	189,458	1,587,711
Charge for the year	55,803	114,670	-	59,708	230,181
At 31 December 2010	270,274	1,145,647	152,805	249,166	1,817,892
Net carrying amount:					
At 31 December 2010	**98,506**	**185,778**	**-**	**95,194**	**379,478**

31 December 2009	*Porta cabins BD*	*Plant and equipment BD*	*Fixtures and fittings BD*	*Motor vehicles BD*	*Total BD*
Cost:					
At 1 January 2009	361,415	1,272,536	147,130	344,360	2,125,441
Additions during the year	7,365	40,733	5,675	-	53,773
At 31 December 2009	368,780	1,313,269	152,805	344,360	2,179,214
Depreciation:					
At 1 January 2009	158,634	492,842	120,119	129,033	900,628
Charge for the year	55,837	538,135	32,686	60,425	687,083
At 31 December 2009	214,471	1,030,977	152,805	189,458	1,587,711
Net carrying amount:					
At 31 December 2009	154,309	282,292	-	154,902	591,503

Depreciation expense for the year has been included in the following expense heads in the statement of comprehensive income:

	***2010* BD**	*2009 BD*
Project material and equipment expenses (note 17)	**170,473**	626,658
General and administrative expenses	**59,708**	60,425
	230,181	687,083

6 INVENTORIES

	***2010* BD**	*2009 BD*
Materials at site	**53,529**	635,467

7 DUE FROM CUSTOMERS FOR CONSTRUCTION CONTRACTS

	2010 BD	*2009 BD*
Contract cost incurred till date	**51,475,031**	37,004,801
Recognized losses	**(931,785)**	(2,163,261)
Total value of work executed till date including losses	**50,543,246**	34,841,540
Less: Progress billings	**(50,543,246)**	(31,356,455)
	-	3,485,085

8 CONTRACT AND OTHER RECEIVABLES

	2010 BD	*2009 BD*
Contract receivables	**8,718,190**	8,086,407
Advances to subcontractors and suppliers	**59,276**	2,520,715
Prepayments	**17,242**	23,519
Due from related parties (note 20)	**95,244**	7,609
Other receivables	**10,384**	14,614
	8,900,336	10,652,864

In August 2009, the Company entered into an agreement with Riffa Views B.S.C. ("Riffa") the Company's client for the construction of a villa development at Riffa Views, for the purchase of the title deeds of 33 villas at an agreed total value of BD 8.4 million to secure receivables from Riffa of that amount. The title deeds were to be held by the Company until 31 December 2010 when Riffa was obliged to buy-back all villas at the agreed value. Arcapita Bank B.S.C. ("Arcapita"), the management administrator and shareholder of Riffa had issued a guarantee for the buy back. If Riffa or Arcapita were unable to buy-back the villas at the date of buy back, full and clear title of the villas would revert to the Company. During the year 2009, two of the 33 villas were sold and the Company had received the applicable funds.

Subsequent to year end the Company received the final settlement of the above contrcat receivables and the title deeds of the remaining 31 villas were handed over to Arcapita.

Advannces to subcontractors and suppliers for 2010 represent excess advances made. The Company is currently under negotiation with the subcontractors and suppliers for final settlement of the amounts.

As at year 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	**8,718,090**	**1,190,839**	**-**	**-**	**-**	**-**	**7,527,251**
2009	8,086,407	760,259	-	186,660	5,439,113	1,700,375	-

Unimpaired 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 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	*2009*
	BD	*BD*
Cash in hand	**2,555**	1,094
Bank balances	**324,827**	84,189
	327,382	85,283

10 SHARE CAPITAL

	2010	*2009*
	BD	*BD*
Authorised, issued and fully paid:		
53,440 (2009: 10,000) ordinary shares of BD 50 each	**2,672,000**	500,000

During the year, the share capital of the Company was increased by BD 2,172,000 by converting amounts payable to the shareholders of the Company.

11 STATUTORY RESERVE

The 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.

12 TERM LOAN

	2010	*2009*
	BD	*BD*
Total amount outstanding	**607,500**	877,500
Less: current maturity of term loan	**(607,500)**	(270,000)
Non-current portion of term loan	**-**	607,500

Renewed facility
On 24 January 2010, the previous loan facility (as discussed below) was reviewed by HSBC and was renewed with a combined limit for the Riffa Views project of BD 2 million. The agreement includes the following facilities ("limits for specific facilities denoted') for Trade Finance (BD 500,000), Import Cash (BD 500,000), Guarantee Lines for Performance Bonds (BD 1,500,000) and Invoice Discounting (BD 500,000). Invoice Discounting and Trade Finance have a combined limit of BD 500,000.

The term loan facility was limited to the balance of the loan at the date of review of BD 877,500 with 39 monthly installments of BD 22,500 and interest set at the BLR less 1% per annum. However, as per the terms of the agreement, the term loan is to be repaid within six months of the completion of the Riffa Views project. Since this project was completed in early 2011, the entire balance of the term loan has been classified as current.

Securities and covenants for the new facility have remained the same as below.

As at 31 December 2010, in addition to the term loan, the Company had only utilized the BD 1.5 million performance bond facility (31 December 2009: Same).

12 TERM LOAN (continued)

Previous facility
In 2008 an installment loan facility of BD 1,350,000 was obtained from HSBC. The loan is repayable in five years in 60 equal monthly installments. The loan carries an effective interest rate of Base Lending Rate (BLR) minus 3.5% per annum and is collected in arrears every month. The interest rate as at 31 December was 8.5%.

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

HSBC has obtained the following securities over the facility:

- A 100% corporate guarantee from the ultimate parent company of BD 10.85 million;
- A letter of undertaking that the residual term loan will repaid within six months of the completion of the project and that the liquidation of machinery will be utilised for a bullet payment in the event of no further projects being undertaken; and
- A letter undertaking that the direct or indirect ownership of the Company by the ultimate parent entity will not be reduced below 80% without HSBC's prior consent.

13 EMPLOYEES' END OF SERVICE BENEFITS

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

	2010	*2009*
	BD	*BD*
At 1 January	**119,652**	83,759
Provided during the year	**45,436**	42,136
Paid during the year	**(13,777)**	(6,243)
At 31 December	**151,311**	119,652

14 TRADE AND OTHER PAYABLES

	2010	*2009*
	BD	*BD*
Contract payables	**527,058**	4,103,038
Due to related parties (note 20)	**3,987,025**	7,096,928
Retentions payable	**1,030,515**	975,719
Other payables	**143,438**	354,580
Contract advances	-	3,275,953
Accrued expenses	-	104,394
	5,688,036	15,910,612

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

For terms and conditions for balances with related parties please refer to note 20.

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

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

Contract advances which are generally non-interest bearing 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.

15 OTHER INCOME

	2010 BD	2009 BD
Development fee	**1,077,270**	-
Other	**190,695**	81,497
Foreign exchange loss	**(855)**	(11,617)
	1,267,110	69,880

Development fee represents late payment compensation at the rate of 12% per annum from the management of Riffa views as per agreement for the payment of contract receivables. The balance was received subsequent to the year end.

16 OPERATING COSTS

	2010 BD	2009 BD
Sub-contractors' work	**8,326,336**	6,131,873
Staff costs (note 19)	**2,642,651**	3,737,089
Motor vehicle hire and expenses	**187,196**	336,484
Travel	**125,258**	131,201
Repairs and maintenance	**170,999**	130,010
Communication	**46,442**	45,239
Technician fees	**2,246**	4,478
Other	**-**	1,137
	11,501,128	10,517,511

17 PROJECT MATERIAL AND EQUIPMENT EXPENSES

	2010 BD	2009 BD
Project material	**2,092,989**	5,244,852
Depreciation (note 5)	**170,473**	626,658
Consumables and tools	**47,341**	47,049
	2,310,803	5,918,559

18 FINANCE COSTS

	2010 BD	2009 BD
Interest expense	**65,264**	85,071
Letter of guarantee and bond fees	**-**	72,081
Bank charges	**1,765**	34,057
Letter of credit charges	**1,736**	2,352
	68,765	193,561

19 PROFIT FOR THE YEAR

Profit for the year has been stated after charging staff costs and operating lease rentals.

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

	2010	*2009*
	BD	*BD*
Operating costs (note 16)	**2,642,651**	3,737,089
General and administrative expenses	**347,790**	302,408
	2,990,441	4,039,497

Staff costs comprise the following expenses:

Salaries and wages	**1,816,129**	2,448,284
Other staff benefits	**530,711**	967,335
Hire of labour	**526,989**	478,844
Contribution to Social Insurance Organisation	**71,175**	102,898
Employees' end of service benefits	**45,437**	42,136
	2,990,441	4,039,497
Rentals - operating leases	**39,600**	39,600

20 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

There were no statement of comprehensive income transactions with related parties in the current year (2009: nil).

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

	2010	*2009*
	BD	*BD*
Due from related parties (note 8)		
Fellow subsidiaries		
Terna Contracting W.L.L	**75,303**	-
Terna Mechanical and Electrical W.L.L.	**19,343**	7,011
Under common control		
Terna Qatar Company L.L.C	**598**	598
	95,244	7,609

20 RELATED PARTY TRANSACTIONS (continued)

	2010 BD	2009 BD
Due to related parties (note 14)		
Parent entities		
Terna Bahrain Holding Company W.L.L.	**3,891,009**	6,870,405
Terna Overseas Ltd.	**31,098**	18,005
Terna S.A	**64,918**	23,164
Fellow subsidiary		
Terna Contracting W.L.L	-	185,354
	3,987,025	7,096,928

Outstanding balances at the year end are unsecured, interest free and payable on demand. 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.

Compensation of key management personnel

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

	2010 BD	2009 BD
Short-term benefits	**161,660**	166,180
Employees' end of service benefits	**15,450**	-
	177,110	166,180

21 CONTINGENCIES AND COMMITMENTS

a) Contingencies

The shareholders are currently in dispute in respect of the validity of the additional issue of shares in the Company and in respect of the operation of the shareholders agreement. Management of the Company do not believe that the outcome of the dispute will have any impact on the financial performance of the Company whatever the result. However if the complianant wins the case, the share issue of BD 2,172,000 during the year may be reversed and the applicable capital amount would be reclassified as a liability.

b) Guarantees

The Company's bankers have given performance and advance payment guarantees amounting to BD 1,500,000 (2009: BD 1,500,000) in respect of various contracts undertaken for execution. These are secured by joint and several guarantees from the shareholders.

c) Lease rental commitments

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

	2010 BD	2009 BD
Not later than one year	**30,000**	38,800
Later than one year and not later than five years	**11,250**	41,250
	41,250	80,050

22 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.

Interest rate risk
The Company has a term loan outstanding carrying an effective interest rate as mentioned in the note 12.

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

	Increase / decrease in basis points	*Effect on profit BD*
2010	**+50**	**1,688**
	-50	**(1,688)**
2009	+ 50	3,036
	- 50	(3,036)

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

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

31 December 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	**527,058**	-	-	-	**527,058**
Due to related parties	**3,987,025**	-	-	-	**3,987,025**
Retentions payable	-	**1,030,515**	-	-	**1,030,515**
Term loan	**12,432**	**621,099**	-	-	**633,531**
Other payables	**143,438**	**120,214**	-	-	**263,652**
	4,669,953	**1,771,828**	-	-	**6,441,781**

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	4,103,038	-	-	-	4,103,038
Due to related parties	7,096,928	-	-	-	7,096,928
Retentions payable	-	975,719	-	-	975,719
Term loan	84,948	247,158	663,335	-	995,441
Other payables	212,687	246,287	-	-	458,974
	11,497,601	1,469,164	663,335	-	13,630,100

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The company has a contract receivable which is due from a single party. The net credit risk (netted with unadjusted advances from the customer) exposure of the company is 100% (2009: 98%) of the total contract receivable which is BD 8.72 million (2009: BD 7.95 million). The contract receivable balance is secured against properties in the project and a guarantee. Please see note 8 for more details.

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

Foreign currency risk

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

The sensitivity to a reasonably possible change of +/- 5% in exchange rate with all other variables held constant is not expected to have a significant impact on the Company's profit.

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.

No changes were made in the objectives, policies or processes during the year ended 31 December 2010 and 31 December 2009.

23 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprises of financial assets and financial liabilities.

Financial assets consist of bank balances and cash and contract and other receivables. Financial liabilities consist of term loan and trade and other payables.

24 COMPARATIVE FIGURES

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