

Terna Qatar L.L.C

FINANCIAL STATEMENTS

31 DECEMBER 2009

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

We have audited the accompanying financial statements of Terna Qatar L.L.C (the "Company") which comprise the Statement of financial position as at 31 December 2009 and the Statement of comprehensive income, Statement of cash flows and Statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on legal and other requirements

Furthermore, in our opinion, proper books of account have been kept by the Company and the financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002, Qatar Income Tax Law No. 11 of 1993 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year, which might have had a material effect on the business of the Company or on its financial position. We are not aware of any deviations from the Income Tax rules during the year.

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

Date: 2 February 2010
Doha

STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	<i>Notes</i>	2009 QR	2008 QR
ASSETS			
Non-current assets			
Property, plant and equipment	3	4,649,664	521,200
Current assets			
Work in progress		22,657,977	5,386,401
Accounts receivable and prepayments	4	14,668,296	11,341,947
Amounts due from related parties	11	157,564,343	166,773,660
Cash and bank balances	5	10,126,567	19,112,340
		205,017,183	202,614,348
TOTAL ASSETS		209,666,847	203,135,548
EQUITY AND LIABILITIES			
Equity			
Share capital	6	200,000	200,000
Legal reserve	7	100,000	100,000
Retained earnings		2,312,528	8,461
		2,612,528	308,461
Non current liabilities			
Employees' end of service benefits	8	566,266	176,880
Current liabilities			
Advances from client	9	194,130,000	194,130,000
Accounts payable and accruals	10	5,521,031	4,533,428
Amounts due to related parties	11	6,837,022	1,683,987
Dividend payable		-	2,302,792
		206,488,053	202,650,207
TOTAL EQUITY AND LIABILITIES		209,666,847	203,135,548

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for Terna Qatar L.L.C

STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December 2009

	<i>Note</i>	2009 QR	2008 QR
Contract revenue		25,337,255	12,268,618
Other income		1,589,695	188,805
		26,926,950	12,457,423
EXPENSES			
Salaries and related expenses		12,962,387	5,901,813
Accommodation and subsistence		3,765,320	976,153
Letters of guarantee charges		2,821,145	218,396
Miscellaneous		1,267,123	726,024
Exchange losses		954,401	1,270,698
Sub-contract costs		895,797	584,675
Office rent		780,000	270,000
Vehicle hire and costs		589,426	296,406
Depreciation	3	567,142	78,049
Travel and hotels		541,936	781,196
Insurance		496,758	3,000
Legal and consultants fees		372,512	411,514
Communication and courier charges		226,301	130,544
Bank charges and commissions		191,996	572,252
Hire of equipment		177,060	-
Printing and stationary		152,765	77,056
Advertising and promotion		60,000	50,000
Entertainment and advertising		55,106	54,686
Tender expense		48,500	46,500
		26,925,675	12,448,962
PROFIT FOR THE YEAR BEFORE TAXATION		1,275	8,461
Income Tax Expense		-	-
PROFIT FOR THE YEAR		1,275	8,461

The attached notes 1 to 15 form part of these financial statements.

STATEMENT OF CASHFLOWS

Year Ended 31 December 2009

	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
OPERATING ACTIVITIES		
Profit for the year before taxation	1,275	8,461
Adjustment for:		
Depreciation	567,142	78,049
Provision for employees' end of service benefits	415,892	176,880
Loss on write-off of fixed assets	22,591	-
	<u>1,006,900</u>	<u>263,390</u>
Working capital adjustments:		
Work in progress	(17,271,576)	(5,386,401)
Accounts receivable and prepayments	(3,326,349)	(7,285,447)
Amounts due from related parties	9,209,317	(161,167,786)
Advance received from customer	-	194,130,000
Amounts due to related parties	5,153,035	(6,590,895)
Accounts payable and accruals	987,603	2,290,980
Cash (used in)/from operations	<u>(4,241,070)</u>	<u>16,253,841</u>
Income tax paid	-	(170,439)
Employees' end of service benefits paid	(26,506)	-
Net cash (used in)/from operating activities	<u>(4,267,576)</u>	<u>16,083,402</u>
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(4,718,197)	(466,438)
Net cash used in investing activities	<u>(4,718,197)</u>	<u>(466,438)</u>
(DECREASE)/INCREASE IN CASH AND BANK BALANCES	<u>(8,985,773)</u>	<u>15,616,964</u>
Cash and bank balances at beginning of the year	<u>19,112,340</u>	<u>3,495,376</u>
CASH AND BANK BALANCES AT 31 DECEMBER	<u>10,126,567</u>	<u>19,112,340</u>

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2009

	<i>Share Capital QR</i>	<i>Legal Reserve QR</i>	<i>Retained earnings QR</i>	<i>Total QR</i>
Balance at 1 January 2009	200,000	100,000	8,461	308,461
Reversal of dividend payable	-	-	2,302,792	2,302,792
Profit for the year	-	-	1,275	1,275
Balance at 31 December 2009	200,000	100,000	2,312,528	2,612,528

On 2 February 2010 the shareholders of the company resolved to reverse the dividend payable amounting to QR 2,302,792 which was proposed in the prior year and to increase the retained earnings by the same amount.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2009

1 ACTIVITIES

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

Shareholder	Shareholding	No. of shares	Value of shares QR
Ali Mohamed Tayab Hasim Mustafavi	Qatari	13,000	130,000
Terna Overseas – Cyprus	Foreign	7,000	70,000
Total		20,000	200,000

The financial statements were authorised for issue in accordance with a resolution of the directors on 2 February 2010.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

The financial statements of Terna Qatar L.L.C have been prepared in accordance with International Financial Reporting standards and applicable requirements of Qatar Commercial Companies' Law No. 5 of 2002.

These financial statements have been presented in Qatari Riyals.

The financial statements are prepared under the historical cost convention.

Summary of significant accounting policies**Revenue recognition***Service Revenue*

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

Interest Income

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Income Taxes

Taxation is provided in accordance with the Qatar Income Tax Law.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

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

Buildings	20 years
Electrical equipment	05 years
Computer equipment	03 years
Furniture and fittings	6-7 years
Telephones	6-7 years

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2009

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and their value in use.

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

Accounts receivable

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

Accounts payable and accruals

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

Provisions

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

Employees' end of service benefits

The company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period, calculated under the provisions of the Qatar Labour Law and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

Foreign currencies

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

Fair values

The fair value is the estimated amount for which asset could reasonably be exchanged for on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the buyer and seller has each acted knowledgeably, prudently and without compulsion.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2009

3 PROPERTY, PLANT AND EQUIPMENTS

	<i>Plant & Machinery</i> QR	<i>Motor Vehicles</i> QR	<i>Furniture & Fittings</i> QR	<i>Building s</i> QR	<i>Electronic Equipment</i> QR	<i>Computer equipment</i> QR	<i>Telephone s</i> QR	<i>Total</i> QR
Cost:								
At 1 January 2009	-	-	120,036	15,828	63,342	391,955	24,548	615,709
Additions	3,015,782	1,020,755	235,098	30,850	194,070	181,340	40,302	4,718,197
Write Off	-	-	(2,432)	(15,828)	(6,830)	(1,912)	(830)	(27,832)
At 31 December 2009	<u>3,015,782</u>	<u>1,020,755</u>	<u>352,702</u>	<u>30,850</u>	<u>250,582</u>	<u>571,383</u>	<u>64,020</u>	<u>5,306,074</u>
Depreciation:								
At 1 January 2009	-	-	9,644	1,267	10,519	69,665	3,414	94,509
Charged for the year	234,054	86,661	41,458	418	33,746	162,414	8,391	567,142
Write Off	-	-	(721)	(1,267)	(1,938)	(1,117)	(198)	(5,241)
At 31 December 2009	<u>234,054</u>	<u>86,661</u>	<u>50,381</u>	<u>418</u>	<u>42,327</u>	<u>230,962</u>	<u>11,607</u>	<u>656,410</u>
Net carrying values:								
At 31 December 2009	<u>2,781,728</u>	<u>934,094</u>	<u>302,321</u>	<u>30,432</u>	<u>208,255</u>	<u>340,421</u>	<u>52,413</u>	<u>4,649,664</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2009

3 PROPERTY, PLANT AND EQUIPMENTS (CONTINUED)

	<i>Furniture & Fittings QR</i>	<i>Buildings QR</i>	<i>Electronic Equipment QR</i>	<i>Computer equipment QR</i>	<i>Telephones QR</i>	<i>Total QR</i>
Cost:						
At 1 January 2008	24,793	15,828	15,533	80,888	12,228	149,270
Additions	<u>95,243</u>	<u>-</u>	<u>47,809</u>	<u>311,067</u>	<u>12,320</u>	<u>466,439</u>
At 31 December 2008	<u>120,036</u>	<u>15,828</u>	<u>63,342</u>	<u>391,955</u>	<u>24,548</u>	<u>615,709</u>
Depreciation:						
At 1 January 2008	1,351	473	1,527	12,098	1,011	16,460
Charged for the year	<u>8,293</u>	<u>794</u>	<u>8,992</u>	<u>57,568</u>	<u>2,403</u>	<u>78,049</u>
At 31 December 2008	<u>9,644</u>	<u>1,267</u>	<u>10,519</u>	<u>69,666</u>	<u>3,414</u>	<u>94,509</u>
Net carrying values:						
At 31 December 2008	<u>110,392</u>	<u>14,561</u>	<u>52,823</u>	<u>322,288</u>	<u>21,134</u>	<u>521,200</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2009

4 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
Trade receivables	6,815,000	6,815,000
Deposits and prepayments	4,160,254	4,389,702
Other receivables	329,326	137,245
Advance to suppliers	3,363,716	-
	<u>14,668,296</u>	<u>11,341,947</u>

5 CASH AND BANK BALANCES

	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
Cash at bank	9,905,545	19,080,871
Cash on hand	221,022	31,469
	<u>10,126,567</u>	<u>19,112,340</u>

6 SHARE CAPITAL

	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
Authorised, issued and fully paid 200 ordinary shares of QR 1,000 each	<u>200,000</u>	<u>200,000</u>
	<u>200,000</u>	<u>200,000</u>

7 LEGAL RESERVE

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

8 EMPLOYEES' END OF SERVICE BENEFITS

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

	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
Balance as at 1 January	176,880	-
Provided during the year	415,892	176,880
Paid during the year	(26,506)	-
	<u>566,266</u>	<u>176,880</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2009

9 ADVANCES FROM CLIENT

The company has received an advance amounting to QR. 194,130,000 in terms of the contract entered into with Al Merqab Real Estate LLC for construction of commercial development. It accounts for 30% of the price of the contract. Price of the contract is QR 647.1 Mn.

The company is unconditionally bound to Al Merqab Real Estate LLC for outstanding guarantee facility at year end under an advance payment guarantee bond issued by HSBC amounted to QR. 194,130,000 which is the outstanding amount as of the statement of financial position date.

10 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
Trade payables	214,120	148,870
Accrual expense	853,839	-
Other payables	4,453,072	4,384,558
	<u>5,521,031</u>	<u>4,533,428</u>

11 TRANSACTIONS WITH RELATED PARTIES

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

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

	<i>2009</i>		<i>2008</i>	
	<i>Receivables</i> <i>QR</i>	<i>Payables</i> <i>QR</i>	<i>Receivables</i> <i>QR</i>	<i>Payables</i> <i>QR</i>
Terna Bahrain Holding W.L.L	121,205,000	609,194	145,516,203	-
QBC Terna Joint Venture	36,359,343	-	21,257,457	-
Terna Overseas Limited	-	2,622,308	-	1,427,807
Terna S.A	-	495,051	-	99,326
Terna SA Sharjah Company	-	404,473	-	156,854
Terna S.A Abu Dhabi	-	2,683,863	-	-
PCC Terna Bahrain	-	5,794	-	-
Terna Contracting W.L.L	-	16,339	-	-
	<u>157,564,343</u>	<u>6,837,022</u>	<u>166,773,660</u>	<u>1,683,987</u>

12 CONTINGENCIES

At 31 December 2009 the Company has contingent liabilities in respect of bank guarantee and performance bond in relation to the construction contract amounting to QR. 266,030,000 (2008: QR. 266,030,000).

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2009

13 FINANCIAL RISK MANAGEMENT**Objectives and policies**

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

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

Credit risk

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

The Company's main customer is the Joint venture with Qatar Building Company and this account for substantial portion of accounts receivable at 31 December 2009.

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

	2009 QR
Bank balances	10,126,567
Trade receivables	6,815,000
Deposits and prepayments	4,160,254
Other receivables	329,326
Advance to suppliers	3,363,716
Amounts due from related parties	157,564,343
	<u>182,359,206</u>

Liquidity risk

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

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2009, based on contractual payment dates and current market interest rates.

31 December 2009	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	214,120	-	-	-	214,120
Amounts due to relate parties	6,837,022	-	-	-	6,837,022
Accrued Expenses	853,839	-	-	-	853,839
Other payables	4,453,072	-	-	-	4,453,072
Total	<u>12,358,053</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,358,053</u>

Currency risk

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

13 FINANCIAL RISK MANAGEMENT (Continued)

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2009. Capital comprises share capital, statutory reserve and retained earnings, and is measured at QR. 309,736 as at 31 December 2009 (2008: QR 308,461).

14 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Impairment of accounts receivable

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

At the statement of financial position date, gross trade accounts receivable were QR 6,815,000 with no provision for doubtful debts. Any difference between the amounts actually collected in future periods and amounts expected will be recognised in the statement of comprehensive income.

15 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of payables, and accrued expenses.

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