# TERNA S.A.ENGINEERING

## ABU DHABI BRANCH

## UNITED ARAB EMIRATES

## INDEX

ATLAS ACCOUNTING & AUDITING EST.
Certified Public Accountants
Financial Consultants

مؤسسة أطلس للمحاسبة و التدقيق
محاسبون قانونيون معتمدون
مستشارون ماليون

٢٥ عاما من التفوق
25 Years Of Excellence

## AUDITOR'S REPORT

THE SHAREHOLDERS
TERNA S.A.
ABU DHABI BRANCH
UNITED ARAB EMIRATES.

We have audited the accompanying financial statements of Terna S.A. Engineering – Abu Dhabi Branch U.A.E for the period ended December 31, 2007 which comprises the Balance Sheet, Income Statement and Notes to the Financial Statements. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards of Auditing and such other Auditing procedures as we considered necessary. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the Financial Position of Terna S.A. Engineering - Abu Dhabi Branch U.A.E as of December 31, 2007, and the results of its operations for the period then ended in accordance with International Financial Reporting Standards.

For ATLAS ACCOUNTING & AUDITING EST.

February 23, 2008.

مؤسسة أطلس للمحاسبة والتدقيق
ATLAS Accounting & Auditing Est.

EXHIBIT A

TERNA S.A. ENGINEERING
ABU DHABI BRANCH
BALANCE SHEET
AS AT DECEMBER 31, 2007

| | December 31, 2007 | | | | | | December 31, 2006 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EUR/AED 5.401 | Amounts in AED | | | Amounts in EUR | | | Amounts in AED | | | Amounts in EUR | | |
| **ASSETS** | | | | | | | | | | | | |
| **Fixed Assets** | | | | | | | | | | | | |
| **Buildings-Site Offices** | | | | | | | | | | | | |
| Buildings-Site Offices | 436,000.00 | | | | | | | | | | | |
| Accumulated Depreciation | 196,083.33- | 239,916.67 | | | 44,420.79 | | | | | | | |
| **Plant & Equipment** | | | | | | | | | | | | |
| Plant & Equipment | 14,069,065.30 | | | | | | | | | | | |
| Accumulated Depreciation | 1,176,949.00- | 12,892,116.30 | | | 2,386,986.91 | | | | | | | |
| **Furnitures/Office Equipment** | | | | | | | | | | | | |
| Furnitures/Office Equipment | 703,871.00 | | | | | | | | | | | |
| Accumulated Depreciation | 212,529.35- | 491,341.65 | | | 90,972.35 | | | 13,454 | 13,454 | | 2,785.00 | |
| **Transportation Equipment** | | | | | | | | | | | | |
| Transportation Equipment | 1,019,610.00 | | | | | | | | | | | |
| Accumulated Depreciation | 34,253.45- | 985,356.55 | | | 182,439.65 | | | | | | | |
| **Site Temporary Installations** | 448,379.40 | 448,379.40 | | | 83,017.85 | | | | | | | |
| **Total Fixed Assets** | | | 15,057,110.57 | | | 2,787,837.54 | | | 13,454 | | | 2,785 |
| **Inventory** | | | | | | | | | | | | |
| Project Inventory | | 113,953.00 | 113,953.00 | | 21,098.50 | 21,098.50 | | | | | | |
| **Financial Assets** | | | | | | | | | | | | |
| **Receivables owned by affiliated undertakings** | | | | | | | | | | | | |
| Terna Bahrain holding | 13,000,040.00 | | | 2,406,969.08 | | | | | | | | |
| Terna SA Sharjah | 326,804.63 | | | 60,508.17 | | | | | | | | |
| PCC Terna | 194,699.28 | 13,521,543.91 | | 36,048.75 | 2,503,526.00 | | | | | | | |
| **Guarantees** | | | | | | | | | | | | |
| Refundable Deposits | | 100,600.00 | | | 18,626.18 | | | 3,000 | | | 620.90 | |
| | | | | | - | | | | | | | |
| **Total Financial Assets** | | | 13,622,143.91 | | | 2,522,152.18 | | | 3,000 | | | 621 |
| **Debtors, Cash at Banks, Prepayments & Accrued Income** | | | | | | | | | | | | |
| **Advances to Account for** | | | | | | | | | | | | |
| Payroll - Advance payments to Personnel | 76,033.25 | | | 14,077.62 | | | | 189 | | | 39.12 | |
| Sundry Debtors - Money on Account | 1,457,019.31 | 1,533,052.56 | | 269,768.43 | 283,846.06 | | | - | | | 0.00 | |
| **Cash at Bank** | | | | | | | | | | | | |
| Cash on Hand | 36,034.18 | | | 6,671.76 | | | | | | | | |
| Sight Deposits | 18,159,006.44 | | | 3,362,156.35 | | | | | | | | |
| Fixed Deposits | 13,000,000.00 | 31,195,040.62 | | 2,406,961.67 | 5,775,789.78 | | | | | | 0.00 | |
| **Prepayments & Accrued Income** | | | | | | | | | | | | |
| Prepaid Expenses | | 7,151,615.70 | | | 1,324,128.07 | | | | | | | |
| Project Receivables | | 28,019,242.86 | | | 5,187,787.98 | | | 103,808 | | | 21,484.78 | |
| Advances to Suppliers | | 18,734,538.37 | | | 3,468,716.60 | | | | | | | |
| **Total Debtors, Cash at Banks, Prepayments & Accrued Income** | | | 86,633,490.11 | | | 16,040,268.49 | | | 103,997 | | | 21,524 |
| **TOTAL ASSETS** | | | 115,426,697.59 | | | 21,371,356.71 | | | 133,905 | | | 24,930 |
| **EQUITY & LIABILITIES** | | | | | | | | | | | | |
| **Equity** | | | | | | | | | | | | |
| **Capital & Accumulated Results** | | | | | | | | | | | | |
| Accumulated Results | 263,600.60- | | | (55,868.26) | | | - | | | - | | |
| Profit for the Period | 6,638,302.88 | | | 1,245,226.58 | | | (263,601) | | | (55,868) | | |
| FX Differences: Conversion of Financial Statemetns in Euro | | | | (9,076.46) | 1,180,281.86 | | - | (263,601) | | 1,312 | -54,556.26 | |
| **Total Equity** | | 6,374,702.28 | 6,374,702.28 | | | 1,180,281.86 | | | (263,601) | | | -54,556 |
| **Liabilities** | | | | | | | | | | | | |
| **Capital & Reserves, Provision for Liabilities & Long-Term Debt** | | | | | | | | | | | | |
| **Liaison Accounts** | | | | | | | | | | | | |
| Head Office In Greece | | 1,216,915.31 | | 225,312.96 | 225,312.96 | | 140,769 | | | 29,135 | | |
| Terna SA Sharjah | | | | - | | | 209,137 | 349,906 | | 43,284 | 72,419.00 | |
| **Total Capital & Reserves, Provision for Liabilities & Long-Term Debt** | | | 1,216,915.31 | | | 225,312.96 | | | 349,906 | | | 72,419 |
| **Current Liabilities, Accruals and Deferred Income** | | | | | | | | | | | | |
| **Sundry Creditors** | | | | | | | | | | | | |
| Project Advances | 46,714,511.07 | | | 8,649,233.67 | | | | | | | | |
| Suppliers | 28,623,768.18 | | | 5,299,716.38 | | | | | | | | |
| Bank Payables | 3,308,678.72 | | | 612,604.84 | | | - | | | - | | |
| Personnel - Money on Account | | | | | | | - | | | - | | |
| Cheques Payable | 6,765,217.87 | 85,412,175.84 | | 1,252,586.16 | 15,814,141.06 | | 34,146 | 34,146 | | 7,067 | 7,067.08 | |
| **Accruals-Deferred Income and Suspense Credit** | | | | | | | | | | | | |
| Accrued Expenses | | 1,130,569.25 | | | 209,325.91 | | | | | | | |
| provisions | | 786,804.75 | | | 145,677.61 | | | | | | | |
| Deferred Income | | 20,505,530.16 | | | 3,796,617.32 | | | | | | | |
| **Total Current Liabilities, Accruals and Deferred Income** | | | 107,835,080.00 | | | 19,965,761.90 | | | 34,146 | | | 7,067 |
| **TOTAL EQUITY & LIABILITIES** | | | 115,426,697.59 | | | 21,371,356.71 | | | 120,451 | | | 24,930 |

The Accompanying Notes Constitute an Integral Part of these Statements

EXHIBIT "B"

TERNA S.A. ENGINEERING

ABU DHABI BRANCH

UNITED ARAB EMIRATES

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

DECEMBER 31, 2007

| EURO/AED 5,331 - 2007 | DECEMBER | 31, 2007 | DECEMBER | 31, 2006 |
|---|---|---|---|---|
| **EURO/AED 4,7183- 2006** | **AED** | **EURO** | **AED** | **EURO** |
| CONTRACT REVENUE | 79.495.950,28 | 14.912.014,68 | - | - |
| OTHER INCOME | 676.106,61 | 126.825,49 | | |
| **TOTAL REVENUE** | **80.172.056,89** | **15.038.840,17** | - | - |
| DIRECT EXPENSES – Note 4 | 64.543.861,90 | 12.107.271,04 | | |
| **GROSS PROFIT** | **15.628.194,99** | **2.931.569,13** | - | - |
| INDIRECT, G&A EXPENSES – Note 5 | 8.989.892,11 | 1.686.342,55 | 263.601 | 55.868 |
| **NET LOSS/PROFIT- Exhibit "A"** | **6.638.302,88** | **1.245.226,58** | **(263.601)** | **(55.868)** |

The Accompanying Notes Constitute an Integral Part of These Statements

TERNA S.A. ENGINEERING
ABU DHABI BRANCH
UNITED ARAB EMIRATES
NOTES TO FINANCIAL STATEMENTS

## 1. STATUS

Terna S.A. Engineering Abu Dhabi Branch (United Arab Emirates) is Incorporated under the Trade License Issued in Abu Dhabi as a Foreign Company, Branch of a Greek Company.

The Company is engaged in Mechanical and Electrical Works, all kinds of Building Projects Contracting – Bridges and Tunnels Contracting – Main Roads Streets Contracting and Related Works Thereof.

## 2. FIXED ASSETS

Fixed assets are depreciated over their useful life period. Alternatively, assets allocated to construction projects can be depreciated over project period, not exceeding their useful life in all cases.

## 3. REVENUE

Revenue is calculated as per the percentage of completion method, based on IAS (International Accounting Standard) #11, *"Construction Contracts". (See exhibit B)*

## 4. DIRECT EXPENSES

| EURO/AED 5,331 – 2007 | DECEMBER | 31, 2007 | DECEMBER | 31, 2006 |
|---|---|---|---|---|
| **EURO/AED 4,7183- 2006** | **AED** | **EURO** | **AED** | **EURO** |
| **Labour Cost** | | | | |
| Salaries of labours | 8.488.102 | 1.592.215,73 | - | - |
| Labour Camp | 1.704.839 | 319.797,21 | - | - |
| Other Labour Cost | 3.775.072 | 708.135,75 | - | - |
| **Total Labour Cost** | **13.968.013** | **2.620.148,69** | - | - |
| **Equipment Cost** | **2.112.402** | **396.248,68** | - | - |
| **Project Materials** | **31.032.868** | **5.821.209,59** | - | - |
| **Subcontractors** | **16.204.787** | **3.039.727,49** | - | - |
| **Depreciation** | **1.176.949** | **220.774,53** | - | - |
| **Other Direct Expenses** | **48.843** | **9.162,07** | - | - |
| **Grand Total Direct Cost- Exhibit "B"** | **64.543.862** | **12.107.271** | - | - |

## 5. INDIRECT, GENERAL & ADMINISTRATIVE EXPENSES

| EURO/AED 5,331 - 2007 | DECEMBER 31, 2007 | | DECEMBER 31, 2006 | |
|---|---|---|---|---|
| **EURO/AED 4,7183- 2006** | **AED** | **EURO** | **AED** | **EURO** |
| Salaries of staff | 3.426.807,74 | 642.807,68 | 132.269 | 28.034 |
| Other Labour Cost | 1.834.876,02 | 344.189,84 | | |
| Visitor expenses | 81.323,88 | 15.254,90 | | |
| Traveling | 165.991,10 | 31.136,95 | 24.693 | 5.233 |
| Financial Expenses | 732.285,03 | 137.363,54 | | |
| Project Insurance | 198.492,82 | 37.233,69 | | |
| Depreciation of Porta Cabins | 196.083,33 | 36.781,72 | | |
| Other Depreciation | 246.782,80 | 46.292,03 | | |
| Licenses and Permits | 50.228,50 | 9.421,97 | | |
| Other expenses | 2.057.020,89 | 385.860,23 | 106.639 | 22.601 |
| **Grand Total - G&A – Exhibit "B"** | **8.989.892,11** | **1.686.342,55** | **263.601** | **55.868** |

## 6. CONTINGENT LIABILITIES

| | AED. | EURO. |
|---|---|---|
| L/C Usance Local | 102.641,15 | 19.253,64 |
| L/G Advance Payment | 64.016.525,20 | 12.008.352.14 |
| L/G Financial | 14.538.309,05 | 2.727.126,07 |
| L/G Labour | 1.375.000 | 257.000,34 |
| L/G Performance | 63.586.525,20 | 11.927.691,85 |