Terna Overseas Limited

Report and financial statements
31 December 2009

Contents

Terna Overseas Limited

Board of Directors and other officers

Board of Directors

Androulla (Andri) Efthymiou
Xenia Koustai
Stelios Panayides (Director)
Panagiotis Pothos
Garifallia Pamvouxoglou

Company Secretary

Coly Secretarial Limited
Elenion Building
2nd floor
5 Themistocles Dervis Street
CY-1066 Nicosia
Cyprus

Registered office

Elenion Building
2nd floor
5 Themistocles Dervis Street
CY-1066 Nicosia
Cyprus

Terna Overseas Limited

Report of the Board of Directors

1 The Board of Directors presents its report together with the audited financial statements of the Company for the year ended 31 December 2009.

Principal activities

2 The principal activities of the Company, which are unchanged from last year, are the provision of consultancy services in the construction field, the execution and supervision of public and private technical projects and land dvelopment.

Review of developments, position and performance of the Company's business

3 The profit of the Company for the year ended 31 December 2009 was €19.102.036 (2008: profit of €645.144). On 31 December 2009 the total assets of the Company were €38.523.508 (2008: €25.653.521) and the net assets were €25.022.631 (2008: net assets €3.420.595). The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

Principal risks and uncertainties

4 The principal risks and uncertainties faced by the Company are set out in Note 3 and Note 4 of the financial statements.

Future developments

5 The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future.

Results

6 The Company's results for the year are set out on page 6. The Board of Directors does not recommend the payment of a dividend and the profit for the year is retained.

Share capital

7 There were no changes in the share capital of the Company.

Board of Directors

8 The members of the Board of Directors at 31 December 2009 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2009.

9 In accordance with the Company's Articles of Association there being no requirement for the retirement of directors by rotation, all the Directos remain in office.

Terna Overseas Limited

Report of the Board of Directors (continued)

Events after the balance sheet date

10 There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

Branches

11 The Company did not operate through any branches during the year.

Independent Auditors

12 The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Stelios Panayides
Director

Nicosia,
26 March 2010

PricewaterhouseCoopers

PricewaterhouseCoopers Limited
Julia House
3 Themistocles Dervis Street
CY-1066 Nicosia
P O Box 21612
CY-1591 Nicosia, Cyprus
Telephone: + 357 - 22555000
Facsimile: + 357 - 22555001
www.pwc.com/cy

Independent Auditor's Report
To the Members of Terna Overseas Limited

Report on the Financial Statements

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

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. 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.

Auditor's 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 auditor's judgment, 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 of financial statements that give a true and fair view 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Terna Overseas Limited as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of the Cyprus Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Cyprus Companies Law, Cap. 113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

PricewaterhouseCoopers Limited
Chartered Accountants

Nicosia, 26 March 2010

Terna Overseas Limited

Statement of comprehensive income for the year ended 31 December 2009

	Note	**2009** €	2008 €
Revenue	5	**9.531.413**	7.806.046
Cost of sales		**(9.513.645)**	(7.028.283)
Gross profit		**17.768**	777.763
Administrative expenses		**(106.816)**	(67.998)
Other income	6	**367.951**	453.011
Impairment loss on the value of investments in subsidiaries	7	**(1.700.000)**	-
Profit from the sale of investment in subsidiary	14	**20.909.679**	-
Operating profit		**19.488.582**	1.162.776
Finance costs	10	**(274.578)**	(431.413)
Profit before tax		**19.214.004**	731.363
Income tax expense	11	**(111.968)**	(86.219)
Profit for the year		**19.102.036**	645.144

The notes on pages 10 to 25 are an integral part of these financial statements.

Terna Overseas Limited

Balance sheet
at 31 December 2009

	Note	2009 €	2008 €
Assets			
Non-current assets			
Investments in subsidiaries	14	**2.293.741**	11.757.562
Loans receivables	15	**7.849.125**	10.640.562
		10.142.866	22.398.124
Current assets			
Other receivables	16	**27.311.861**	2.915.827
Cash and cash equivalents	17	**1.068.781**	339.570
		28.380.642	3.255.397
Total assets		**38.523.508**	25.653.521
Equity and liabilities			
Capital and reserves			
Share capital	18	**95.000**	95.000
Account for the increase of share capital	18	**2.500.000**	-
Share premium	18	**1.955.000**	1.955.000
Retained earnings		**20.472.631**	1.370.595
Total equity		**25.022.631**	3.420.595
Non-current liabilities			
Borrowings	19	**5.232.750**	7.980.422
Current liabilities			
Trade and other payables	20	**5.599.535**	11.576.197
Current income tax liabilities		**52.217**	16.167
Borrowings	19	**2.616.375**	2.660.140
		8.268.127	14.252.504
Total liabilities		**13.500.877**	22.232.926
Total equity and liabilities		**38.523.508**	25.653.521

On 26 March 2010 the Board of Directors of Terna Overseas Limited authorised these financial statements for issue.

Xenia Koustai, Director

Stelios Panayides, Director

The notes on pages 10 to 25 are an integral part of these financial statements.

Terna Overseas Limited

Statement of changes in equity for the year ended 31 December 2009

	Note	Share capital €	Account for the increase of share capital €	Share premium €	Retained earnings(1) €	Total €
Balance at 1 January 2008		95.000	-	1.955.000	725.451	2.775.451
Comprehensive income						
Profit for the year		-	-	-	645.144	645.144
Balance at 31 December 2008/ 1 January 2009		95.000	-	1.955.000	1.370.595	3.420.595
Comprehensive income						
Profit for the year		-	-	-	19.102.036	19.102.036
Transactions with owners						
Advances for the issue of share capital		-	2.500.000	-	-	2.500.000
Balance at 31 December 2009		95.000	2.500.000	1.955.000	20.472.631	25.022.631

(1) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the shareholders.

The notes on pages 10 to 25 are an integral part of these financial statements.

Terna Overseas Limited

Statement of cash flows
for the year ended 31 December 2009

	Note	2009 €	2008 €
Cash flows from operating activities			
Profit before tax		**19.214.004**	731.363
Adjustments for:			
Impairment of investments in subsidiaries	14	**1.700.000**	-
Profit on sale of investment in subsidiary		**(20.909.676)**	-
Interest income	6	**(367.951)**	(453.011)
Interest expense	10	**268.233**	432.363
		(95.390)	710.715
Changes in working capital:			
Other receivables		**(1.396.034)**	(1.012.207)
Trade and other payables		**(5.976.662)**	10.571.088
Cash (used in)/generated from operations		**(7.468.086)**	10.269.596
Tax paid		**(75.918)**	(80.795)
Net cash (used in)/from operating activities		**(7.544.004)**	10.188.801
Cash flows from investing activities			
Purchases of investments in subsidiaries	14	**(2.250.000)**	(10.013.991)
Proceeds from sale of investment in subsidiary		**7.923.497**	-
Loans advanced to related parties	21(iv)	**2.791.437**	-
Interest received		**367.951**	453.011
Net cash from/(used in) investing activities		**8.832.885**	(9.560.980)
Cash flows from financing activities			
Advances received for the issue of share capital	18	**2.500.000**	-
Repayments of bank borrowings		**(2.791.437)**	(200.000)
Interest paid		**(268.233)**	(432.363)
Net cash used in financing activities		**(559.670)**	(632.363)
Net increase/(decrease) in cash and cash equivalents		**729.211**	(4.542)
Cash and cash equivalents at beginning of year		**339.570**	344.112
Cash and cash equivalents at end of year	17	**1.068.781**	339.570

The notes on pages 10 to 25 are an integral part of these financial statements.

Terna Overseas Limited

Notes to the financial statements

1 General information

Country of incorporation

The Company is incorporated and domiciled in Cyprus as a private limited liability company in accordance with the provisions of the Companies Law, Cap. 113. Its registered office is at Elenion Building, 5 Themistocles Dervis Street, CY-1066 Nicosia.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the provision of consultancy services in the construction field, the execution and supervision of public and private technical projects and land dvelopment.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2009 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of the following:

(i) Certain provisions of IAS 39 “Financial Instruments: Recognition and Measurement” relating to portfolio hedge accounting;

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2 Summary of significant accounting policies (continued)

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2009. This adoption did not have a material effect on the accounting policies of the Company, with the exception of the following:

(i) International Accounting Standard (IAS) 1 “Presentation of financial statements” (revised). As a result of the adoption of this revised standard, the Company presents in the statement of changes in equity all changes resulting from transactions with shareholders, whereas all changes in equity resulting from transactions with non-shareholders of the Company are presented in the statement of comprehensive income. The presentation of comparative information has been adjusted in conformity with the revised standard. The change had an impact only on the presentation of the financial statements.

(ii) IFRS 7 “Financial Instruments - Disclosures” (amendment). As a result of the adoption of this amendment, the Company provides additional disclosures in relation to the fair value measurements of its financial instruments and liquidity risk.

At the date of approval of these financial statements the following financial reporting standards were issued by the International Accounting Standards Board but were not yet effective:

(i) Adopted by the European Union

New standards

- IFRS 3 (Revised) “Business Combinations” (effective for annual periods beginning on or after 1 July 2009).
- IAS 27 (Revised) “Consolidated and Separate Financial Statements” (effective for annual periods beginning on or after 1 July 2009).
- IFRS 1 (Revised) “First Time Adoption of International Financial Reporting Standards” (effective for annual periods beginning on or after 1 July 2009).

Amendments

- Annual improvements to IFRS (2008) re IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” (effective for annual periods beginning on or after 1 July 2009).
- Amendment to IAS 39 “Financial Instruments: Recognition and Measurement” on “Eligible Hedged Items” (effective for annual periods beginning on or after 1 July 2009).
- Amendment to IFRIC 9 and IAS 39 regarding embedded derivatives (effective for annual periods beginning on or after 30 June 2009).
- Amendments to IAS 32 “Financial Instruments: Presentation: Classifications of Rights Issues” (effective for annual periods beginning on or after 1 February 2010).

2 Summary of significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

- Annual Improvements 2009 (effective for annual periods beginning on or after 1 July 2009 to 1 January 2010).
- Amendments to IFRS 2 “Group Cash-settled Share-based Payment Transactions” (effective for annual periods beginning on or after 1 January 2010).

New IFRICs

- International Financial Reporting Interpretation Committee (IFRIC) 12 “Service Concession Arrangements” (effective for annual periods beginning on or after 1 January 2008, EU: 30 March 2009).
- IFRIC 15 “Agreements for the Construction of Real Estate” (effective for annual periods beginning on or after 1 January 2009, EU: 31 December 2009).
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation” (effective for annual periods beginning on or after 1 October 2008, EU: 30 June 2009).
- IFRIC 17 “Distributions of Non cash Assets to Owners” (effective for annual periods beginning on or after 1 July 2009).
- IFRIC 18 “Transfers of Assets from Customers” (effective for transfers made on or after 1 July 2009).

(ii) Not adopted by the European Union

New standards

- IAS 24 (Revised) “Related Party Disclosures” (effective for annual periods beginning on or after 1 January 2011).
- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2013).

Amendments

- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011).
- Amendments to IFRS 1 “Additional Exemptions for First-time Adopters” (effective for annual periods beginning on or after 1 January 2010).
- Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First Time Adopters” (effective for annual periods beginning on or after 1 July 2010).

New IFRICs

- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” (effective for annual periods beginning on or after 1 July 2010).

The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Company.

2 Summary of significant accounting policies (continued)

Revenue recognition

Revenue comprises the invoiced value for the sale of services, net of value added tax, rebates and discounts. Revenues earned by the Company are recognised on the following bases:

The Company recognises revenue when the amount of revenue can be reliably estimated, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenues earned by the Company are recognised on the following bases:

(i) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a loan or receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

Foreign currency translation

(i) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Current and deferred income tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2 Summary of significant accounting policies (continued)

Current and deferred income tax (continued)

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company where there is an intention to settle the balances on a net basis.

Loans

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. This is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date. All loans are recognised when cash is advanced to the borrower.

An allowance for loan impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

Subsidiaries at cost

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The Company carries the investments in subsidiaries at cost less any impairment in its separate financial statements.

Share capital

Ordinary shares are classified as equity.

2 Summary of significant accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks.

3 Financial risk management

(i) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

3 Financial risk management (continued)

(i) Financial risk factors (continued)

The Company does not have a formal risk management policy programme. Instead the succeptibility of the Company's to financial risks such as foreign exchange risk, interest rate risk, credit risk and liquidity risk is monitored as part of its daily management of the business.

- **Market risk**

Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency.

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Cash flow and fair value interest rate risk

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

At 31 December 2009, if interest rates on US dollar-denominated borrowings at that date had been 1% (2008: 1%) higher/lower with all other variables held constant, post-tax profit for the year would have been €2.414 (2008: €3.891) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

- **Credit risk**

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, including outstanding receivables and commied transactions.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Individual credit limits and credit terms are set based on the credit quality of the customer in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

- **Liquidity risk**

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

3 Financial risk management (continued)

(i) Financial risk factors (continued)

	Up to 3 months €	3 to 6 months €	6 months to 1 year €	1 to 2 years €	2 to 5 years €
At 31 December 2008					
Borrowings	1.330.070	-	1.330.070	2.660.140	5.320.282
Trade and other payables	-	11.576.197	-	-	-
	1.330.070	11.576.197	1.330.070	2.660.140	5.320.282

	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 5 years
At 31 December 2009					
Borrowings	**1.308.187**	**-**	**1.308.188**	**2.616.375**	**2.616.375**
Trade and other payables	**-**	**5.599.535**	**-**	**-**	**-**
	1.308.187	**5.599.535**	**1.308.188**	**2.616.375**	**2.616.375**

Management monitors rolling forecasts of the Company's liquidity reserve (comprises undrawn borrowing facility (Note 19) and cash and cash equivalents (Note 17)) on the basis of expected cash flow.

(ii) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the balance sheet plus net debt.

The gearing ratios at 31 December 2009 and 2008 were as follows:

	2009 €	2008 €
Total borrowings (Note 19)	**7.849.125**	10.640.562
Less: cash and cash equivalents (Note 17)	**(1.068.781)**	(339.570)
Net debt	**6.780.344**	10.300.992
Total equity	**25.022.631**	3.420.595
Total capital as defined by management	**31.802.975**	13.721.587
Gearing ratio	**21%**	75%

The decrease in the gearing ratio during 2009 resulted primarily from profit on sale of a subsidiary that had as a result the repayment of long term borrowings and from the advances given from the shareholder in respect of the issue of new ordinary shares in the future.

3 Financial risk management (continued)

(iii) Fair value estimation

The fair value of the Company's financial assets and liabilities approximate their carrying amounts at the balance sheet date.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

- **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

5 Revenue

	2009	2008
	€	€
Consultancy services	**9.531.413**	7.806.046

6 Other income

	2009	2008
	€	€
Interest income:		
Bank balances	**71.795**	-
Loans to subsidiary (Note 21(iv))	**296.156**	453.011
Total interest income	**367.951**	453.011

7 Other losses/(gains) - net

	2009 €	2008 €
Investments in subsidiaries:		
Impairment charge (Note 14)	**(1.700.000)**	-

8 Expenses by nature

	2009 €	2008 €
Auditors' remuneration	**12.640**	7.760
Staff costs (Note 9)	**5.178.564**	3.523.072
Transportation expenses	**-**	554
Accounting and administration fees	**38.316**	27.051
Professional fees	**3.000**	983
Cost of Sales	**4.335.081**	3.505.211
Other expenses	**52.860**	31.650
Total cost of sales and administrative expenses	**9.620.461**	7.096.281

9 Staff costs

	2009 €	2008 €
Wages and salaries	**5.178.564**	3.523.072

10 Finance costs - net

	2009 €	2008 €
Interest expense:		
Bank borrowings	**268.233**	432.363
Net foreign exchange transaction (gains)/losses	**6.345**	(950)
	274.578	431.413

11 Income tax expense

	2009 €	2008 €
Current tax charge:		
Corporation tax	**104.788**	86.219
Defence contribution	**7.180**	-
Income tax expense	**111.968**	86.219

11 Income tax expense (continued)

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2009	2008
	€	€
Profit before tax	**19.214.004**	731.363
Tax calculated at the applicable corporation tax rate of 10%	**1.921.400**	73.136
Tax effect of expenses not deductible for tax purposes	**268.142**	9.094
Tax effect of allowances and income not subject to tax	**(2.091.555)**	(385)
Special contribution for defence	**7.180**	-
Additional 10% Tax	**6.801**	4.374
Income tax charge	**111.968**	86.219

The Company is subject to corporation tax on taxable profits at the rate of 10%.

Upto 31 December 2008, under certain conditions interest may be subject to defence contribution at the rate of 10%. In such cases 50% of the same interest will be exempt from corporation tax thus having an effective tax rate burden of approximately 15%.

From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and only subject to defence contribution at the rate of 10%.

In certain cases dividends received from abroad may be subject to defence contribution at the rate of 15%.

12 Financial instruments by category

	Loans and receivables	Total
	€	€
31 December 2008		
Assets as per balance sheet		
Loans receivables	10.640.562	10.640.562
Other receivables (excluding prepayments)(1)	2.915.827	2.915.827
Cash and cash equivalents	339.570	339.570
Total	13.895.959	13.895.959

	Other financial liabilities	Total
	€	€
Liabilities as per balance sheet		
Borrowings (excluding finance lease liabilities)	10.640.562	10.640.562
Trade and other payables (excluding statutory liabilities)(2)	11.559.696	11.559.696
Total	22.200.258	22.200.258

	Loans and receivables	Total
	€	€
31 December 2009		
Assets as per balance sheet		
Loans receivables	7.849.125	7.849.125
Other receivables (excluding prepayments)(1)	27.039.121	27.039.121
Cash and cash equivalents	1.068.781	1.068.781
Total	35.957.027	35.957.027

12 Financial instruments by category (continued)

	Other financial liabilities €	Total €
Liabilities as per balance sheet		
Borrowings (excluding finance lease liabilities)	7.849.125	7.849.125
Trade and other payables (excluding statutory liabilities)(2)	5.569.003	5.569.003
Total	23.873.146	34.328.164

(1)The rest of the balance sheet item "other receivables" is prepayment.

(2) The rest of the balance sheet item "trade and other payables" is accruals.

13 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2009 €	2008 €
Cash at bank and short-term bank deposits		
A2	**880.304**	240.063
Aa3	**188.477**	99.507
	1.068.781	339.570

14 Investments in subsidiaries

	2009 €	2008 €
At beginning of year	**11.757.562**	1.743.571
Additions (1)	**2.250.000**	10.013.991
Disposals (2)	**(10.013.821)**	-
Impairment charge	**(1.700.000)**	-
At end of year	**2.293.741**	11.757.562

The Company's interest in its subsidiaries, which are unlisted, were as follows:

Name	**Principal activity**	**Country of incorporation**	**2008 % holding**
Terna Bahrain Holding W.L.L	Services	Bahrain	99,9%
Terna Qatar LLC	Services	Qatar	100%
Malcem Construction Materials Ltd	Construction	Malta	75%
Terna Contracting W.L.L (3)	Services	Bahrain	0,01%

(1) On 5 June 2009 the Company has purchased the 76% shareholding in Malcem Construction Materials Limited.

(2) On 3 June 2009 the Company has disposed the 100% shareholding in Heron Thermoelectric for €30.923.500 giving a profit of €20.909.679.

(3) The Company has also 99,9% indirect shareholding in Terna Contracting W.L.L through its 99,9% investment in Terna Bahrain Holding W.L.L.

15 Loans receivables

	2009 €	2008 €
Non-current		
Loan to subsidiary (Note 21(iv))	**7.849.125**	10.640.562
	7.849.125	10.640.562

The loan to the Company's subsidiary carries interest at the rate of LIBOR + 1,2% and is repayable by 20 September 2012. There are no specific repayment arrangements.

The carrying amounts of non-current receivables approximate their fair value.

16 Other receivables

	2009 €	2008 €
Receivables from subsidiaries (Note 21(iii))	**726.600**	738.638
Receivables from parent entity (Note 21(iii))	**3.014.881**	2.177.189
Receivables from the sale of investment in subsidiary	**23.000.000**	-
Prepayments	**272.740**	-
Other receivables	**297.640**	-
	27.311.861	2.915.827

The fair value of other receivables which are due within one year approximates their carrying amount at the balance sheet date.

17 Cash and cash equivalents

	2009 €	2008 €
Cash at bank	**1.068.781**	339.570

18 Share capital and share premium

	Number of shares	Share capital €	Account for the increase of share capital €	Share premium €	Total €
At 31 December 2008/1 January 2009	9 500	95.000	-	1.955.000	2.050.000
Advances for the increase of share capital	-	-	2.500.000	-	2.500.000
At 31 December 2009	9 500	95.000	2.500.000	1.955.000	4.550.000

The total authorized number of ordinary shares is 9 500 shares (2008: 9 500 shares) with a par value of €10 per share. All issued shares are fully paid.

19 Borrowings

	2009 €	2008 €
Current		
Bank borrowings	**2.616.375**	2.660.140
Non-current		
Bank borrowings	**5.232.750**	7.980.422
Total borrowings	**7.849.125**	10.640.562
Maturity of non-current borrowings		
Between 1 and 2 years	**2.616.375**	2.660.140
Between 2 and 5 years	**2.616.375**	5.320.282
	5.232.750	7.980.422

The bank loans are repayable by semi-annual installments by December 2012 with the first payment falling due in 2009. The bank loans are secured with guarantees from the Company's 100% shareholder, Terna S.A.

The bank borrowings carry interest of LIBOR + 0,9%.

The Company's bank borrowings are arranged at floating rates. Borrowings at floating rates expose the Company to cash flow interest rate risk.

The carrying amounts of borrowings approximate their fair value.

The carrying amounts of the Company's borrowings are denominated in the following currency:

	2009 €	2008 €
US Dollar	**7.849.125**	10.640.562
	7.849.125	10.640.562

20 Trade and other payables

	2009 €	2008 €
Trade payables	**713.440**	1.246.938
Payables to subsidiaries (Note 21(iii))	**3.431.724**	10.064.011
Payables to parent entity (Note 21(iii))	**410.836**	239.617
Other payables	**3.840**	9.131
Accrued expenses	**30.532**	16.500
Advances received (1)	**1.009.163**	-
	5.599.535	11.576.197

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

(1) The Company has signed an agreement with Bin Kamil Group ('third party') for the sale of the 24% shareholding in Malcem Construction Materials Limited for €3.199.000. According to the agreement the third party has advanced to the Company an amount of €1.009.163. The agreement has not been executed and is currently under renegotiation by the two parties.

21 Related party transactions

The Company is controlled by Terna S.A, incorporated in Greece, which owns 100% of the Company's shares. The Company's ultimate controlling party is GEK S.A., which is listed to the Athens Stock Exchange.

(i) Sales of services

	2009	2008
	€	€
Terna Gek S.A.	**41.800**	-
Terna Qatar LLC	**224.333**	349.211
Terna SA Sharjah Branch	**50.000**	100.000
PCC Terna Contracting Co WLL	**150.433**	231.041
Terna S.A.	**9.009.847**	6.910.794
Terna Contracting WLL	**50.000**	-
Terna SA Skopje Branch	**-**	165.000
Terna Bahrain Holding	**-**	50.000
Terna SA Grecia Sucursala Bucuresti	**5.000**	-
	9.531.413	7.806.046

(ii) Directors' remuneration

The total remuneration of the Directors was as follows:

	2009	2008
	€	€
Fees	**782**	680

(iii) Year-end balances arising from sales/purchases of goods/services

	2009	2008
	€	€
Receivable from related parties (Note 16):		
Terna S.A	**3.014.881**	2.177.189
Terna Qatar LLC	**502.079**	277.747
PCC Terna Contracting Co WLL	**33.430**	274.576
Terna SA Sharjah Branch	**99.770**	49.769
Terna Bahrain Holding WLL	**41.321**	136.546
Terna Contracting WLL	**50.000**	-
	3.741.481	2.915.827
Payable to related parties (Note 20):		
Terna S.A	**410.836**	239.617
Terna Bahrain Holding WLL	**3.431.724**	10.064.011
	3.842.560	10.303.628

The above balances bear no interest, are unsecured and repayable on demand.

(iv) Loan to subsidiary

	2009	2008
	€	€
Loan to subsidiary:		
At beginning of year	**10.640.562**	10.255.018
Loans repaid during year	**(2.656.125)**	-
Net foreign exchange differences	**(135.312)**	385.544
At end of year (Note 15)	**7.849.125**	10.640.562

21 Related party transactions (continued)

(iv) Loan to subsidiary (continued)

The above amount is secured by TERNA S.A, bears interest of LIBOR +1,2% per annum and is repayable by 20 September 2012.

(v) Guarantees

The parent company guarantees the total amount of the outstanding loan from Alpha Bank. (Note 19).

22 Events after the balance sheet date

There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

Independent Auditor's Report on pages 4 to 5.

Terna Overseas Limited

Additional information to the statement of comprehensive income

Analysis of expenses
for the year ended 31 December 2009

	2009	2008
	€	€
Administrative expenses		
Subscriptions and donations	**430**	427
Auditors' remuneration	**12.640**	7.760
Accounting fees	**33.360**	27.016
Legal fees	**3.000**	1.000
Professional fees	**-**	(17)
Directors' fees	**782**	680
Secretarial fees	**340**	340
Registered office fees	**350**	340
Legalisation of documents	**2.461**	268
Telephone, telexes and facsimiles	**-**	107
Printing and stationery	**1.265**	646
Translation expenses	**-**	75
Travelling local expenses	**-**	164
Travelling abroad expenses	**-**	554
Taxes and licences	**431**	431
Tax penalties	**-**	259
Non-recoverable VAT	**716**	-
Bank charges	**45.685**	27.913
Sundry expenses	**4.956**	35
Subcontracting fees	**400**	-
	106.816	67.998