

**Terna Qatar L.L.C**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

## 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 balance sheet as at 31 December 2007 and the income statement, statement of changes in equity and cash flow statement 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 2007 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 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 period 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 under review.



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

Date: 28 February 2008  
Doha

Terna Qatar L.L.C  
 STATEMENT OF INCOME  
 Year Ended 31 December 2007

	Note	2007 Euro
Contract revenue		<u>2,787,804</u>
<b>EXPENSES</b>		
Sub-contract costs		1,184,576
Salaries and related expenses		420,402
Tender Expense		241,804
Travel and Hotels		163,916
Accommodation and subsistence		53,442
Exchange losses		44,367
Office Rent		35,634
Bank Charges & Commissions		15,204
Letters of guarantee charges		15,204
Legal and Consultants Fees		11,846
Communication and courier charges		11,326
Vehicle Hire & Costs		6,164
Printing and Stationary		5,214
Entertainment & Advertising		4,374
Depreciation	3	3,075
Insurance		1,371
Miscellaneous		<u>24,028</u>
		<u>2,241,947</u>
<b>PROFIT FOR THE YEAR BEFORE TAXATION</b>		<b>545,857</b>
Income tax expense		<u>(31,839)</u>
<b>PROFIT FOR THE YEAR</b>		<b><u>514,018</u></b>

  
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 for Terna Qatar L.L.C

The attached notes 1 to 11 form part of these financial statements.

## Terna Qatar L.L.C

## BALANCE SHEET

At 31 December 2007

	Notes	2007 Euro
<b>ASSETS</b>		
<b>Non-current assets</b>		
Fixed Assets	3	<u>24,809</u>
<b>Current assets</b>		
Accounts receivable and prepayments	4	757,771
Related Party Receivable	9	1,047,201
Cash and bank balances	5	<u>652,951</u>
		<u>2,457,923</u>
<b>TOTAL ASSETS</b>		<u><b>2,482,732</b></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share Capital	6	37,361
Legal reserve	7	18,680
Retained earnings		<u>-</u>
		<u>56,041</u>
<b>Current liabilities</b>		
Accounts payable and accruals	8	418,899
Related party payables	9	1,545,782
Dividend payable		430,171
Taxation		<u>31,839</u>
		<u>2,426,691</u>
<b>TOTAL HEAD OFFICE FUNDS AND LIABILITIES</b>		<u><b>2,482,732</b></u>



The attached notes 1 to 11 form part of these financial statements.

Terna Qatar L.L.C

CASH FLOW STATEMENT

Year Ended 31 December 2007

<b>OPERATING ACTIVITIES</b>	<i>Note</i>	<i>2007 Euro</i>
Profit before taxation for the year		545,857
Adjustment for:		
Foreign exchange translation differences		(65,167)
Depreciation		<u>3,075</u>
Operating profit before working capital changes:		483,765
Accounts receivable and prepayments		(1,804,972)
Accounts payable and accruals		<u>1,964,681</u>
Net cash from operating activities		<u>643,474</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets		<u>(27,884)</u>
Net cash used in investing activities		<u>(27,884)</u>
<b>FINANCING ACTIVITIES</b>		
Issue of share capital		<u>37,361</u>
Net cash from financing activities		<u>37,361</u>
<b>INCREASE IN CASH AND BANK BALANCES</b>		<b>652,951</b>
Cash and bank balances at beginning of the year		<u>-</u>
<b>CASH AND BANK BALANCES AT 31 DECEMBER</b>	<b>5</b>	<b><u>652,951</u></b>

The attached notes 1 to 11 form part of these financial statements.



Terna Qatar L.L.C

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2007

	<i>Share Capital Euro</i>	<i>Legal Reserve Euro</i>	<i>Accumulated losses Euro</i>	<i>Total Euro</i>
Issue of share capital	37,361	-	-	37,361
Profit for the year	-	-	514,018	514,018
Transfer to legal reserve	-	18,680	(18,680)	-
Proposed dividend	-	-	(430,171)	(430,171)
Exchange differences	-	-	(65,167)	(65,130)
Balance at 31 December 2007	<u>37,361</u>	<u>18,680</u>	<u>-</u>	<u>56,041</u>

The attached notes 1 to 11 form part of these financial statements.

## Terna Qatar L.L.C

### NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2007

#### 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 Euro
Ali Mohamed Tayab Hasim Mustafavi	Qatari	13,000	24,285
Terna Overseas – Greece	Foreign	7,000	13,076
<b>Total</b>		<b>20,000</b>	<b>37,361</b>

Terna Qatar L.L.C is involved in a Joint Venture ("the JV") with Qatar Building Company ("QBC"). In July of 2006 the JV was awarded the contract for the works on the Doha Expressway/D Ring Road Interchange, the works commenced in 2007.

#### 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 Euros.

The financial statements are prepared under the historical cost convention.

IASB Standards and Interpretations issued but not adopted

- IAS 1 Presentation of Financial Statements
- IAS 23 Borrowing Cost

IAS 1 Presentation of Financial Statements (Revised)

The Company has not adopted the revised IAS 1 "Presentation of Financial Statements" which will be effective for the year ending 31 December 2009. The application of this standard will result in amendments to the presentation of the financial statements.

##### 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 balance sheet 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.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2007

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

#### **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	5 years
Furniture and fittings	6-7 years
Telephones	6-7 years
Computer equipment	3 years

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

Cash and cash equivalents comprise cash on 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.



NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2007

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

**Foreign currencies and translation of functional currency financial statements**

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 balance sheet date. All differences are taken to the income statement. 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.

The financial statement of the company, whose functional currency is Qatari Riyals is translated to financial statement's presentation currency (Euros) as follows:

- assets and liabilities are translated at the year end rate;
- items in the statement of income are translated at the average rate for the year
- the transaction adjustment resulting from the use of these different rates is included as a separate component of shareholders' equity

**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 2007

**3 FIXED ASSETS**

	<i>Furniture &amp; Fittings Euro</i>	<i>Buildings Euro</i>	<i>Electronic Equipment Euro</i>	<i>Computer equipment Euro</i>	<i>Telephones Euro</i>	<i>Total Euro</i>
Cost:						
At 1 January 2007	-	-	-	-	-	-
Additions	<u>4,631</u>	<u>2,957</u>	<u>2,902</u>	<u>15,110</u>	<u>2,284</u>	<u>27,884</u>
At 31 December 2007	<u>4,631</u>	<u>2,957</u>	<u>2,902</u>	<u>15,110</u>	<u>2,284</u>	<u>27,884</u>
Depreciation:						
At 1 January 2007	-	-	-	-	-	-
Provided during the year	<u>252</u>	<u>89</u>	<u>285</u>	<u>2,260</u>	<u>189</u>	<u>3,075</u>
At 31 December 2007	<u>252</u>	<u>89</u>	<u>285</u>	<u>2,260</u>	<u>189</u>	<u>3,075</u>
Net book value at 31 December 2007	<u><u>4,379</u></u>	<u><u>2,868</u></u>	<u><u>2,617</u></u>	<u><u>68,790</u></u>	<u><u>2,095</u></u>	<u><u>24,809</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2007

## 4 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2007 Euro
Trade accounts receivable	678,263
Deposits & Prepayments	79,499
Other receivables	9
	<u>757,771</u>

## 5 CASH AND BANK BALANCES

	2007 Euro
Cash at Bank	630,408
Cash on Hand	22,543
	<u>652,951</u>

## 6 SHARE CAPITAL

	2007 Euro
Authorised, issued and fully paid (200 ordinary shares of QR 1,000 (Equivalent Euro 217.86) each	43,571
Exchange differences due to closing rate conversion	(6,210)
	<u>37,361</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 ACCOUNTS PAYABLE AND ACCRUALS

	2007 Euro
Trade payables	3,296
Accrual expense	335,603
Other payables	80,000
	<u>418,899</u>

## 9 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.



## 9 TRANSACTIONS WITH RELATED PARTIES (Continued)

Transactions with significant related parties during the year are summarised as follows:

(i) Transactions with related parties included in the income statement are as follows:

	2007	
	<i>Sales Euro</i>	<i>Purchases Euro</i>
Terna – QBC Joint Venture	343,033	
Terna Bahrain Holding W.L.L.	-	808,240
Terna Overseas Limited	-	589,962
Terna SA Sharjah	-	30,727
Terna SA	-	143,243
	<u>343,033</u>	<u>1,572,172</u>

(ii) Balances with related parties included in the balance sheet are as follows:

	2007	
	<i>Receivables Euro</i>	<i>Payables Euro</i>
Terna – QBC Joint Venture	1,047,201	-
Terna SA Sharjah Company	-	27,334
Terna Overseas Limited	-	578,534
Terna S.A	-	143,480
Terna Bahrain Holding W.L.L	-	796,434
	<u>1,047,201</u>	<u>1,545,782</u>

## 10 FINANCIAL RISK MANAGEMENT

### *Objectives and policies*

The Company's principal financial liabilities comprise trade payables and other payables. 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 short-term deposits, which arise directly from its operations.

The main risks arising from the Company's financial instruments are liquidity risk, foreign currency risk and credit 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 accounts for 100% of outstanding accounts receivable at 31 December 2007.

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.

### *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.



Terna Qatar L.L.C

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2007

10 FINANCIAL RISK MANAGEMENT (Continued)

The table below summaries the maturities of the Company's undiscounted financial liabilities at 31 December 2007, bases on contractual payment dates and current market interest rates.

31 December 2007	On demand Euro	Less than 3 months Euro	3 to 12 months Euro	1 to 5 years Euro	> 5 years Euro	Total Euro
Accounts payables and accruals	1,964,681	-	-	-	-	1,964,681
Total	1,964,681	-	-	-	-	1,964,681

Currency risk

The company is exposed to currency risk in respect of trade payables due in foreign currencies. As the Qatari Riyals is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk. Accordingly, management does not consider currency risk for the Company to be significant.

11 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets consist of cash and bank balances, investments and receivables. Financial liabilities consist of bank overdrafts, accounts payable and accrued expenses.

The fair values of financial assets and liabilities are not materially different from their carrying values.