GRUSAMAR ALBANIA SHPK

ANNUAL REPORT

2009

GRUSSAMAR ALBANIA

FINANCIAL STATEMENTS
AS AT DECEMBER 31ST,2009

(With Audit report there on)

Contents

AUDIT REPORT OF GRUSSAMAR ALBANIA AS AT DECEMBER 31ST,2009

To
The Board of Directors,
"GRUSAMAR ALBANIA" Ltd
Address: Rruga "Him Kolli", Pallati Agolli, Tirane, Shqiperi.

Clearance Memorandum on "GRUSAMAR ALBANIA" Ltd
December 31st,2009

We have audited the accompanying Reporting Package comprising the Balance Sheet as at ***DECEMBER 31ST,2009***, the Profit & Loss Account and the Cash Flow Statement of the Entity for the period ended on that date. The Reporting Package shows a net ***loss*** of ***2,880 thousand Albanian Lek (ALL)***, total assets (net of current liabilities and provisions) of ***13***,904 ***thousand ALL*** and total equity of minus 2,770 ***thousand ALL.*** The Reporting Package, dated March 31st***,2009,*** was sent to you, signed, for identification purposes only.

Management's Responsibility for the Reporting Package

1. Management is responsible for the preparation of the Reporting Package in accordance with the recognition and measurement criteria of the accounting principles generally accepted in India as adopted by the Group and the disclosure and presentation requirements of the IL&FS Transportation Networks Limited ("ITNL") and its subsidiaries and jointly controlled entities (the "Group") as contained in the Reporting Package. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of the Reporting Package that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies that are consistent with the recognition and measurement criteria of the accounting principles generally accepted in India as adopted by the Group and the disclosure and presentation requirements of the Group as contained in the Reporting Package; and making accounting estimates that are reasonable in the circumstances. The Reporting Package has been prepared solely for the purpose of inclusion in the consolidated financial statements of ITNL as at / for the year ended March 31, 2010.

Auditors' Responsibility

2. Our responsibility is to express an opinion on the Reporting Package based on our audit. ***We set the scope of and performed our procedures at a materiality of 300 thousand ALL.*** We conducted our audit in accordance with the Group referral instructions issued by you and in accordance with auditing standards generally accepted in India and the additional procedures outlined by you in your referral instructions. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Reporting Package is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the reporting packages. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the reporting packages, whether due to fraud or error, as defined by you. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of the reporting packages 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

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accounting estimates made by management, as well as evaluating the overall reporting packages presentation and disclosures. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

3. We have complied with the independence requirements applicable to the audit of the Group's financial statements. In particular, we also confirm that we are independent with respect to the Group.

4. We have communicated all matters of significance to you in the communications you requested in your Group referral instructions.

Opinion

5. In our opinion, the Reporting Package of the Entity, has been prepared, in all material respects, in accordance with the recognition and measurement criteria of the accounting principles generally accepted in India as adopted by the Group and the disclosure and presentation requirements of the Group as contained in the Reporting Package.

Gjini Consulting shpk

Teit Gjini

Teit GJINI
Audit Partner

Membership No 068

Date: 21 May 2010

STATEMENT OF BALANCE SHEET
As of December 31st, 2009

ASSETS	Shenime	Viti Ushtrimor Dec 31,2009	Dec 31,2008
Current Asset			
Cash and cash equivalents	1	**6,155,996**	**22,382,461**
Derivatives and financial assets held for sale		-	-
Derivatives			
Assets classified held for sale			
Total		**6,155,996**	**22,382,461**
Other current financial assets			
Trade receivables	2	7,033,221	
Other receivables	3	714,480	
Other debts			
Other financial investments			
Total		**7,747,701**	**-**
Inventory			
Raw materials			
Production in process			
Finished goods			
Goods for resale			
Prepayment for supplies			
Total		**-**	**-**
Current Biological assets			
Current assets hold for sale			
Prepayments and deferred expenses			-
Total Current Assets		**13,903,697**	**22,382,461**
Non-Current Assets			
Non-current financial investments			
Investments in subsidiaries			
Investments in associates			
Shares and other securities			
Trade and other receivables			
Total		-	-
Property, plant and equipment			
Land			
Buildings (net)			
Machinery and equipment			
Other tangible assets			
Total		-	-
Non-current biological assets			
Intangible assets			
Goodwill			
Research and development expenses			
Other intangible assets			
Total		- -	-
Subscribed capital, not paid			
Other non current assets			
Total non current assets		**-**	**-**
Total Asset		**13,903,697**	**22,382,461**

Financial Statements should be read together with notes to financial statements

STATEMENT BALANCE SHEET (continue)
As at 31 December 2009

	Shenime	Viti Ushtrimor Dec 31,2009	Dec 31,2008
Current Liabilities			
Derivatives			
Current loans and borrowings		-	-
Short term borrowings and bonds			
Returns/repayment of long term borrowings			
Convertible Bonds			
Total		-	-
Payables and prepayements			
Trade and other payables	4	596,017	22,800
Payables to employees			-
Tax Liabilities	5	728,463	8,228,697
Other payables	6	4,869,128	-
Advances received			-
Total		**6,193,608**	**8,251,497**
Grants and deferred income			
Current provisions			
Total Current Liabilities		**6,193,608**	**8,251,497**
		-	
0			
Non-current Liabilities		-	-
Borrowings,bonds and liabilities from the financial			
Convertible Bonds			
Total		-	-
Other non-current debts	7	10,480,090	8,610,822
Non-current provisions			
Grants and deferred income			
Total non-current liabilities		**10,480,090**	**8,610,822**
Total liabilities		**16,673,698**	**16,862,319**
Shareholders' Equity			
Minority shares			
Equity holders of the Company			
Share capital	8	100,000	100,000
Share premium			
Treasury shares (negative)			
Statutory reserves			
Legal reserves	9	10,000	
Other reserves			
Retained earnings (accumulated losses)			- 2,093,424
Profit (loss) for the period		- 2,880,001	7,513,567
Total shareholders'equity		**- 2,770,001**	**5,520,142**
TOTAL LIABILITIES AND SHAREHOLDERS'EQUITY		**13,903,697**	**22,382,461**

Financial Statements should be read together with notes to financial statements

STATEMENT OF INCOMES
As of December 31st, 2009

Nr. Ref.	Description	Shenime	VITI USHTRIMOR Dec 31,2009		VITI USHTRIMOR Dec 31,2008
1	**Sales**	10	**4,338,068**		**46,116,000**
2	**Other operating income**	10	**1,821,446**		
3	Changes in the inventory of finished goods and production in process				-
4					-
5	Consumed material, services	11	- **982,963**	-	**34,279,330**
6	Other expenses	12	- **4,126,233**	-	**1,238,179**
7	**Cost of work**		- **3,305,825**	-	**2,223,217**
a)	- Personnel expenses		- 2,839,865	-	2,034,309
b)	*-Social and health contribution expenses*		- 255,960	-	188,908
c)	bonuses for employees (salary 13)		- 210,000		-
8	Depreciation and amortization				-
9			- **2,255,508**		**8,375,274**
10	Financial profit and loss from the subsidiaries		-		-
11	Financial profit and loss from the associates		-		-
12	Financial profit and loss	13	- **624,493**	-	**163,225**
3/a	Net gain (loss) from other long term financial investments				
3/b	Net interest income (expenses)		11,874		4,313
3/c	Foreign exchange gain (loss)		- 636,367	-	167,537
3/d	Other financial gain (loss)				-
13	**Total of financial profit and loss**		- **624,493**	-	**163,225**
14	**Profit (loss) before tax**		- **2,880,001**		**8,212,049**
15	Income tax expense	14			698,482
16	**Net profit (loss) for the year**		- **2,880,001**		**7,513,567**

Financial Statements should be read together with notes to financial statements

CASH FLOW STATEMENT
As at 31 December 2009

	Ne leke 31.12.2009	31.12.2008
Net (Loss) / profit before income taxes	**-2,880,001**	**8,212,049**
Adjustments for:		
Depreciation and amortisation	0	-698,482
Foreign exchange rate losses (gains)	-11,874	-4,313
Foreign exchange rate losses (gains)	636,367	167,537
Operating profit before changes in working capital	**-2,255,508**	**7,676,792**
Increase/decrease in trade and other receivables	-7,747,701	127,300
Increase/ decrease in defered Expenses	0	368,700
Increase/ decrease in trade payables	573,217	-292,200
Increase/ decrease other liabilities	-2,631,106	8,197,723
Interest paid	11,874	4,313
Income tax paid		
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**-9,793,715**	**8,405,836**
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES	0	0
Consideration paid for the purchase of subsidiaries		
Acquisition of proprety, plant and equipment		
Income from the sale of equipments		
Received dividends		
Received interest	0	0
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**-4,177,242**	**6,289,057**
Increase in share capital		
Received/(Repaid) long term borrowings		
Payment of financial leasing liabilities		
Dividends paid	-5,410,142	
Increase/ decrease shareholder transaction	1,869,268	6,456,595
Net cash from/(used in) financing activities	0	0
Foreign exchange rate losses (gains)	-636,367	-167,537
NET INCREASE IN CASH AND CASH EQUIVALENTS	**-16,226,465**	**22,371,684**
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY 2009	22,382,461	10,777
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER 2009	**6,155,996**	**22,382,462**

Financial Statements should be read together with notes to financial statements

STATEMENT OF CHANGES IN EQUITY
As at 31 December 2009

	Share Capital	Share Premium	Treasury shares	Statutory and legal reserves	Translation reserve	Retained earnings	Total
As at 1 January 2008	100,000					-2,093,424	**-1,993,424**
The effect of changes in accounting policy							**0**
Restated balance as at 1 January 2008	**100,000**	**0**	**0**	**0**	**0**	**-2,093,424**	**-1,993,424**
Profit for the year						7,513,567	**7,513,567**
Dividends							**0**
Transfer to the obligatory statutory reserves							**0**
Increase in share capital							**0**
As at 31 December 2008	**100,000**	**0**	**0**	**0**	**0**	**5,420,142**	**5,520,142**
Profit for the year						-2,880,001	**-2,880,001**
Transfer to the obligatory statutory reserves				10,000		-10,000	**0**
Dividends						-5,410,142	**-5,410,142**
Increase in share capital							**0**
Treasury shares							**0**
As at 31 December 2009	**100,000**	**0**	**0**	**10,000**	**0**	**-2,880,001**	**-2,770,001**

Notes on the financial statements of the Company
For the period as of December 31st, 2009

Amounts in ALL

NOTES TO FINANCIAL STATEMENTS

1. General information

The Company " GRUSAMAR Albania" Ltd was created by the decision of the Tirana District Court no. 32738 / 2 dated 03/13/2007. Its activity is regulated by the provisions of law no. 7638 dt. 19 November 1992 for the “ trading companies “ and by its statute.

"GRUSAMAR" Ltd is a limited liability company.
The capital of the company "GRUSAMAR" Ltd is 100,000 Leke, divided in 100 quotes of the nominal value 100 Leke each one.
"GRUSAMAR" Ltd is an albanian company owned by:

- The Company Grusamar Ingenieria Y Consulting SL is the owner of 51 shares or 51% of the equity of the company and
- Mr. Luke Llukani is the owner of 49 shares or 49% of the equity of the company.

Administrator of the company is Mr. Luke Llukani.
The company is domiciled at the address: Rruga ”Him Kolli”, Pallati Agolli, Tirane, Shqiperi.
It is registered at the Department of Taxation of Tirana district with NIPT K 71616013 K.
The main activity of this company is Engineering consulting, Supervision, Projection.
The activity of the company is estimated to last more than 10 years.

2. Basis of preparation of financial statements

a. The financial statements are prepared as per historical cost convention and in accordance with the generally accepted accounting principles in India, the provisions of the Companies Act, 1956, and the applicable Accounting Standards. All income and expenditure having material bearing on the financial statements are recognised on accrual basis.

b. Use of estimates

   The preparation of financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including current liabilities) as of the date of the financial statements, the reported income and expenses during the reporting period and disclosure of contingent liabilities. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

c. Functional and presentation currency

   These financial statements are presented in Lek, which is the Company’s functional currency, unless otherwise stated. Certain reclassifications have been made as necessary to prior year balances to conform to current year presentation.

Notes on the financial statements of the Company
For the period as of December 31st, 2009

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3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Accounting for Rights under Service Concession Arrangements

a. **Recognition and measurement**

The Group builds roads under public-to-private Service Concession Arrangements (SCAs) which it operates and maintains for periods specified in the SCAs.

Under the SCAs, where the Group has received the right to charge users of the public service, such rights are recognised and classified as “Intangible Assets”. Such right is not an unconditional right to receive consideration because the amounts are contingent to the extent that the public uses the service and thus are recognised and classified as intangible assets. Such an intangible asset is recognised by the Group at cost (which is the fair value of the consideration received or receivable for the construction services delivered).

Under the SCAs, where the Group has acquired contractual rights to receive specified determinable amounts, such rights are recognised and classified as a “Financial Assets”, even though payments are contingent on the Group ensuring that the infrastructure meets the specified quality or efficiency requirements. Such financial assets are classified as “Receivables against Service Concession Arrangement”.

Consideration for various services (i.e. construction or upgrade services, operation and maintenance services, overlay services) under the SCA is allocated on the basis of costs actually incurred or the estimates of cost of services to be delivered.

b. **Contractual obligation to restore the infrastructure to a specified level of serviceability**

The Group has contractual obligations to maintain the infrastructure to a specified level of serviceability or restore the infrastructure to a specified condition before it is handed over to the grantor of the SCA. Such obligations are measured at the best estimate of the expenditure that would be required to settle the obligation at the balance sheet date. In case of intangible asset the timing and amount of such cost are estimated and recognised on an undiscounted basis by charging costs to revenue on the units of usage method i.e. on the number of vehicles expected to use the project facility, over the period at the end of which the overlay is estimated to be carried out based on technical evaluation by independent experts. In case of financial assets, such costs are recognised in the year in which such costs are actually incurred.

c. **Revenue recognition**

Revenue from construction services is recognised according to the stage of completion of the contract, which depends on the proportion of costs incurred for the work performed till date to the total estimated contract costs provided the outcome of the contract can be reliably estimated. When the outcome of the contract cannot be reliably estimated but the overall contract is estimated to be profitable, revenue is recognised to the extent of recoverable costs. Any expected loss on a contract is recognised as an expense immediately. Revenue is not recognised when the concerns about collection are significant

Revenue from financial asset is recognised in the Profit and Loss Account as interest, calculated using the effective interest method from the year in which construction activities are started.

Revenue from operating and maintenance services and from overlay services is recognised in the period in which such services are rendered.

Revenue from intangible assets is recognised in the period of collection which generally coincides with the usage of the public service or where from such rights have been auctioned, in the period to which auctioned amount relates.

d. **Borrowing cost**

In respect of a financial asset borrowing costs attributable to construction of the road are charged to Profit & Loss Account in the period in which such costs are incurred.

In respect of an intangible asset borrowing costs attributable to construction of the roads are capitalised up to the date of completion of construction. All borrowing costs subsequent to construction are charged to the Profit and Loss Account in the period in which such costs are incurred.

e. **Amortisation of Intangible Asset**

The intangible rights which are recognised in the form of right to charge users of the infrastructure asset are amortised on the units of usage method i.e. on the number of vehicles expected to use the project facility over the concession period as estimated by the management.

A review of the estimated useful life/the concession period of the rights and number of vehicles expected to use the project facility over the balance period is undertaken by the Management based on technical evaluation by independent experts, at periodic intervals to assess the additional charge for amortisation, if any.

f. **Gains / Losses on intra-group transactions**

As the financial assets and intangible assets recognized as aforesaid are acquired in exchange for infrastructure constructions / upgrading services, gains / losses on intra group transactions are treated as realized and not eliminated on consolidation.

3.2 <u>Fixed Assets and Depreciation/Amortisation</u>

a. **Tangible fixed assets and depreciation**

Tangible fixed assets acquired by the Company are reported at acquisition value, with deductions for accumulated depreciation and impairment losses, if any.

The acquisition value includes the purchase price (excluding refundable taxes) and expenses directly attributable to the asset to bring the asset to the site and in working condition for its intended use such as delivery and handling costs, installation, legal services and consultancy services.

Where the construction or development of any asset requiring a substantial period of time to set up for its intended use, is funded by borrowings, the corresponding borrowing costs are capitalised up to the date when the asset is ready for its intended use.

Depreciation on tangible fixed assets is computed as under:

Notes on the financial statements of the Company
For the period as of December 31st, 2009

Amounts in ALL

(i) In respect of premises, depreciation is computed on the Straight Line Method at the rates provided under Schedule XIV of the Companies Act, 1956.

(ii) The Company has adopted the Straight Line Method of depreciation so as to depreciate 100% of the cost of the following type of assets at rates higher than those prescribed under Schedule XIV to the Companies Act, 1956, based on the Management's estimate of useful life of such assets:

Asset Type	Useful Life
Computers	4 years
Specialised Office Equipment	3 years
Assets Provided to Employees	3 Years

Depreciation on fixed assets, other than on assets specified in Note 4(a) (i) & (ii) above, is provided for on the Written Down Value Method at the rates provided under Schedule XIV of the Companies Act, 1956. Depreciation is computed pro-rata from the date of acquisition of and upto the date of disposal.

(iii) Leasehold improvement costs are capitalised and amortised on a straight-line basis over the period of lease agreement unless the corresponding rates under Schedule XIV are higher, in which case, such higher rates are used.

(iv) All categories of assets costing less than Rs. 5,000 each, mobile phones and items of soft furnishing are fully depreciated in the year of purchase.

b. **Intangible assets and amortisation**

Intangible assets comprise of software and amounts paid for acquisition of commercial rights under an "Operation and Maintenance" agreement of a toll road project.

Intangible assets are reported at acquisition value with deductions for accumulated amortisation and impairment losses, if any.

Acquired intangible assets are reported separately from goodwill if they fulfil the criteria for qualifying as an asset, implying they can be separated or they are based on contractual or other legal rights and that their market value can be established in a reliable manner.

An impairment test of intangible assets is conducted annually or more often if there is an indication of a decrease in value. The impairment loss, if any, is reported in the profit and loss account.

Intangible assets are amortised on a "Straight line" basis over their estimated useful lives. The estimated useful life of software is four years. The amount paid for acquisition of the rights under the "Operations and Maintenance" agreement, in respect of which rights were acquired by the Company, is amortised over the minimum balance period of the concession agreement relating to the corresponding toll road project (Refer Note no. 5 in schedule M to the financial statements).

3.3 <u>Government Grants:</u>

a. Government grants are recognised only when it is reasonably certain that the related entity will comply with the attached conditions and the ultimate collection is not in doubt.

b. Grants received as compensation for expenses or losses are taken to the Profit and Loss Account and is accounted in the period to which it relates. Grants in the nature of promoter's contribution are treated as Capital Reserve.

c. Grants related to specific fixed assets are treated as deferred income, which is recognised in the Profit and Loss Account in proportion to the depreciation charge over the useful life of the asset.

3.4 Impairment of Assets

The carrying values of assets of the Company's cash-generating units are reviewed for impairment annually or more often if there is an indication of decline in value. If any indication of such impairment exists, the recoverable amounts of those assets are estimated and impairment loss is recognised, if the carrying amount of those assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the estimated future cash flows to their present value based on appropriate discount factor.

3.5 Investments

a. Investments are capitalised at actual cost including costs incidental to acquisition.

b. Investments are classified as long term or current at the time of making such investments.

c. Long-term investments are individually valued at cost, less provision for diminution, other than temporary.

d. Current investments are valued at the lower of cost and market value.

3.6 Inventories

a. Inventories are valued at the lower of cost and net realisable value. Costs are determined using the annual weighted average principle and includes purchase price and non-refundable taxes. Net realisable value is estimated at the expected selling price less estimated selling costs.

b. Stock in trade of units in Mutual Fund, are valued at the lower of cost or net asset value. Costs are determined on first-in-first-out basis. Net realisable value is determined on the basis of the net asset value of the scheme as at the year end.

3.7 Revenue Recognition

The Company's service offerings include advisory and management services, supervisory services (including as lenders' engineers), operation and maintenance services, toll collection services for toll road projects and rendering assistance to applicant for toll road concessions with the bidding process. The Company also trades in certain materials used in the maintenance of roads.

The Company recognises revenue when it is realised or realisable and earned. The Company considers revenue realised or realisable and earned when it has persuasive evidence of an arrangement, delivery has occurred, the sales price is fixed or determinable and collectability is reasonably assured.

The Company recognises revenue in respect of arrangements made for rendering services over a specific contractual term, on a straight-line basis over the contractual term of the arrangement. In respect of arrangements, which provide for an upfront payment followed by additional payments as certain conditions are met (milestone payments) the amount of revenue recognised is based on the services delivered in the period as stated in the contract. In respect of arrangements where fees for services rendered are success based (contingent fees), revenue is recognised only when the factor(s) on which the contingent fees based actually occur. In respect of the Company's trading activities, revenue is recognised on dispatch of goods, which coincides with the significant transfer of risks and rewards.
Revenue from development projects under fixed - price contracts, where there is no uncertainty as to measurement or collectability of consideration is recognised based on the milestones reached under the contracts. Pending completion of any milestone, revenue recognition is restricted to the relevant cost which is carried forward as part of Unbilled Revenue.

3.8 Work in Progress (Unbilled Revenue)

Work in progress for projects under execution as at balance sheet date are valued at cost. The costs of projects in respect of which revenue is recognised under the Company's revenue recognition policies but have not been billed are adjusted for the proportionate profit recognised. The cost comprises of expenditure incurred in relation to execution of the project. Provision for estimated losses, in any, on uncompleted contracts are recorded in the period in which such losses become probable based on current estimates.

3.9 Foreign Currency Transactions

Transactions in foreign currencies are translated to the reporting currency based on the exchange rate on the date of the transaction. Exchange difference arising on settlement thereof during the year is recognised as income or expense in the profit and loss account.

Cash and bank balances, receivables, other than those that are in substance the Company's net investment in a non integral foreign operation, and liabilities (monetary items) denominated in foreign currency outstanding as at the year end are valued at closing-date rates, and unrealised translation differences are included in the Profit & Loss Account.

Non monetary items (such as equity investments) denominated in a foreign currency which are carried at historical cost are reported using exchange rate as at the date of the transaction. Where such items are carried at fair value, these are reported using exchange rates that existed on dates when the fair values were determined.

Inter company receivables or payables for which settlement is neither planned nor likely to occur in the foreseeable future and are in substance an extension to, a deduction from, the Company's net investments in a foreign entity are also translated at closing rates but the exchange differences arising are accumulated in a foreign currency translation reserve until disposal of the net investment, at which time they are recognised as income or expense in the Profit and loss Account.

The Company's forward exchange contracts are not held for trading or speculation. The premium or discount arising on entering into such contracts is amortised over the life of the contracts and exchange difference arising on such contracts is recognised in the profit and loss account

Notes on the financial statements of the Company
For the period as of December 31st, 2009

Amounts in ALL

3.10 Employee Benefits

a. **Short term benefits**

Short term employee benefits are recognised as an expense at the undiscounted amount expected to be paid over the period of services rendered by the employees to the Company.

The Company contributes to its employees' post retirement plans as prescribed by the domestic social security legislation. Contributions, based on salaries, are made to the national organizations responsible for the payment of pensions. There is no additional liability regarding these plans.

3.11 Taxes on Income

Income tax expense comprises current and deferred tax (if decided as policy). Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
The income tax is composed of the corporate income tax for the financial year 2009.
In accordance with Albanian tax regulations, the applicable income tax rate for 2009 is 10% (2008: 10%)
Tax returns are filed annually but the profits or losses declared for tax purposes remain provisional until such time as the tax authorities examine the returns and the records of the taxpayer and a final assessment is issued. Albanian tax laws and regulations are subject to interpretations by the tax authorities.

3.12 Lease Accounting

Finance leases, which effectively transfer to the Group substantial risks and benefits incidental to ownership of the leased item, are capitalised and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on the straight-line basis over the lease term. Any compensation, according to agreement, that the lessee is obliged to pay to the lessor if the leasing contract is terminated prematurely is expensed during the period in which the contract is terminated.

3.13 Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised but are disclosed in the notes to the financial statement. A contingent asset is neither recognised nor disclosed.

Notes on the financial statements of the Company
For the period as of December 31st, 2009

Amounts in ALL

3.14 Segment Reporting

The accounting policies adopted for segment reporting are in accordance with the accounting policy of the Company. Segment revenue, expenses, assets and liabilities have been identified to segments on the basis of their relationship to the operating activities of the Segment. Revenue, expenses, assets & liabilities, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated Revenue/Expenses/Assets/Liabilities".

3.15 Financial Income and Borrowing Cost

Financial income and borrowing cost include interest income on bank deposits and interest expense on loans.

Interest income is accrued evenly over the period of the corresponding instrument.

Borrowing cost are recognised in the period to which they relate, regardless of how the funds have been utilised, except where it relates to financing of construction of development of assets requiring a substantial period of time to prepare for their intended future use. Interest is capitalised up to the date when the asset is ready for its intended use. The amount of interest capitalised (gross of tax) for the period is determined by applying the interest rate applicable to appropriate borrowings outstanding during the period to the average amount of accumulated expenditure for the assets during the period.

3.16 Cash and Cash Equivalents

Cash and bank balances, and current investments that have insignificant risk of change in value which have duration of up to three months, are included in the Company's cash and cash equivalents in the Cash Flow Statement.

3.17 Cash Flow Statements

The Cash-Flow Statement is prepared in accordance with the "Indirect Method" as explained in the Accounting Standard (AS) 3 on Cash Flow Statements.

3.18 Earnings per Share

Basic Earnings Per Share (before dilution) is calculated by dividing the net profit after tax for the year attributable to equity shareholders of the Company by the weighted average number of equity shares in issue during the year.

Diluted Earnings Per Share is calculated by dividing the net profit after tax for the year attributable to equity shareholders of the company by the weighted average number of equity shares determined by assuming conversion on exercise of conversion rights for all potential dilutive securities.

Notes on the financial statements of the Company
For the period as of December 31st, 2009

Amounts in ALL

3.19 Share Based Payment Transactions:

a. A jointly controlled entity operates equity-settled, share option plan for eligible employees which includes directors of that entity whether full time or not and such other persons eligible to participate therein under applicable laws.

b. The options are valued at the difference between the trading price of the security in the Stock Exchange at the date of the grant and exercise price and are expensed over the vesting period, based on the entities estimate of shares that will eventually vest.

c. The total amount to be expensed over the vesting period is determined by reference to the value of the options granted, excluding the impact of any non-market vesting conditions.

d. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable.

3.20 Derivative Transactions

Premium paid on acquisition of option contracts is treated as a current asset until maturity. If the premium paid exceeds the premium prevailing as at the date of the balance sheet, the difference charged to the profit and loss account. If the prevailing premium as at the balance sheet date exceeds the premium paid for acquiring option contracts, the difference is not recognised.

Conversely, premium received on option contracts written is treated as a current liability until maturity. If premium prevailing on the balance sheet date exceeds the premium received on such options, the difference is charged to the profit and loss account. If the prevailing premium as at the balance sheet date falls short of the premium received for writing option contracts, the difference is not recognised.

Notes on the financial statements of the Company
For the period as of December 31st, 2009

Amounts in ALL

4. Cash and cash equivalents

	2009 ALL	2008 ALL
Deposits in bank accounts and other	3,101,195	21,886,900
Cash	3,054801	495,561
	6,155,996	**22,382,461**

5. Trade receivables

	2009 ALL	2008 ALL
ELSAMEX Spanje	1,827,540	
Tec Consult	4,877,541	
Drejtoria e Pergjitheshme e Burgjeve	328,140	
	7,033,221	**0**

6. Other receivables

	2009 ALL	2008 ALL
State VAT	708,480	
Guarantee fund for Eagle Mobile	6,000	
	714,480	**0**

7. Payables to suppliers

Obligations demanded up to a year consisting of:

	2009 ALL	2008 ALL
Suppliers for invoices received(Gjiniconsulting)	496,657	
Suppliers for invoices received (Tec Consult)	99,360	
Suppliers for invoices received (Agim Robo)		22,800
	596,017	**22,800**

Notes on the financial statements of the Company
For the period as of December 31st, 2009

Amounts in ALL

8. Tax liabilities

	2009 ALL	2008 ALL
Personal Income tax	44,699	23,619
Income tax	0	471,816
Withholding tax (for divident)	0	
VAT	650,655	7,696,341
Social Insurance	33,109	36,921
	728,463	**8,228,697**

9. Other payables (dividend to be paid)

	2009 ALL	2008 ALL
Grusamar Spanje (Elsamex)	2,483,255	
Lluka Llukani	2,385,873	
	4,869,128	

10. Other non-current debts

Partners

	2009 ALL	2008 ALL
Grusamar Spanje (Elsamex)	9,217,937	8,271,822
Lluka Llukani	1,262,153	339,000
	10,480,090	**8,610,822**

Financing made during the years 2007-2009.

11. Share capital

During 2009 there were no changes in the composition and structure of the fundamental of the company capital.

12. Reserves

Reserves are reflected in the balance representing the 10,000 ALL amount of legal reserves established by the society we discount the profit of the year preceding.

Notes on the financial statements of the Company
For the period as of December 31st, 2009

Amounts in ALL

13. Income

Structure committed to operating income to 31 December 2009 as follows:

Net Sales	***2009***	***2008***
	ALL	***ALL***
Desingn Service revenue	4,064,618	46,116,000
Supervision Service revenue	273,450	
	4,338,068	**46,116,000**

Other operating income	***2009***	***2008***
	ALL	***ALL***
Technical assitance assistance	1,821,446	
	1,821,446	

14. Consumed material, services

Structure of operating expenses committed by 30 June 2009 as follows:

Mallrat, Lendet e para dhe sherbimet	**2009**	**2008**
	ALL	**ALL**
Cost of Materials	27,667	3,090
Services		0
Service subcontractors working design	955,297	32,494,563
translate	0	1,033,222
Printing	0	748,455
	982,963	**34,279,330**

15. Other expenses

	2009	**2008**
	ALL	**ALL**
Various local taxes	36,000	23,000
Expenses for notaries	65,032	214,955
Legal and economic consultancy	496,656	744,000
Prime insurance for assurance & contracts	227,888	208,795
Travel expenses and mileage	588,216	0
Postage costs & phone	62,916	0
Expenses for gifts	2,000,000	0
Bank Commissions	13,351	47,429
Other	492,818	0
Purchase documents for tenders	73,356	0
Expenses for licensing	70,000	0
Total	**4,126,233**	**1,238,179**

Notes on the financial statements of the Company
For the period as of December 31st, 2009

Amounts in ALL

16. Financial income or expenses

Structure of financial results to 31 December 2009 as follow:

	2009 ALL	*2008 ALL*
Financial income and expenses from interest		
Positive Interest	11,874	4,314
Calculated Interests		
Financial Expenses		
Negative Exchange Difference	-946,115	-199,665
Exchage Positive Difference	309,747	32,127
	-624,493	**-163,225**

17. Income tax expense

In determining the tax outcome society has taken into consideration the costs for unknown fiscal effects. They relate to:

	2009 ALL	*2008 ALL*
Result before tax	**-2,880,001**	**8,212,049**
Fines and penalties		
Expenses for the reception of gifts	2,000,000	
Other expenses (without regular fiscal documentation)	468,151	
Loss of previous years		-1,227,224
Taxable profit	**-411,850**	**6,984,824**
Tax Profit 10%		698,482
Profit / Net Loss	**-411,850**	**7,513,567**