

REPORT OF THE AUDITORS

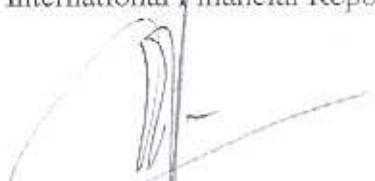
To the Shareholders of GRANITOID AD

We have audited the accompanying balance sheet of Granitoid AD (the Company) as of 31 December 2004 and the related statements of income and cash flow and changes in equity for the eight months then ended. These financial statements set out on pages 4 to 22 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Company has not prepared Financial Statements in accordance with International Financial Reporting Standards as at and for the eight months ended 31 December 2003. Consequently, the accompanying income statement, statement of changes in shareholders' equity and statement of cash flows do not include comparative figures for the prior eight months period ended 31 December 2003 as required by International Accounting Standard Number 1 (Revised), 'Presentation of Financial Statements'.

In our opinion, except for the effects of the matter discussed in the preceding paragraph, the accompanying financial statements present fairly in all material respects the financial position of the Company as of 31 December 2004 and the results of its operations and its cash flows and statement of changes in equity for the eight months then ended in accordance with International Financial Reporting Standards.



PricewaterhouseCoopers
Sofia, Bulgaria
18 February 2005

GRANITOID AD
INCOME STATEMENT
31 DECEMBER 2004

(all amounts in EUR thousands)	Notes	Eight months ended 31 December 2004
Sales	2	73
Cost of sales	3	<u>(97)</u>
Gross profit		(24)
Administrative expenses	4	(397)
Other operating income	5	<u>496</u>
Operating profit		75
Net finance costs	6	<u>(91)</u>
Profit before tax		(16)
Tax	7	<u>-</u>
Net profit		<u>(16)</u>

**GRANITOID AD
BALANCE SHEET
31 DECEMBER 2004**

(all amounts in EUR thousands)	Notes	31 December 2004	30 April 2004
ASSETS			
Non-current assets			
Property, plant and equipment and intangible assets	8	1,219	2,029
Investment property	9	689	-
		<u>1,908</u>	<u>2,029</u>
Current assets			
Inventories	11	-	1
Receivables and prepayments	12	401	458
Deferred expenses		8	14
Cash and cash equivalents	13	165	62
		<u>574</u>	<u>535</u>
Total assets		<u>2,482</u>	<u>2,564</u>
CAPITAL AND RESERVES			
Ordinary shares	16	308	308
Legal reserve		62	62
Hyperinflationary reserve		18,809	18,809
Accumulated loss		(20,586)	(20,570)
		<u>(1,407)</u>	<u>(1,391)</u>
LIABILITIES			
Non-current liabilities			
Borrowings	15	-	30
		<u>-</u>	<u>30</u>
Current liabilities			
Trade and other payables	14	412	423
Borrowings	15	3,477	3,502
		<u>3,889</u>	<u>3,925</u>
Total liabilities		<u>3,889</u>	<u>3,955</u>
Total equity and liabilities		<u>2,482</u>	<u>2,564</u>

Signed on behalf of the Board of Directors by:

Alexander Chakmakov
Executive Director
17 February 2005




The accounting policies and notes on pages 7 to 23 form an integral part of these financial statements.

**GRANITOID AD
CASH FLOW STATEMENT
31 DECEMBER 2004**

(all amounts in EUR thousands)	Notes	Eight months ended 31 December 2004
Operating activities		
Cash generated from operations	19	216
Interest received		1
Interest paid		(120)
Net cash from operating activities		<u>97</u>
Investing activities		
Purchase of property, plant and equipment		(1)
Proceeds from sale of property, plant and equipment		29
Proceeds from sale of scrapped assets		16
Proceeds from rented assets		24
Net cash from investing activities		<u>68</u>
Financing activities		
Loans repaid		(3,539)
Loans received		3,477
Net cash used in financing activities		<u>(62)</u>
Increase in cash and cash equivalents		<u>103</u>
At start of year		<u>62</u>
At end of year		<u>165</u>