

Report of the auditors to the members of Iapetos Limited

Report on the financial statements

1 We have audited the financial statements of Iapetos Limited on pages 5 to 20, which comprise the balance sheet as at 31 December 2004 and the income statement, statement of changes in equity and cash flow statement for the year then ended and the related notes. These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to the Company's members, as a body, in accordance with Section 156 of the Companies Law, Cap. 113. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

2 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 the Board of Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3 In our opinion, the financial statements give a true and fair view of the financial position of Iapetos Limited as of 31 December 2004 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Law, Cap. 113.

(3)

Report on other legal requirements

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

- (a) We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- (b) In our opinion, proper books of account have been kept by the Company.
- (c) The Company's financial statements are in agreement with the books of account.
- (d) 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 Companies Law, Cap. 113, in the manner so required.
- (e) In our opinion, the information given in the report of the Board of Directors on page 2 is consistent with the financial statements.

PricewaterhouseCoopers Limited
Chartered Accountants

Nicosia, 17 February 2005

Iapetos Limited

Income statement for the year ended 31 December 2004

	Note	2004 EUR	2003 EUR
Fair value gains on forward currency contracts		1,583,880	3,351,514
Net gains from trading investments	4	239,764	346,900
Franchise income	17	55,212	-
Dividend income		-	14,467
Interest income		34,597	45,899
Administrative expenses		(994,913)	(225,454)
Operating profit	5	918,540	3,533,326
Finance income – net	6	902,673	3,889,649
Profit before tax		1,821,213	7,422,975
Tax	7	(3,460)	(3,275)
Net profit for the year		1,817,753	7,419,700

The notes on pages 9 to 20 form part of these financial statements.

Iapetos Limited

Balance sheet at 31 December 2004

	Note	2004 EUR	2003 EUR
Assets			
Non-current assets			
Intangible asset: Licences	8	2,939,305	-
Investments in subsidiary undertakings and joint ventures	9	109,106,968	109,106,967
		<u>112,046,273</u>	<u>109,106,967</u>
Current assets			
Prepayments and other receivables	10	1,437,281	657,315
Trading investments	11	-	1,599,144
Fair value of open forward currency contracts	12	3,497,065	319,081
Tax recoverable		16,769	20,229
Cash and cash equivalents		3,743,103	3,570,012
		<u>8,694,218</u>	<u>6,165,781</u>
Total assets		<u>120,740,491</u>	<u>115,272,748</u>
Equity and liabilities			
Capital and reserves			
Share capital	14	107,462	90,954
Share premium	14	105,698,031	89,206,145
Exchange difference translation reserve	15	2,647,438	2,647,438
Retained profits		5,776,902	3,959,149
		<u>114,229,833</u>	<u>95,903,686</u>
Non-current liabilities			
Deferred revenue	17	2,843,483	-
Current liabilities			
Trade and other payables	16	3,335,896	19,369,062
Deferred revenue	17	331,279	-
		<u>3,667,175</u>	<u>19,369,062</u>
Total liabilities		<u>6,510,658</u>	<u>19,369,062</u>
Total equity and liabilities		<u>120,740,491</u>	<u>115,272,748</u>

On 17 February 2005 the Board of Directors of Iapetos Limited authorised these financial statements for issue.

Stelios Triantafyllides, Director

Arta Antoniou, Director

The notes on pages 9 to 20 form part of these financial statements.

Iapetos Limited

Cash flow statement for the year ended 31 December 2004

	Note	2004 EUR	2003 EUR
Cash flows from operating activities			
Profit before tax		1,821,213	7,422,975
Adjustments for:			
Interest expense	6	11	936
Amortisation of intangible asset: Licences	8	101,355	-
		<u>1,922,579</u>	<u>7,423,911</u>
Changes in working capital:			
Prepayments and other receivables		(779,966)	(300,569)
Trade and other payables		475,226	(7,290,335)
Trading investments		1,599,144	(378,920)
Fair value of open forward currency contracts		(3,177,984)	(10,840)
Deferred revenue		3,174,762	-
		<u>3,213,761</u>	<u>(556,753)</u>
Cash from/(used in) operations		-	(3,275)
Tax paid			
		<u>3,213,761</u>	<u>(560,028)</u>
Cash flows from investing activities			
Purchases of intangible assets	8	(3,040,660)	-
Investments in subsidiary		1	-
		<u>(3,040,659)</u>	<u>-</u>
Cash flows from financing activities			
Interest paid		(11)	(936)
		<u>(11)</u>	<u>(936)</u>
Net cash used in financing activities			
		<u>173,091</u>	<u>(560,964)</u>
Net increase/(decrease) in cash and cash equivalents		3,570,012	4,130,976
Cash and cash equivalents at beginning of year			
		<u>3,743,103</u>	<u>3,570,012</u>
Cash and cash equivalents at end of year	13		

During the year the amounts due to the parent company were repaid through the issue and allotment of shares at a premium (Note 14). This transaction did not involve cash outflows or inflows and is therefore not reflected in the cash flow statement.

The notes on pages 9 to 20 form part of these financial statements.