

Demetra Investments Public Limited

Financial Statements

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Board of Directors and Other Officers

Board of Directors

Michalakis Seraphides (Chairman)
Demos Demou
Kritonas Georghiades
Evangelos Georgiou
Stephanos Ioannou (appointed 3 June 2004)
Photis Demetriades (appointed 3 June 2004)
Charalambos Papageorgiou (resigned 3 June 2004)
Artemis Toumazi (appointed 3 June 2004 and resigned 15 October 2004)

Secretary

KKLAW Secretarial Ltd

Registered office

Demostheni Severi και Saktouri Corner
Nicosia
Cyprus

Investment Manager

Lefkoniko Stockbrokers Limited

Legal advisors

Koushios & Korfiotis
Dinos Mastoroudis
Georghiades & Pelides
Christophi & Seraphim

Bankers

Co-operative Central Bank Limited
Co-operative Savings Banks

Auditors

PricewaterhouseCoopers Ltd

Report of the Board of Directors

The Board of Directors presents its report together with the audited financial statements of the Company for the year ended 31 December 2004.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the management of closed end investment portfolios which consist of investments in debt securities, marketable securities, business participations and strategic investments, including dividend earning and interest earning shares, deposits and financial instruments, such as derivatives and forward contracts.

On 3 June 2004, the shareholders of the Company authorised the Board of Directors to apply to the responsible stock exchange authorities to extend the activities of the Company and release the Company from its investment limitations. The process of extending the activities has not yet been completed.

Results

The Company's results for the year are set out on page 6. The net loss for the year is carried forward.

Share capital

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

Change of name

At the Extraordinary General Meeting of the Company on 14 January 2004, it was decided to change the name of the Company from 'Demetra Investments Limited' to 'Demetra Investments Public Limited'. The change is effective from on 14 April 2004.

Board of Directors

The members of the Board of Directors at 31 December 2004 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2004 except Messrs Stephanos Ioannou, Photis Demetriades and Mrs Artemis Toumazi who were appointed as Directors on 3 June 2004. Mrs Artemis Toumazi resigned on 15 October 2004. Mr Charalambos Papageorgiou, who held office since 27 June 2001, did not offer himself for re-election and retired on 3 June 2004.

All Directors retire at the Annual General Meeting but are eligible to offer themselves for re-election.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Director's interests in the share capital of the Company

The percentage holdings by the Directors, held directly and indirectly in the share capital of the Company, according to the provisions of section 60(4) of the Securities and Cyprus Stock Exchange Laws, at 31 December 2004 and 30 days before the date of the convene of the Annual General Meeting are as follows:

Report of the Board of Directors

Director's interests in the capital of the Company (continued)

	31 December 2004 %	30 days before the convene of the Annual General Meeting %
Michalakis Seraphides	0,000	0,000
Demos Demou	0,001	0,001
Kritonas Georgiades	0,003	0,003
Evangelos Georgiou	0,005	0,005
Charalambos Papageorgiou	0,000	0,000
Stefanos Ioannou	0,000	0,000
Photis Demetriades	0,004	0,004
Artemis Toumazi	0,009	0,009

Contracts with Directors and related parties

On 31 December 2004 there were no significant agreements with the Company in which a Director or related parties had a material interest.

Main shareholders

On 31 December 2004 and during the period between 1 January 2005 and 30 days before the date of the invitation for the Annual General Meeting, the following shareholder held more than 5% of the issued share capital of the Company without any fluctuation in the percentage:

	Percentage held
Investment Group of Companies Lefkoniko Limited	10%

Auditors

The 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

Michalakis Seraphides
Chairman

Nicosia, 17 March 2005

PricewaterhouseCoopers Limited

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**Report of the auditors to the members of
*Demetra Investments Public Limited***

Report on the financial statements

1. We have audited the financial statements of Demetra Investments Public Limited on pages 6 to 21, 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 Demetra Investments Public 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 Cyprus Companies Law, Cap. 113.

Board Members: Phidias K Pilides (Chief Executive Officer), Dinos N Papadopoulos, Tassos I Televantides, Panikos N Tsiailis, Christakis Santis, Stephos D Stephanides, Costas L Hadjiconstantinou, George Foradaris, Costas M Nicolaidis, Angelos M Loizou, Vasilis Hadjivassiliou, Savvas C Michail, Costas L Mavrocordatos, Christos M Themistocleous, Panicos Kaouris, Nicos A Neophytou, George M Loizou, Androulla S Pittas, Andreas T Constantinides, Timothy D Osborne, Pantelis G Evangelou, Liakos M Theodorou, Stelios Constantinou, Tassos Procopiou, Theo Parperis, Constantinos Constantinou, Petros C Petrakis, Philippos C Soseilos, Evgenios C Evgeniou, Christos Tsolakis, Nicos A Theodoulou, Nikos T Nikolaides, Cleo A Papadopoulou, Marios S Andreou, Nicos P Chimarides, Aram Tavitian, Constantinos Taliotis

Directors of Operations: Adrian Ioannou, Stavros A Kattamis, Androulla Aristidou, Achilleas Chrysanthou, George Skapoullaras

Non-Executive Chairman: Michael H Zampelas

Consultant: Loizos Shakallis

Offices: Nicosia, Limassol, Larnaca, Paphos

PricewaterhouseCoopers Ltd is a private company,
Registered in Cyprus (Reg. No. 143594)

Report on other legal requirements

4. Pursuant to the requirements of the 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 Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 2 to 3 is consistent with the financial statements.

PricewaterhouseCoopers Limited
Chartered Accountants

Nicosia, 17 March 2005

Income Statement
for the year ended 31 December 2004 (In Cyprus pounds)

	Note	2004 £	2003 £
Revenues			
Dividend income		754.806	777.981
Interest income		1.670.138	1.829.672
Loss from investments	4	(12.253.959)	(15.550.490)
		(9.829.015)	(12.942.837)
Operating expenses	5	(630.894)	(629.071)
Operating loss before tax		(10.459.909)	(13.571.908)
Tax	6	(24.742)	(281.222)
Net loss for the year		(10.484.651)	(13.853.130)
Loss per share (cents)	7	(5,24)	(6,93)

The notes on pages 10 to 21 are an integral part of these financial statements.

Balance Sheet 31 December 2004 (In Cyprus pounds)

	Note	2004 £	2003 £
Assets			
Current assets			
Deposits	8	33.151.544	34.838.426
Government debt securities and corporate bonds	9	11.448.673	12.657.394
Receivables and prepayments	10	2.708.819	2.275.268
Available-for-sale investments	11	36.172.036	44.009.250
Tax recoverable		22.613	-
Total assets		83.503.685	93.780.338
Equity and liabilities			
Capital and reserves			
Share capital	12	200.000.000	200.000.000
Reserves	13	(116.998.269)	(106.513.618)
		83.001.731	93.486.382
Current liabilities			
Short selling positions		249.184	-
Trade and other payables	14	252.770	276.434
Tax		-	17.522
Total liabilities		501.954	293.956
Total equity and liabilities		83.503.685	93.780.338
Net assets per share (cents)	7	41,50	46,74

On 17 March 2005 the Board of Directors of Demetra Investments Public Limited authorised these financial statements for issue.

Michalakis Seraphides, Chairman

Demos Demou, Director

The notes on pages 10 to 21 are an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2004 (In Cyprus pounds)

	Share capital £	Accumulated losses (1) £	Total £
Balance at 1 January 2003	200.000.000	(92.660.488)	107.339.512
Net loss for the year	-	(13.853.130)	(13.853.130)
Balance at 31 December 2003/ 1 January 2004	200.000.000	(106.513.618)	93.486.382
Net loss for the year	-	(10.484.651)	(10.484.651)
Balance at 31 December 2004	200.000.000	(116.998.269)	83.001.731

- (1) From the tax year commencing 1 January 2003 onwards companies, which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 15% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year during the following two years. This special contribution for defence is payable for the account of the shareholders.

The notes on pages 10 to 21 are an integral part of these financial statements.

Cash Flow Statement
for the year ended 31 December 2004 (In Cyprus pounds)

	Note	2004 £	2003 £
Cash flows from operating activities			
Operating loss before tax		(10.459.909)	(13.571.908)
Adjustments for:			
(Profit)/loss on disposal of investments	4	(907.195)	1.034.368
Fair value loss on investments	4	11.180.301	13.302.481
Impairment charge on corporate bonds	4	1.253.000	500.000
Fair value loss on short selling positions	4	18.764	-
Interest income on corporate bonds		(44.279)	(32.229)
Operating profit before working capital changes		1.040.682	1.232.712
Changes in working capital:			
Receivables and prepayments		(203.131)	(175.445)
Trade and other payables		(23.664)	(22.868)
Cash generated from operations		813.887	1.034.399
Tax paid		(64.877)	(241.997)
Net cash from operating activities		749.010	792.402
Cash flows from investing activities			
Purchase and sale of investments	11	(2.435.892)	(289.378)
Net cash used in investing activities		(2.435.892)	(289.378)
Net (decrease)/increase in cash and cash equivalents		(1.686.882)	503.024
Cash and cash equivalents at beginning of year		34.838.426	34.335.402
Cash and cash equivalents at end of year	8	33.151.544	34.838.426

The notes on pages 10 to 21 are an integral part of these financial statements.

Notes to the Financial Statements

1. General Information

Country of incorporation

The Company was incorporated in Cyprus on 30 December 1999 as a public limited liability company in accordance with the provisions of the Companies Law, Cap. 113. The shares and warrants of the Company were listed in the Cyprus Stock Exchange on 27 April 2000. The registered office and business address of the Company is at Demostheni Severi and Saktouri Gonia, 1080 Nicosia Cyprus.

Principal activities

The principal activities of the Company are the management of closed ended investment portfolios which consist of investments in debt securities, business participations and strategic investments, including dividend earning and interest earning shares, deposits and financial instruments, such as derivatives and forward contracts.

The main purpose of the Company is the medium and long-term achievement of a high performance ratio through the creation of a highly diversified portfolio containing securities listed in the Cyprus Stock Exchange, public debt securities, shareholding in private companies as well as other investments listed in foreign stock exchanges, always according to the provisions of the existing legislation, the provisions of the Company's Articles of Association and the investment policy of the Company.

On 3 June 2004, the shareholders of the Company authorised the Board of Directors to apply to the responsible stock exchange authorities to extend the activities of the Company and release the Company from its investment limitations. The process of extending the activities has not yet been completed.

Change of name

At the Extraordinary General Meeting of the Company on 14 January 2004, it was decided to change the name of the Company from 'Demetra Investments Limited' to 'Demetra Investments Public Limited'. The change was realized on 14 April 2004.

Investment management

On 10 May 2000, Lefkoniko Stockbrokers Limited was appointed as Investment Manager of the Company. The duration of the agreement is one year and it is renewed annually with the same terms unless either party notifies the other in writing that it is not interested in renewing the agreement, two months prior to its expiration.

Lefkoniko Stockbrokers Limited is a 100% subsidiary of the Investment Group of Companies Lefkoniko Limited, which owns 10% of the issued share capital of the Company.

The responsibilities of the Investment Manager include the investment and reinvestment of funds, the provision of consulting services and the management of the portfolio of investments according to the investing policy of the Company.

For these services the Company has agreed to pay the following fees:

- 0,25% per year management fees on the total value of the funds under management. The value of the funds under management is determined every quarter based on the market value of the portfolio on the last day of each month in the relevant quarter.
- 0,39% commission on the transactions carried out for the Company in the stock exchange. The commission does not include fees payable to the Cyprus Stock Exchange or the special duty.

Administrative, accounting and secretarial services and share register fees

According to an agreement between the Company and Lefkoniko Stockbrokers Limited on 1 March 2000, the latter have undertaken the provision of secretarial and accounting services and the representation of the Company to the shareholders and the authorities. The duration of the agreement is two years and it will be renewed with the same terms for another two years unless at least three months before the expiration of the first period either of the parties notifies the other that it is not interested to renew the agreement. The agreement was renewed with the same terms on 1 March 2004.

Notes to the Financial Statements

Administrative, accounting and secretary services and observing the share registry (continued)

For these services, the Company has agreed to pay:

- £6,000 per month for accounting services and representation of the Company to its shareholders and authorities, plus any actual expenses or liabilities to third parties, excluding value added tax.
- £1 per transaction for the responsibility of share register, transactions and amendments in relation to the Company's share register, and the responsibility for sending notification to the shareholders excluding value added tax.

On 25 November 2002 the responsibility of the share register of the Company was transferred to the Central Registry of Cyprus Stock Exchange.

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 Demetra Investments Public Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and the provisions of the Companies Law, Cap. 113 as well as the provisions of the Securities and Cyprus Stock Exchange Laws and Regulations. The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investments and corporate bonds.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Revenue recognition

Dividend income from investments is recognised when the right to receive payment is established.

Interest income from debt securities, bonds and deposits is recognised on a time proportion basis using the effective interest method.

Profit or loss from the disposal of investments is calculated using the average cost and the net proceeds from sale which include transactions costs of sale/purchase respectively.

Profit or loss arising from the revaluation of available-for-sale investments on the balance sheet date is included in the income statement.

Foreign currency translation

(1) Measurement currency

The financial statements are prepared in Cyprus pounds (the measurement currency), which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company.

(2) Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of the transactions. 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.

Notes to the Financial Statements

Foreign currency translation (continued)

(2) Transactions and balances (continued)

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equities classified as available-for-sale investments are reported as part of the fair value gain or loss.

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.

Deferred tax is provided in full, using the liability method, on 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 substantively 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 profit will be available against which the temporary differences can be utilised.

Government and corporate bonds

Government and corporate bonds are recognised initially at the proceeds received and are stated at amortised cost. This is defined as the fair value of the cash consideration given to originate the receivable amounts as is determined by reference to the market prices at origination date. All receivable amounts are recognised when cash is advanced.

Provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due. 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 interest rate of the bond.

Investments

The classification of investments depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates this designation at every reporting date. The Company classifies all its investments as available-for-sale: These investments are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or changes in interest rates and they are included in current assets.

Purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the asset. Cost of purchase includes transaction costs. Investments are subsequently carried at fair value.

Realised and unrealised gains and losses arising from changes in the fair value of investments are included in the income statement in the year in which they arise.

The fair value of investments quoted in an active market is based on quoted bid prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flows analysis, refined to reflect the issuer's specific circumstances. Fair values for unlisted equity investments are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

Notes to the Financial Statements

Receivables

Receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement in the year in which it arises.

Share capital

Ordinary shares are classified as equity.

Short selling position

Short sales represent the sale of securities that the Company does not own at the time of the sale. Short sale positions are recognised as liabilities and are carried at fair value at the balance sheet date and any profit or loss is included in the income statement.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise deposits held at call with banks.

Segmental reporting

The Company has one activity, the investment in shares of public and other companies and also in debt securities. This activity is carried out mainly in Cyprus and therefore segmental reporting is not necessary.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3. Financial risk management

(1) Financial risk factors

The Company's activities expose it to market price risk, interest rate risk, credit risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

(a) Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Company's investments are susceptible to market price risk arising from uncertainties about future prices of the investments. This risk is managed through diversification of its investment portfolio, in Cyprus and abroad, the investment decisions and the liquidation of investments when it is considered necessary.

(c) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company is exposed to risks associated with its income, operating cashflows and financial position from changes in market interest rates. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Notes to the Financial Statements

3. Financial risk management (continued)

(1) Financial risk factors (continued)

(c) Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Company has policies to limit the amount of credit risk.

(d) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

(e) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from its investments in the United States in US Dollars and in Greece in Euros.

(2) Fair value estimation

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

The fair value of financial instruments traded in active markets, such as publicly traded available-for-sale investments is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods, such as estimated discounted cash flows, and makes assumptions that are based on market conditions existing at the balance sheet date.

Notes to the Financial Statements

4. Loss from investments

	2004 £	2003 £
(Profit)/loss from disposal of investments (Note 11)	(907.195)	1.034.368
Fair value loss on investments (Note 11)	11.180.301	13.302.481
Impairment of corporate bonds (Note 9)	1.253.000	500.000
Commission payable to Lefkoniko Stockbrokers in relation to foreign investments	105.359	21.135
Fair value loss on short selling position	18.764	-
Foreign exchange transaction losses on balances with foreign brokers (Note 8)	603.730	692.506
	12.253.959	15.550.490

5. Operating expenses

	2004 £	2003 £
Fees payable to Lefkoniko Stockbrokers Limited		
Portfolio management	255.085	285.088
Provision of administrative, accounting and secretarial services	82.800	88.550
Auditors' remuneration	5.750	5.750
Directors' remuneration	3.000	3.000
Printing and delivery of annual report, share certificates and Annual General Meeting	208.207	190.464
Annual subscription to the Cyprus Stock Exchange	8.324	6.864
Share register fees to the Cyprus Stock Exchange	15.000	15.000
Legal expenses	11.325	9.968
Other professional fees	3.007	432
Expenses in relation to foreign investment	9.630	5.154
Press announcement expenses	23.103	16.413
Other administrative expenses	5.663	2.388
	630.894	629.071

6. Tax

	2004 £	2003 £
Current tax:		
Corporation tax	89.316	102.338
Defense contribution	6.183	175.664
Defense contribution on interest income suffered in prior years	(70.757)	-
Tax suffered on dividends received from abroad	-	3.220
	24.742	281.222

Notes to the Financial Statements

6. Tax (continued)

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

	2004 £	2003 £
Operating loss before tax	<u>(10.459.909)</u>	<u>(13.571.908)</u>
Tax calculated at the applicable tax rates	(1.518.986)	(1.357.191)
Tax effect of expenses not deductible for tax purposes	1.832.807	1.555.735
Tax effect of allowances and income not subject to tax	(226.938)	(77.798)
Tax suffered on dividends received from abroad	-	3.220
Defense contribution on interest income suffered in prior years	(70.757)	-
Effect of tax losses	-	(21.948)
Defense contribution	6.183	175.664
Tax penalty	<u>2.433</u>	<u>3.540</u>
Taxation charge	<u>24.742</u>	<u>281.222</u>

From 1 January 2003 onwards the Company is subject to corporation tax on taxable profits at the rate of 10% and defense contribution on profits is abolished. For the years 2003 and 2004 only any profits above C£1.000.000 are subject to an additional corporation tax rate of 5%.

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

The Company is a public company for the purposes of Cyprus Income Tax Laws.

7. Loss per share and net asset value per share

Loss per share is calculated by dividing the loss for the year attributed to the Company's shareholders by the weighted average number of issued shares during the year.

	2004	2003
Loss for the year	<u>£10.484.651</u>	<u>£13.853.130</u>
Weighted average number of shares issued during the year	<u>200 000 000</u>	<u>200 000 000</u>
Loss per share (cents)	<u>5,24</u>	<u>6,93</u>

Notes to the Financial Statements

7. Loss per share and net asset value per share (continued)

Net asset value per share is calculated by dividing the net assets as at 31 December by the number of issued shares at that date.

	2004	2003
Net assets as at 31 December	£83.001.731	£93.486.382
Number of shares issued at 31 December	200 000 000	200 000 000
Net assets value per share (cents)	41,50	46,74

The Company does not have any warrants. Therefore the diluted earnings per share and the diluted net asset value per share are not calculated.

8. Deposits

	2004 £	2003 £
Balances with Co-operative Savings Banks	24.977.650	30.202.568
Balances with foreign brokers	8.173.894	4.635.858
	33.151.544	34.838.426

Cash and cash equivalents bear interest at the annual rate of 0%-5,75% (2003: 0,5%-6%).

During the year, foreign exchange transaction losses arose on the balances with foreign brokers amounting to £603.730 (2003: £692.56). These losses are included in the income statement in loss from investments (Note 4).

Cash and cash equivalents included in the cash flow statement consist of the above balance sheet items.

9. Government debt securities and corporate bonds

	2004 £	2003 £
Government debt securities	6.742.385	6.742.385
Corporate bonds	4.706.288	5.915.009
	11.448.673	12.657.394

Government debt securities bear annual interest of 6,75%-7% (2003: 6,75%-7%).

According to agreements, corporate bonds bear annual interest of 6%-12%. If there is objective evidence that the Company will not be able to collect the amount of capital or interest due, recognition of interest income is suspended.

The movement of the impairment provision for corporate bonds is as follows:

	2004 £	2003 £
At beginning of year	550.000	50.000
Provision for the year	1.253.000	500.000
At end of year	1.803.000	550.000

Notes to the Financial Statements

10. Receivables and prepayments

	2004 £	2003 £
Amount receivable from investments in new issues (Note 11)	1.679.284	1.852.625
Receivables from reduction of capital of an investment	113.022	-
Receivables from short selling positions	230.420	-
Dividends receivable	686.093	420.813
Other receivables and prepayments	-	1.830
	2.708.819	2.275.268

The amount receivable from investments bears annual interest at 6%-9%.

11. Available-for-sale investments

The Company's available-for-sale investments are analysed as follows:

	Market value 2004 £	Market value 2003 £
Securities listed in the Cyprus Stock Exchange by sector:		
Financial	16.271.690	16.850.555
Industrial	2.603.115	4.863.078
Consumer services	6.445.702	8.793.148
Consumer goods	3.369.127	5.960.599
Basic materials	281.293	331.456
Technology	519.103	540.406
	29.490.030	37.339.242
Non listed securities		
In new issues of shares	1.219.763	4.181.098
Other private companies	1.726	2.115
Total investments in Cyprus	30.711.519	41.522.455
Investments abroad		
Athens Stock Exchange	1.348.090	525.452
UBS (Lux) Money Market Fund	543.412	541.645
US Stock Exchange	3.569.015	1.419.698
Total investment abroad	5.460.517	2.486.795
Total available-for-sale investments	36.172.036	44.009.250

Notes to the Financial Statements

11. Available-for-sale investments (continued)

The movement of the portfolio of available-for-sale investments is as follows:

	2004 £	2003 £
At beginning of year	44,009,250	58,938,001
Purchase and sale of investments - net	2,435,892	289,378
Fair value loss on investments (Note 4)	(11,180,301)	(13,302,481)
Profit/(loss) on disposal of investments (Note 4)	907,195	(1,034,368)
Transfer to receivables and prepayments (Note 10)	-	(881,280)
At end of year	36,172,036	44,009,250

Available-for-sale investments, comprising principally of marketable equity securities, are fair valued annually at the close of business on 31 December. For investments traded in active markets, fair value is determined by reference to Stock Exchange quoted bid prices. For unlisted investments, fair value is estimated by the Board of Directors based on the suggestions of the Investment Managers by reference to valuation techniques. The fair value loss on unlisted investments for 2004 is £2,446,075 (2003: £2,170,000).

Available-for-sale investments are classified as current assets. In the cash flow statement, available-for-sale investments are included in cash flows from investing activities. In the income statement, changes in the fair values of available-for-sale investments are included in operating income.

Available-for-sale investments in unlisted securities include investments in two private companies where the percentage holding exceeds 10%. This arose despite the will of the Company but it was necessary with objective to secure the recoverable value of these investments for the benefit of its shareholders. Under these conditions, shares of these companies were transferred to the Company, resulting in the Company exceeding 10% holding in these companies. The Company acquired these investments with the purpose of realising a profit and is not involved in the day-to-day management and administration of the activities of these companies. The significant (greater than 10%) holdings in unlisted companies as at 31 December 2004 are shown below. Their total value at 31 December 2004 is £396,095 (2003: £1,347,171). The fair value loss recognised in the income statement for 2004 on these investments is £951,076 (2003: £nil).

Name	Main activities	Percentage interest
G.J. Metaxas Jewellery Gallery Ltd	Jewellery trading	16,83%
Cooper Security Systems Ltd	Provision of security services and installation of security systems	50,72%

Notes to the Financial Statements

12. Share capital

	2004		2003	
	Number of shares	£	Number of shares	£
Authorised				
Shares of £1 each	250 000 000	250.000.000	250 000 000	250.000.000
Issued and fully paid				
Shares of £1 each	200 000 000	200.000.000	200 000 000	200.000.000

13. Reserves

	Revenue reserve £	Reserve on disposal investments £	Fair value reserve £	Total £
1 January 2003	14.527.390	(13.415.712)	(93.772.166)	(92.660.488)
Profit / (loss) for the year	2.953.927	(1.171.723)	(15.635.334)	(13.853.130)
31 December 2003 /				
1 January 2004	17.481.317	(14.587.435)	(109.407.500)	(106.513.618)
Profit / (loss) for the year	2.755.980	911.295	(14.151.926)	(10.484.651)
31 December 2004	20.237.297	(13.676.140)	(123.559.426)	(116.998.269)

Profits and losses from the disposal and revaluation of investments and revenues from investments are recognised in the income statement and they are allocated in the above reserves. Dividend and interest income to the revenue reserve, profits or losses from disposal of investments to the reserve on disposal of investments and fair value gains/losses on investments to the fair value reserve, net of allocated operating expenses, net foreign exchange losses and taxation.

The fair value reserve is not available for distribution. According to the regulations of the Cyprus Stock Exchange the distribution of more than 30% of profits from the disposal of investments is not allowed without prior approval by the Stock Exchange Commission. The revenue reserve is available for distribution subject to the Company having available profits.

14. Trade and other payables

	2004 £	2003 £
Lefkoniko Stockbrokers Limited	84.637	97.726
Other payables and accrued expenses	168.133	178.708
	252.770	276.434

Notes to the Financial Statements

15. Related party transactions

There are no transactions with related parties. There are transactions with the investment manager, Lefkoniko Stockbrokers Limited which are presented below. The remuneration of the Board of Directors of the Company is shown in Note 5 "Operating Expenses".

	2004 £	2003 £
Lefkoniko Stockbrokers Limited		
Portfolio management fees	255.085	285.088
Administrative, secretarial and accounting services fees	82.800	88.550
Brokerage commissions	130.828	23.968

Lefkoniko Stockbrokers Limited is 100% subsidiary of Investment Group of Companies Lefkoniko Limited which holds 10% of the Company. The balances with Lefkoniko Stockbrokers Limited are shown in Note 14.

16. Contingencies

As at 31 December 2004 there were pending claims of £2.256.000 plus interest against the Company in relation to its activities. Based on legal advice, the Company's Board of Directors believes that there is sufficient defense against these claims and no loss is expected to arise for the Company. Therefore no provision has been made in the financial statements in relation to these claims.

17. Substantial contracts

There were no substantial contracts other than the agreements with Lefkoniko Brokerage Limited, which are described in Note 1 "General information".

18. 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.

Report of the auditors on pages 4 and 5.