

LAMDA OLYMPIC S.R.L

FINANCIAL STATEMENTS

Prepared in accordance with International Financial Reporting Standards

31 December 2005

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Lamda Olympic S.R.L.
Balance Sheets
as of 31 December 2005
(Currency: Euro, unless otherwise indicated)

	Notes	31 December 2005	31 December 2004
		<u>-</u>	<u>-</u>
Current assets			
Inventories	3	2,524,234	10,604,553
Prepayments and other assets	4	165,676	42,824
Cash and cash equivalents	5	1,768,191	86,874
		<u>4,458,101</u>	<u>10,734,251</u>
TOTAL ASSETS		<u>4,458,101</u>	<u>10,734,250</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	6	4,211,028	4,211,028
Other reserves		48,308	(185,144)
Retained earnings		(918,670)	(1,035,860)
		<u>3,340,666</u>	<u>2,990,022</u>
Current liabilities			
Interest bearing loans and borrowings	7	-	2,022,436
Trade and other payables	8	1,117,435	5,721,792
		<u>1,117,435</u>	<u>7,744,228</u>
TOTAL EQUITY AND LIABILITIES		<u>4,458,101</u>	<u>10,734,251</u>

Lamda Olympic S.R.L.
Income Statement
for the year ended 31 December 2005
(Currency: Euro, unless otherwise indicated)

	<u>Notes</u>	<u>2005</u>	<u>004</u>
Revenue	10	9,274,094	18,721,680
Cost of sales		<u>9,005,836</u>	<u>18,307,272</u>
Gross profit		268,258	414,408
Other income , net		11,245	514
General & administration expenses		316,606	(427,443)
Finance (cost)/ income-net		<u>188,927</u>	<u>17,556</u>
Income/(Loss) before tax		151,825	5,035
Income tax expenses		<u>(34,635)</u>	<u>(94,838)</u>
Income/(Loss) for the year		<u>117,190</u>	<u>(89,803)</u>

The accompanying notes form an integral part of these financial statements.

Lamda Olympic S.R.L.
Statement of Changes in Shareholders' Equity
for the year ended 31 December 2005
(Currency: Euro, unless otherwise indicated)

	<u>Share Capital</u>	<u>Other Reserves</u>	<u>Translation reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at 31 December 2004	4,211,028	17,872	(203,016)	(1,035,860)	2,990,022
Exchange differences on translating foreign operations	-	-	233,452	-	233,452
Profit for the year	-	-	-	117,190	117,190
Balance at 31 December 2005	4,211,028	17,872	30,436	(918,670)	3,340,666

The accompanying notes form an integral part of these financial statements.

Lamda Olympic S.R.L.
Cash Flow Statement
for the year ended 31 December 2005
(Currency: Euro, unless otherwise indicated)

	<u>Note</u>	<u>2005</u>	<u>2004</u>
Cash from/(used) in operating activities			
Profit/(loss) before income tax		151,825	5,035
Adjustments for:			
Translation adjustment		4,617	418,933
Interest expense, net		(16,081)	82,693
Profit/(loss) before changes in operating assets and liabilities		<u>140,361</u>	<u>506,661</u>
Net changes in operating assets and liabilities:			
Increase / (Decrease) in inventories		(82,021)	1,958,025
Increase / (Decrease) in trade and other receivable		8,914,356	1,516,047
Decrease / (Increase) in trade and other payable		(1,884,704)	1,350,587
Cash generated from operations		<u>7,087,991</u>	<u>5,331,310</u>
Interest paid		(27,278)	(155,301)
Income tax paid		(113,841)	(55,681)
Net cash from operating activities		<u>6,946,872</u>	<u>5,120,328</u>
Cash from/(used) in investing activities			
Interest received		43,359	72,608
Net cash from/(used) in investing activity		<u>43,359</u>	<u>72,608</u>
Cash from/(used) in financing activities			
Proceeds/(repayments) for loans		(5,308,915)	(5,116,638)
Net cash from/(used) in financing activity		<u>(5,336,193)</u>	<u>(5,271,939)</u>
Net increase in cash and cash equivalents		<u>1,681,317</u>	<u>76,298</u>
Cash and cash equivalents at the beginning of the year		86,874	10,576
Cash and cash equivalents at the end of the year	6	<u>1,768,191</u>	<u>86,874</u>

1. Corporate information

Lamda-Olympic S.R.L. (“the Company”) was registered with the Romanian Trade Register as a limited liability company in July 2002. The address of the registered office is Bucharest, 82-92 Nordului, sector 1.

The Company is principally engaged in development, construction and sale of apartments.

The Company had 1 employee at year ended 31 December 2005 and year ended 31 December 2004. These financial statements have been authorized for issue in accordance with a resolution of the board of administrators on April 7-th, 2006.

2. Summary of significant accounting policies

(a) Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards. The Company maintains and prepares its statutory records (“Statutory Financial Statements”) in accordance with Romanian Law and Romanian Accounting Standards and practice, in Romanian currency (“RON”). Since these financial statements have been prepared under IFRS therefore, in preparation of these financial statements adjustments and reclassifications have been made to the Romanian Accounting Standards records. The functional currency of the Company is RON whereas the presentation currency is EURO. The method used for translation of RON balances in to Euro is defined in paragraph (b) hereunder.

(b) Foreign currency translation

The functional currency of the Company is the RON whereas, the presentation currency is Euro. Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities are retranslated into functional currency at the exchange rate ruling at the date of balance sheet, and the resulting exchange gain/loss is then taken to income statement.

For the purpose of translation of functional currency balances into presentation currency the following scheme is followed:

- All assets and liabilities at the year end exchange rate,
- Equity is translated at the historic exchange rates,
- Profit and loss items at the monthly average exchange rate.

The resulting gain/loss on the equity items relating to difference of opening and closing exchange rates and the gain/loss on income statement relating to average exchange rate used for income statement purposes and closing exchange rate for balance sheet purposes is taken to Translation Reserve.

The average and closing exchange rates are given as under:

	<u>2005</u>	<u>2004</u>
Period end rate	3.6771	3.9663
Average rate	3.6234	4.0523

2. Summary of significant accounting policies (continued)

(c) Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, 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. These estimates are based on information available as of the date of the financial statements, therefore actual results could differ from those estimates.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhead costs, are normally charged to the income statement in the period when they are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain/loss arising on depreciation of asset is included in the income statement in the year the item is derecognized.

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets.

Construction-in-progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Expenditures for repairs or maintenance of equipment made to restore or maintain the future economic benefits expected from the assets are recognized as an expense.

2. Summary of significant accounting policies (continued)

(f) Impairment of assets

The carrying values of property, plant and equipment are reviewed for impairment either annually, or when events or changes in circumstances indicate the carrying value may not be recoverable (whichever is earlier). If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount is the greater of selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses, if any, are recognized in the income statement.

(g) Intangible assets

Intangible assets are capitalized at cost. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Intangible assets are amortized on a straight-line basis over five years.

(h) Trade and other receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written off when identified.

(i) Leases

Finance leases, which transfer to the Company substantially all the risk and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. 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.

Capitalized leases are depreciated over the shorter of the estimated useful life of the asset or the lease term.

(j) Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After the initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in net profit or loss when the liabilities are derecognized or impaired, as well as through the amortization process.

2. Summary of significant accounting policies (continued)

(k) Borrowing costs

Borrowing costs related to qualifying assets are capitalized as part of the cost of qualifying asset and is continued to be capitalized until the asset is substantially completed. The borrowing costs after this date are charged to income statement.

(l) Trade and other payables

Payables are carried at cost, being the fair value of the consideration to be paid in the future for goods and services to be received.

(m) Provisions

Provisions are recorded when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(n) Pension and other post-retirement benefits

Short-term employee benefits

Short-term employee benefits include wages, salaries and social security contributions, bonuses payables within twelve months after the end of the period in which the employees rendered the service, and non-monetary services as cars, medical care, frees subsidies, meal vouchers Short-term employee benefits are recognized as expenses as services are rendered.

Post-employment benefits

The Company makes contributions to the funds set up by the State for pensions, health care and unemployment benefits calculated on the basis of salaries of employees of the Company. The Company does not operate any other retirement scheme and has no obligation to provide further benefits to current or former employees.

Termination benefits

The Company is obliged by law to pay termination indemnities in cases of reduction in labor force. Expenses related to termination indemnities are accrued when management decides to adopt a plan that will result in future payments of termination benefits and by the balance sheet date either starts to implement the restructuring plan or communicates the restructuring plan to those affected by it in a sufficiently specific manner to raise a valid expectation that the Company will carry out the restructuring.

o) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. Revenues are recognized on accrual basis. Following specific recognition criteria must also be met before revenue is recognized.

Sale of apartments:

Revenue from sale of apartments is recognized when the transaction of sale is registered with the public notary i.e. all significant risks and rewards are transferred to the buyer.

Interest income:

Interest income is recognized on receipt basis.

p) Income tax

Tax on the profit or loss for the year comprises current tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case is recognized in equity.

Current tax is the expected tax payable calculated on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The Company fulfils the conditions laid down under the Romanian law in order to be classified as the micro enterprise. For such companies, the taxable profit is replaced with the turnover. The effective tax rate as of 31 December 2004 is 3% and 31 December 2003 is 1.5% of turnover.

Being the micro enterprise since the Company pays tax on turnover therefore, no material temporary differences exist which may result in deferred tax.

q) Related parties

Parties are considered related when one party either through ownership, contractual rights, family relationship or otherwise, has the ability to directly or indirectly control or significantly influence the other party. Related parties also include individuals that are principal owners, management and members of the Company's Board of Directors and members of their families.

r) Financial instruments

The carrying amounts of cash and cash equivalents, receivables, payables and accrued liabilities approximate their fair values due to the short-term maturity of these instruments. Financial instruments are recognized when the Company becomes a party to the contract that constitutes the financial instruments.

Management believes that the estimated fair values of these instruments approximate their carrying amounts since these items have predominantly short re-pricing terms, carry interest rates reflecting current market conditions, are settled without significant transaction costs and are mostly short-term in nature.

s) Contingencies

Contingent liabilities are not recognized in the accompanying financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the accompanying financial statements but disclosed when an inflow of economic benefits is probable.

Lamda Olympic S.R.L.
Notes to the Financial Statements
for the year ended 31 December 2005
(Currency: Euro, unless otherwise indicated)

3. Inventories

	31 December 2005	31 December 2004
Finished goods	2,524,234	10,557,847
Payments on account for stocks	-	46,706
Total	2,524,234	10,604,553

Cost of merchandise includes the cost of land on which apartments are constructed and all expenses incurred related to the construction of these luxury apartments. During the year 2004 the construction was completed and the Company has finalized sale contracts in respect of all the apartments.

4. Prepayments and other assets

	31 December 2005	31 December 2004
Trade receivable	45,617	-
Tax receivable	37,463	-
Sundry debtors	120,087	37,079
Provisions for sundry debtors	(120,087)	-
Prepaid expenses	-	5,745
VAT receivable	26,848	-
Advance payment	55,748	-
Total	165,676	42,824

5. Cash and cash equivalents

	31 December 2005	31 December 2004
Cash at bank	1,764,338	86,349
Cash in hand	3,853	525
Total	1,768,191	86,874

6. Issued capital

	 Holding	31 December 2005	31 December 2004
Lamda Development	50%	2,105,514	2,105,514
Eurorom Constructii '97	50%	2,105,514	2,105,514
Total		4,211,028	4,211,028

Lamda Olympic S.R.L.
Notes to the Financial Statements
for the year ended 31 December 2005
(Currency: Euro, unless otherwise indicated)

The share capital of the Company comprises of 1,158 social parts with a nominal value of RON 13,069 each. The share capital issued was fully paid at the balance sheet date.

	<u>31 December 2005</u>	<u>31 December 2004</u>
Capital subscribed –RON value	15,133,766	15,133,766
Capital subscribed – Euro at period end rate	4,115,680	3,815,588
Functional currency translation adjustment	95,348	395,440
Capital – Euro total	<u>4,211,028</u>	<u>4,211,028</u>

7. Interest bearing loans and borrowings

	<u>Effective interest rate</u>	<u>Maturity date</u>	<u>31 December 2005</u>	<u>31 December 2004</u>
Alpha Bank-loan of EUR 10,000,000	3 mths LIBOR +2.85%	30 June 2005	-	2,022,436
			<u>-</u>	<u>2,022,436</u>

8. Trade and other payables

	<u>31 December 2005</u>	<u>31 December 2004</u>
Trade payables	24,233	20,814
Customer advances	1,093,202	2,555,556
Income tax payable	-	39,168
VAT payable	-	196,243
Accrued expenses	-	10,628
Due to associates	-	2,899,383
Other	-	-
Total	<u>1,117,435</u>	<u>5,721,792</u>

Due to associates represent amount payable to the shareholders on reduction of capital by the Company during the year.

9. Related parties

Lamda Olympic S.R.L.
Notes to the Financial Statements
for the year ended 31 December 2005
(Currency: Euro, unless otherwise indicated)

The following tables provides the total amount of transactions which have been entered in to with related parties for relevant financial years and the corresponding year end balances with the individual related parties:

	31 December 2005	31 December 2004
Receivables		
Tei Lake Development	388	-
Technical Olympic	6,197	-
Balotesti Development SRL	487	-
Konderamo	100	-
TOTAL	7,172	-
Payables		
Lamda Estate Development	5,266	4,882
Eurorom Constructii S.R.L.	-	1,618,263
Lamda Development S.A. (Grecia)	-	1,618,263
TOTAL	5,266	3,241,408

10. Revenue

During the year 2004 the Company has entered into agreement in respect of all the apartments but has recognized the revenue in the year 2004 only in respect of 39 apartments, respectively in the year 2005 in respect of 48 apartments and 2 multi-purpose areas, sale contracts relating to which have been finalized and sale transaction has been registered with the notary public. As at 31 December 2005 remain in stock 8 apartments and 5 multi-purpose areas.

11. Financial risk management objectives and policies

The principal financial instruments comprise loans, cash and cash equivalents, trade and other receivables and accounts payables.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk and credit risk. The policies relating to these risks are summarized below:

a) Interest rate risk

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate, which applies to the financial instrument. The Company has short term bank borrowing at floating rate of interest which exposes the Company to interest rate risk.

b) Foreign currency risk

The Company is exposed to foreign exchange risk as the major items i.e. the construction cost payable to the contractor and the sales, payables and short term financing are denominated in foreign currencies as a result, the Company can be affected by the changes in the foreign exchange rates.

The Company does not have any policy to hedge this foreign exchange risk.

c) Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of excess cash holdings, deposits and accounts receivable. The Company places its deposits and excess cash with reputable companies and financial institutions. Management constantly monitors the status of banks where deposits are maintained. The Company is not exposed to credit risk associated with trade accounts receivable as the apartments are sold against advance.

12. Financial Instruments

Fair value of financial instruments

The estimated fair value of financial instruments, consisting of cash, deposits, receivables, payables and obligations under debt instruments, are considered to be equal to the carrying value.

13. Contingencies

Legislation and regulations regarding taxation, foreign currency transactions and licensing of foreign currency loans in Romania continue to evolve as the government manages the transformation from a command to a market-oriented economy. The various legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors, National Bank officials and the Ministry of Finance. Instances of inconsistent opinions between local, regional and national tax authorities and between the National Bank and Ministry of Finance are not unusual.

The current regime of penalties and interest related to reported and discovered violations of Romania's laws, decrees and related regulations are severe. As a result, penalties and delay payment interest may result in a significant amount payable to the State.

The Company believes that it has paid or accrued all taxes that are applicable. Where practice concerning the provision for taxes is unclear, the Company has accrued tax liabilities based on management's best estimate. The Company's policy is to accrue for contingencies in the accounting period in which a loss is deemed probable and the amount is reasonably determinable. No such accruals have been made.

Because of the uncertainties associated with the Romanian tax and legal systems, the ultimate amount of taxes, penalties and interest assessed, if any, may be in excess of the amount expensed to date and accrued at 31 December 2005. Although such amounts are possible and may be material, it is the opinion of the Company's management that these amounts are either not probable, not reasonably determinable, or both

The Company's operations and financial position will continue to be affected by Romanian political developments, including the application of existing and future legislation and tax regulations. These developments could have a significant impact on the Company's operations. The Company does not believe that these contingencies, as related to its operations, are any more significant than those of similar enterprises in Romania.