

**ARCELIA HOLDINGS LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
31 December 2007

# ARCELIA HOLDINGS LIMITED

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## REPORT AND FINANCIAL STATEMENTS

31 December 2007

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# ARCELIA HOLDINGS LIMITED

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## BOARD OF DIRECTORS AND OTHER OFFICERS

**Board of Directors:**

Niki Tofari

**Company Secretary:**

Chrystalla Panagidou

**Independent Auditors:**

MOORE STEPHENS STYLIANOU & CO  
CERTIFIED PUBLIC ACCOUNTANTS - CY  
58 Arch. Makarios III Avenue  
Iris Tower  
6th Floor, Office 602  
1075 Nicosia, Cyprus

**Registered Office:**

58 Arch. Makarios III Avenue  
Iris Tower  
7th Floor, Office 702  
1075 Nicosia, Cyprus

**Bankers:**

Bank of Cyprus Public Company Ltd

# ARCELIA HOLDINGS LIMITED

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## REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2007.

### Principal activities

The principal activities of the Company is to engage in the business of general trade and investing activities.

### Review of current position, future developments and significant risks

The Company's development to date, financial results and position as presented in the financial statements are not considered satisfactory and the Board of Directors is making an effort to reduce the Company losses.

The most significant risks faced by the Company and the steps taken to manage these risks, are described in note 3 of the financial statements.

### Results

The Company's results for the year are set out on page 5. The net loss for the year is carried forward.

### Share capital

#### Authorised capital

On 21 March 2007 the sole Director of the Company by a written resolution decided to increase the authorised share capital of the Company from 1.000 ordinary shares to 26.000 ordinary Shares. On 18 September 2007 the company converted its authorised share capital to 44.460 shares of EUR 1 each.

#### Issued capital

Upon incorporation on 9 December 2005 the Company issued to the subscribers of its Memorandum of Association 1,000 ordinary shares of CY£1 each at par.

On 21 March 2007 the sole Director of the Company by a written resolution decided to increase its issued share capital to 26.000 by the issue of 25.000 new Ordinary Shares of a nominal value CY£1 each at a premium of CY£36.76 per share. On 18 September 2007 the company converted its issued share capital to 44.460 shares of EUR 1 each.

### Board of Directors

The members of the Board of Directors of the Company as at 31 December 2007 and at the date of this report are shown on page 1. The sole director was a member of the board throughout the year ended 31 December 2007.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

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

### Independent Auditors

The independent auditors, MOORE STEPHENS STYLIANOU & CO, have expressed their willingness to continue in office and 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 of Directors,

Chrystalla Panagidou  
Secretary

Nicosia, Cyprus, ..... 2008

# Independent Auditors' Report

## To the Members of Arcelia Holdings Limited

### Report on the Financial Statements

We have audited the financial statements of the parent company Arcelia Holdings Limited (the "Company") on pages 5 to 16, which comprise the balance sheet as at 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Board of Directors' Responsibility for the Financial Statements*

The Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independent Auditors' Report (continued)

### To the Members of Arcelia Holdings Limited

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the parent company Arcelia Holdings Limited as of 31 December 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

#### **Report on Other Legal Requirements**

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 page 2 is consistent with the financial statements.

#### **Other Matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap.113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

**MOORE STEPHENS STYLIANOU & CO  
CERTIFIED PUBLIC ACCOUNTANTS - CY**

Nicosia, ..... 2008

# ARCELIA HOLDINGS LIMITED

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## INCOME STATEMENT

Year ended 31 December 2007

|                                      |      | 2007           | period from 9<br>December<br>2005 to 31<br>December<br>2006 |
|--------------------------------------|------|----------------|---|
|                                      | Note | €              | €   |
| Revenue                              |      | -              | -   |
| Administration expenses              |      | (6,168)        | (8,254)   |
| Other expenses                       | 5    | -              | (3,635)   |
| Operating loss                       | 6    | (6,168)        | (11,889)  |
| Net finance costs                    | 7    | (150)          | (101)   |
| Net profit from investing activities | 8    | 4              | 5,010   |
| Loss before tax                      |      | (6,314)        | (6,980)   |
| Tax                                  | 9    | -              | -   |
| Net (loss) for the year              |      | <u>(6,314)</u> | <u>(6,980)</u>  |

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The notes on pages 9 to 16 form an integral part of these financial statements.

# ARCELIA HOLDINGS LIMITED

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## BALANCE SHEET

31 December 2007

|                                     | Note | 2007<br>€               | 2006<br>€               |
|-------------------------------------|------|-------------------------|-------------------------|
| <b>ASSETS</b>                       |      |                         |                         |
| <b>Non-current assets</b>           |      |                         |                         |
| Investments in subsidiaries         | 10   | <u>1,600,000</u>        | <u>1,600,000</u>        |
|                                     |      | <u>1,600,000</u>        | <u>1,600,000</u>        |
| <b>Current assets</b>               |      |                         |                         |
| Trade and other receivables         | 12   | -                       | 35,000                  |
| Available-for-sale financial assets | 11   | 2,500                   | 2,500                   |
| Cash at bank and in hand            |      | <u>35,284</u>           | <u>433</u>              |
|                                     |      | <u>37,784</u>           | <u>37,933</u>           |
| <b>Total assets</b>                 |      | <u><u>1,637,784</u></u> | <u><u>1,637,933</u></u> |
| <b>EQUITY AND LIABILITIES</b>       |      |                         |                         |
| <b>Equity and reserves</b>          |      |                         |                         |
| Share capital                       | 13   | 44,905                  | 1,744                   |
| Other reserves                      |      | 1,586,587               | -                       |
| Accumulated (losses)                |      | <u>(13,294)</u>         | <u>(6,980)</u>          |
|                                     |      | <u>1,618,198</u>        | <u>(5,236)</u>          |
| <b>Current liabilities</b>          |      |                         |                         |
| Trade and other payables            | 14   | <u>19,586</u>           | <u>1,643,169</u>        |
|                                     |      | <u>19,586</u>           | <u>1,643,169</u>        |
| <b>Total equity and liabilities</b> |      | <u><u>1,637,784</u></u> | <u><u>1,637,933</u></u> |

On ..... 2008 the Board of Directors of Arcelia Holdings Limited authorised these financial statements for issue.

.....  
Director

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The notes on pages 9 to 16 form an integral part of these financial statements.

# ARCELIA HOLDINGS LIMITED

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## STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

|                                     | Share capital<br>€ | Share<br>premium<br>€ | Accumulated<br>(losses)<br>€ | Total<br>€ |
|-------------------------------------|--------------------|-----------------------|------------------------------|------------|
| Net loss for the year               | -                  |                       | (6,980)                      | (6,980)    |
| Issue of share capital              | 1,744              |                       | -                            | 1,744      |
| At 31 December 2006/ 1 January 2007 | 1,744              |                       | (6,980)                      | (5,236)    |
| Net loss for the year               | -                  |                       | (6,314)                      | (6,314)    |
| Issue of share capital              | 43,161             | 1,586,5               | -                            | 1,629,741  |
| At 31 December 2007                 | 44,901             | 1,586,5               | (13,294)                     | 1,618,191  |

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 at any time. This special contribution for defence is payable for the account of the shareholders.

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The notes on pages 9 to 16 form an integral part of these financial statements.

# ARCELIA HOLDINGS LIMITED

## CASH FLOW STATEMENT

Year ended 31 December 2007

|   |                    | period from 9<br>December<br>2005 to 31<br>December |
|---|--------------------|---|
|   | 2007               | 2006  |
|   | €                  | €   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |                    |   |
| Loss before tax   | (6,314)            | (6,980)   |
| Adjustments for:  |                    |   |
| Unrealised exchange (profit)  | (4)                | (10)  |
| Profit from the sale of investments in subsidiaries                 | -                  | (5,000)   |
|   | <u>(6,318)</u>     | <u>(11,990)</u>                                     |
| <b>Cash flows used in operations before working capital changes</b> | (6,318)            | (11,990)  |
| Decrease / (increase) in trade and other receivables                | 35,000             | (35,000)  |
| (Decrease) / increase in trade and other payables                   | <u>(1,623,583)</u> | <u>1,643,169</u>                                    |
| <b>Net cash (used in) / from operating activities</b>               | <u>(1,594,901)</u> | <u>1,596,179</u>                                    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                         |                    |   |
| Payment for purchase of available-for-sale financial assets         | -                  | (2,500)   |
| Payment for purchase of investments in subsidiaries                 | 10                 | (1,630,000)   |
| Proceeds from sale of investments in subsidiary undertakings        | -                  | 35,000  |
| <b>Net cash from investing activities</b>                           | <u>-</u>           | <u>(1,597,500)</u>                                  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |                    |   |
| Proceeds from issue of share capital                                | 1,629,748          | 1,744   |
| Unrealised exchange profit  | 4                  | 10  |
| <b>Net cash from financing activities</b>                           | <u>1,629,752</u>   | <u>1,754</u>  |
| <b>Net increase in cash and cash equivalents</b>                    | 34,851             | 433   |
| Cash and cash equivalents:  |                    |   |
| At beginning of the year  | 433                | -   |
| <b>At end of the year</b>   | <u>35,284</u>      | <u>433</u>  |

The notes on pages 9 to 16 form an integral part of these financial statements.

# ARCELIA HOLDINGS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

### 1. Incorporation and principal activities

#### Country of incorporation

The Company Arcelia Holdings Limited (the "Company") was incorporated in Cyprus on 9 December 2005 as a private company with limited liability under the Companies Law, Cap. 113. Its registered office is at 58 Arch. Makarios III Avenue, Iris Tower, 7th Floor, Office 702, 1075 Nicosia, Cyprus.

#### Principal activities

The principal activities of the Company is to engage in the business of general trade and investing activities.

### 2. Accounting policies

The principal accounting policies adopted 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 the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

The Company is not required by the Companies Law, Cap.113, to prepare consolidated financial statements because the Company and its subsidiaries constitute a small sized group as defined by the Law and the Company does not intend to issue consolidated financial statements for the year ended 31 December 2007.

The European Commission has concluded that since parent companies are required by the EU 4th Directive to prepare their separate financial statements and since the Companies Law, Cap.113, requires the preparation of such financial statements in accordance with IFRS as adopted by the EU, the provisions in IAS 27 "Consolidated and Separate Financial Statements" requiring the preparation of consolidated financial statements in accordance with IFRS do not apply.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs 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 may ultimately differ from those estimates.

#### Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised IFRSs and International Accounting Standards (IAS), which are relevant to its operations and are effective for accounting periods commencing on 1 January 2007

The adoption of these Standards did not have a material effect on the financial statements.

At the date of authorisation of these financial statements some Standards were in issue but not yet effective. The Board of Directors expects that the adoption of these Standards in future periods will not have a material effect on the financial statements of the Company.

#### Subsidiary companies

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

# ARCELIA HOLDINGS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

### 2. Accounting policies (continued)

#### Revenue recognition

Revenue comprises the invoiced amount for the sale of goods and services net of Value Added Tax, rebates and discounts. Revenues earned by the Company are recognised on the following bases:

- **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

#### Finance costs

Interest expense and other borrowing costs are charged to the income statement as incurred.

#### Foreign currency translation

(1) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates 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. Translation differences on available-for-sale financial assets are included in the fair value reserve in equity.

#### Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

#### Investments

The Company classifies its investments in equity and debt securities in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments and available for-sale financial assets. The classification 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 balance sheet date.

- Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in the held for trading category if acquired principally for the purpose of generating a profit from short-term fluctuations in price. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

- Held-to-maturity investments

Investments with fixed or determinable payments and fixed maturity that the management has the positive intent and ability to hold to maturity, other than loan and receivables originated by the Company, are classified as held-to-maturity investments. Such investments are included in non-current assets, except for maturities within twelve months from the balance sheet date, which are classified as current assets.

# ARCELIA HOLDINGS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

### 2. Accounting policies (continued)

#### Financial instruments (continued)

##### Investments (continued)

- Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Regular way purchases and sales of investments are recognised on trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), 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 flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

##### Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

#### Share capital

Ordinary shares are classified as equity.

### 3. Financial risk management

#### Financial risk factors

The Company is not exposed to any substantial interest rate 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:

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

### 3. Financial risk management (continued)

#### (1.1) Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has no significant interest-bearing assets and no borrowings. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

#### (1.2) Liquidity risk

Liquidity risk is defined as the risk 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.

#### (1.3) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's policy is not to enter into any currency hedging transactions.

### (2) Fair value estimation

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

### 4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Fair value of financial assets**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The fair value of the financial assets available for sale has been estimated based on the fair value of their individual assets.

- **Impairment of available-for-sale financial assets**

The Company follows the guidance of IAS 39 on determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

- **Valuation of non-listed investments**

The Company uses various valuation methods to value non-listed investments. These methods are based on assumptions made by the Board of Directors which are based on market information at the balance sheet date.

# ARCELIA HOLDINGS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

### 5. Other expenses

|                        | 2007     | period from 9<br>December<br>2005 to 31<br>December<br>2006 |
|------------------------|----------|---|
|                        | €        | €   |
| Incorporation expenses | -        | 3,635   |
|                        | <u>-</u> | <u>3,635</u>  |

### 6. Operating (loss)

|  | 2007      | period from 9<br>December<br>2005 to 31<br>December<br>2006 |
|--|-----------|---|
|  | €         | €   |
| Operating (loss) is stated after charging the following items: |           |   |
| Auditors' remuneration - current year                          | 1,500     | 1,196   |
| Auditors' remuneration - prior years                           | <u>44</u> | <u>-</u>  |

### 7. Finance costs

|                        | 2007       | period from 9<br>December<br>2005 to 31<br>December<br>2006 |
|------------------------|------------|---|
|                        | €          | €   |
| Other finance expenses | 150        | 101   |
|                        | <u>150</u> | <u>101</u>  |

### 8. Profit from investing activities

|   | 2007     | period from 9<br>December<br>2005 to 31<br>December<br>2006 |
|---|----------|---|
|   | €        | €   |
| Profit from sale of investments in subsidiaries | -        | 5,000   |
| Exchange profit                                 | <u>4</u> | <u>10</u>   |
|   | <u>4</u> | <u>5,010</u>  |

# ARCELIA HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

### 9. Tax

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

|  | 2007           | period from 9<br>December<br>2005 to 31<br>December<br>2006 |
|--|----------------|---|
|  | €              | €   |
| Loss before tax  | <u>(6,314)</u> | <u>(6,980)</u>  |
| Tax calculated at the applicable tax rates             | (631)          | (698)   |
| Tax effect of expenses not deductible for tax purposes | -              | 564   |
| Tax effect of allowances and income not subject to tax | -              | (501)   |
| Tax effect of tax loss for the year                    | <u>631</u>     | <u>635</u>  |
| Tax charge   | <u>-</u>       | <u>-</u>  |

The corporation tax rate is 10%.

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%.

Due to tax losses sustained in the year, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the following years. As at 31 December 2007, the balance of tax losses which is available for offset against future taxable profits amounts to € 12,553.

### 10. Investments in subsidiaries

|                           | 2007             | 2006             |
|---------------------------|------------------|------------------|
|                           | €                | €                |
| On 1 January / 9 December | 1,600,000        | -                |
| Additions                 | -                | 1,630,000        |
| Disposals                 | -                | (30,000)         |
| At 31 December            | <u>1,600,000</u> | <u>1,600,000</u> |

The details of the subsidiaries are as follows:

| <u>Name</u>                      | <u>Country of incorporation</u> | <u>Principal activities</u> | <u>Holding<br/>%</u> |
|----------------------------------|---------------------------------|-----------------------------|----------------------|
| Bulvaria Automotive Products Ltd | Bulgaria                        | Motor oils                  | 100                  |

# ARCELIA HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

### 11. Available-for-sale financial assets

|                           | 2007         | 2006         |
|---------------------------|--------------|--------------|
|                           | €            | €            |
| On 1 January / 9 December | 2,500        | -            |
| Additions                 | -            | 2,500        |
| At 31 December            | <u>2,500</u> | <u>2,500</u> |

Available-for-sale financial assets, comprising principally 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 other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying assets. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

Available-for-sale financial assets are classified as non-current assets, unless they are expected to be realised within twelve months of the balance sheet date or unless they will need to be sold to raise operating capital.

### 12. Trade and other receivables

|                   | 2007     | 2006          |
|-------------------|----------|---------------|
|                   | €        | €             |
| Other receivables | -        | 35,000        |
|                   | <u>-</u> | <u>35,000</u> |

### 13. Share capital

|                              | 2007             | 2007          | 2006             | 2006         |
|------------------------------|------------------|---------------|------------------|--------------|
|                              | Number of shares | €             | Number of shares | €            |
| <b>Authorised</b>            |                  |               |                  |              |
| Ordinary shares of CY£1 each | <u>44,460</u>    | <u>44,460</u> | <u>1,000</u>     | <u>1,744</u> |
| <b>Issued and fully paid</b> |                  |               |                  |              |
| On 1 January / 9 December    | 1,000            | 1,744         | -                | -            |
| Issue of shares              | <u>43,460</u>    | <u>43,161</u> | <u>1,000</u>     | <u>1,744</u> |
| At 31 December               | <u>44,460</u>    | <u>44,905</u> | <u>1,000</u>     | <u>1,744</u> |

#### Authorised capital

On 21 March 2007 the sole Director of the Company by a written resolution decided to increase the authorised share capital of the Company from 1,000 ordinary shares to 26,000 ordinary Shares. On 18 September 2007 the company converted its authorised share capital to 44,460 shares of EUR 1 each.

#### Issued capital

Upon incorporation on 9 December 2005 the Company issued to the subscribers of its Memorandum of Association 1,000 ordinary shares of CY£1 each at par.

On 21 March 2007 the sole Director of the Company by a written resolution decided to increase its issued share capital to 26,000 by the issue of 25,000 new Ordinary Shares of a nominal value CY£1 each at a premium of CY£36.76 per share. On 18 September 2007 the company converted its issued share capital to 44,460 shares of EUR 1 each.

# ARCELIA HOLDINGS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

### 14. Trade and other payables

|  | 2007          | 2006             |
|--|---------------|------------------|
|  | €             | €                |
| Shareholders' current accounts - credit balances (Note 15) | 8,187         | 1,637,934        |
| Accruals   | 11,399        | 5,235            |
|  | <u>19,586</u> | <u>1,643,169</u> |

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

### 15. Related party transactions

The Company is controlled by Cyclon Hellas S.A., incorporated in Greece, which owns 100% of the Company's shares.

The following transactions were carried out with related parties:

#### 15.1 Shareholders' current accounts - credit balances

|  | 2007         | 2006             |
|--|--------------|------------------|
|  | €            | €                |
| Shareholders' current accounts - credit balances | 8,187        | 1,637,934        |
|  | <u>8,187</u> | <u>1,637,934</u> |

The shareholders' current accounts are interest free, and have no specified repayment date.

### 16. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2007.

### 17. Commitments

The Company had no capital or other commitments as at 31 December 2007.

### 18. Post balance sheet events

There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

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# ARCELIA HOLDINGS LIMITED

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## DETAILED INCOME STATEMENT

Year ended 31 December 2007

|   |      | 2007                  | period from 9<br>December<br>2005 to 31<br>December<br>2006 |
|---|------|-----------------------|---|
|   | Page | €                     | €   |
| <b>Operating expenses</b>                       |      |                       |   |
| Administration expenses                         | 18   | <u>(6,168)</u>        | <u>(8,254)</u>  |
|   |      | (6,168)               | (8,254)   |
| <b>Other operating expenses</b>                 |      |                       |   |
| Incorporation expenses                          |      | <u>-</u>              | <u>(3,635)</u>  |
| <b>Operating loss</b>                           |      | <u>(6,168)</u>        | <u>(11,889)</u>   |
| Finance costs                                   | 19   | (150)                 | (101)   |
| Profit from sale of investments in subsidiaries |      | -                     | 5,000   |
| Exchange profit                                 |      | <u>4</u>              | <u>10</u>   |
| <b>Net loss for the year before tax</b>         |      | <u><u>(6,314)</u></u> | <u><u>(6,980)</u></u>                                       |

# ARCELIA HOLDINGS LIMITED

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## OPERATING EXPENSES

Year ended 31 December 2007

|                                       | 2007         | period from 9<br>December<br>2005 to 31<br>December<br>2006 |
|---------------------------------------|--------------|---|
|                                       | €            | €   |
| <b>Administration expenses</b>        |              |   |
| Telephone and postage                 | 173          | 734   |
| Auditors' remuneration - current year | 1,500        | 1,196   |
| Auditors' remuneration - prior years  | 44           | -   |
| Accounting fees                       | 1,749        | 1,687   |
| Municipality taxes                    | 107          | 88  |
| Consultancy fees                      | -            | 2,000   |
| Administration expenses               | 2,000        | 1,462   |
| Secretarial expenses                  | 595          | 1,087   |
|                                       | <u>6,168</u> | <u>8,254</u>  |

# ARCELIA HOLDINGS LIMITED

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## FINANCE INCOME / COST

Year ended 31 December 2007

|                               | 2007       | period from 9<br>December<br>2005 to 31<br>December<br>2006 |
|-------------------------------|------------|---|
|                               | €          | €   |
| <b>Finance income</b>         |            |   |
| Unrealised exchange profit    | <u>4</u>   | <u>10</u>   |
|                               | <u>4</u>   | <u>10</u>   |
| <br>                          |            |   |
| <b>Finance costs</b>          |            |   |
| <b>Other finance expenses</b> |            |   |
| Bank charges                  | <u>150</u> | <u>101</u>  |
|                               | <u>150</u> | <u>101</u>  |