GREENBRIAR CORP
Form 8-K/A
December 29, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
Amendment #2

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act

Date of Report: October 12, 2004
(Date of Earliest Event Reported)

GREENBRIAR CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Nevada	0-8187	75-2399477
(State or other jurisdiction of incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

1755 Wittington Place, Suite 340
Dallas, Texas 75234
(Address of principal executive offices)

972-407-8400
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.01. Completion of Acquisition or Disposition of Assets

On October 12, 2004, Greenbriar Corporation (the "Company" or "GBR" or

"Registrant") entered into an Acquisition Agreement with four individuals, Ronald Finley, Jeffrey A. Finley, Bradford A. Phillips and Gene E. Phillips, pursuant to which GBR acquired in a stock-for-stock exchange all of the issued and outstanding equity interests of two privately-held corporations, Finley Equities, Inc., a Texas corporation ("FEINC"), and American Realty Management, Inc., a Nevada corporation ("ARM") in exchange for 31,500 shares of GBR's newly-designated 2% Series J Preferred Stock, liquidation value $1,000 per share. FEINC and ARM each own an undivided one-half of the equity interest in Tacaruna B.V., a Netherlands company, which in turn directly owns 30% of CableTEL AD (formerly Cable Bulgaria AD), which does business as "CableTEL." Tacaruna BV also owns 64% of the equity of Narisma Holdings Limited, a Cypress Company, which in turn owns the balance of 70% of CableTEL. Tacaruna BV also holds a right (presently scheduled to mature or expire October 31, 2004) to acquire the remaining 36% of the Narisma Holdings Limited outstanding stock for (euro)7,000,000 (approximately $8,470,000 at today's conversion rate). The result is that GBR through the acquisition indirectly owns and controls 74.8% of the equity interest in CableTEL.

CableTEL is the largest cable television operator in Bulgaria, providing cable television services to approximately 11.5% of the Bulgarian market, or approximately 130,000 households in 20 cities. CableTEL is also a vertically-integrated communications company which provides in addition to cable television, telephony services (including voice-over IP), internet services, and fiberoptic connectivity to individual and commercial customers in the country of Bulgaria. CableTEL owns the only land-based fiberoptic network encircling the country of Bulgaria that offers this combination of services. CableTEL is currently the only company in Bulgaria licensed to provide the bundled services of telephone, internet access and cable television.

Prior to this transaction, GBR had no material relationship with Ronald Finley, Jeffrey A. Finley or Bradford A. Phillips. Bradford A. Phillips is the son of Gene E. Phillips. Gene E. Phillips is an individual who has significant contact with and influence upon matters handled by Basic Capital Management, Inc., a Nevada corporation ("BCM"), International Health Products, Inc., a Nevada corporation ("IHPI"), TacCo Financial, Inc., a Nevada corporation ("TFI") and its wholly-owned subsidiary, JRG Investment Co., Inc., a Nevada corporation ("JRGIC"). Gene E. Phillips, BCM, IHPI, TFI and JRGIC are all Reporting Persons who may be deemed to constitute a "Person" within the meaning of Section 13d of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which corporations are the owners of shares of Common Stock of GBR which are the subject of a Schedule 13D and amendments thereto filed on behalf of Mr. Phillips and such corporations with the Securities and Exchange Commission (the "Commission"). Reference is made to Amendment No. 5 to Statement on Schedule 13D for event date of August 18, 2004 on file with the Commission for a summary of the information contained therein. As of such date, IHPI owned 9.970 shares of Common Stock of GBR (approximately 1% of the outstanding), TFI owned 28,596 shares of Common Stock of GBR (approximately 2.93% of the outstanding) and JRGIC owned 156,886 shares of Common Stock of GBR (approximately 16.06% of the outstanding), which in the aggregate total 195,452 shares of Common Stock of GBR, or approximately 20% of the then issued and outstanding shares of Common Stock.

The consideration given by GBR for the assets received was an aggregate of 31,500 shares of GBR's newly-designated 2% Series J Preferred Stock, liquidation value $1,000 per share. Such Preferred Stock has the right to receive cumulative cash dividends of $20 per share per annum, payable quarterly, payment of $1,000 per share in the event of dissolution, liquidation or winding up of GBR before any distribution is made by GBR to its common stockholders, optional redemption at any time after September 30, 2006, at a price of $1,000 per share plus cumulative dividends, no initial right of conversion into any other securities of GBR, and voting rights consisting of five votes per share voting together with all other classes of stock. The shares of 2% Series J Preferred Stock are restricted in transfer, have not been registered under the Securities Act, and were issued to Jeffrey A. Finley, 1,575 shares (5%), Ronald Finley, 14,175 shares (45%), Bradford A. Phillips, 3,150 shares (10%) and Gene E. Phillips, 12,600 shares (40%). The Acquisition Agreement contains customary representations and warranties and covenants by the parties, but also requires, as soon as reasonably practicable and in no event later than September 30, 2005, that GBR present the transaction represented by the Acquisition Agreement, together with a proposed mandatory exchange of preferred stock for common stock to its current stockholders in accordance with the applicable requirements of the Commission and the American Stock Exchange, Inc. ("AMEX") for a vote (or written consent by the requisite number) of stockholders to approve the transaction, including a mandatory exchange of all shares of preferred stock for shares of GBR's Common Stock on the basis of 279 shares of Common Stock for each share of 2% Series J Preferred Stock, which will result in an aggregate of 8,788,500 shares of Common Stock being issued to the four individuals (or their transferees), which shall then constitute at least 89% of the total issued and outstanding shares of Common Stock of GBR, all subject to the listing requirements with AMEX. In the event the stockholders of GBR do not approve by the requisite number of votes either the transaction covered by the Acquisition Agreement or the mandatory exchange of shares of Common Stock for shares of the 2% Series J Preferred Stock, the holders of the 2% Series J Preferred Stock have the option exercisable by all of them but not less than all of them at any time after September 30, 2005, until September 30, 2006 to either (a) rescind in full and revoke the transaction covered by the Acquisition Agreement by returning all 31,500 shares of 2% Series J Preferred Stock to GBR upon which GBR shall deliver back to the four individuals all equity securities of any entity owning all of the ordinary shares and other securities of Tacaruna B.V. or of CableTEL, or (b) deliver to GBR all 31,500 shares of 2% Series J Preferred Stock of GBR and receive in exchange therefor all of the ordinary shares and other securities of Tacaruna B.V. outstanding and owned by GBR such that the four individuals will become the owner and holder of all of the issued and outstanding securities of Tacaruna B.V., which in turn continues to own shares of CableTEL and shares of Narisma Holdings Limited.

Item 3.02. Unregistered Sales of Equity Securities

On October 12, 2004, GBR issued the right to receive 31,500 shares of its newly-designated 2% Series J Preferred Stock to four individuals pursuant to an Acquisition Agreement dated October 8, 2004. Each share of 2% Series J Preferred Stock has a liquidation value of $1,000 per share, has a right to cumulative cash dividends of $20 per share per annum payable quarterly, has the right to payment of $1,000 per share in the event of dissolution, liquidation or winding up of the Company before any distribution is made by the Company to its common stockholders, optional redemption at any time after September 30, 2006 at a price of $1,000 per share plus cumulative dividends, no initial right to conversion into any other securities of the Company, and voting rights consisting of five votes per share of 2% Series J Cumulative Preferred Stock

outstanding voting together with all other classes of stock, all as set forth in the Certificate of Designations filed with the Secretary of State of Nevada. The distribution of the 31,500 shares of 2% Series J Preferred Stock of GBR was made pursuant to the Acquisition Agreement described in Item 2.01 above, and such shares were issued without registration pursuant to the exemption afforded by Section 4(2) of the Securities Act. Such shares of 2% Series J Preferred Stock may not be transferred by the holders except in transactions which are exempt from the registration requirements of the Securities Act.

Item 7.01. Regulation FD Disclosure

On October 12, 2004, the Company issued a press release announcing the acquisition of assets and issuance of securities described until Items 2.01 and 3.02 above. A copy of the press release is attached hereto as Exhibit 99.1.

The information in this Form 8-K being furnished under Item 7.01 and Exhibit 99.1 under Item 9.01 shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of such Section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits

The following financial statements and pro forma financial information regarding Tacaruna Holdings B.V. were filed with Amendment #1 to this Form 8-K.

(a) Financial Statements of Businesses Acquired.

Tacaruna Holdings B.V.

1. Financial Statement for Tacaruna Holdings B.V. for the nine months ending September 30, 2004.
2. Financial Statement for Tacaruna Holdings B.V. for the twelve months ending December 31, 2003.
3. Financial Statement for Tacaruna Holdings B.V. for the twelve months ending December 31, 2002.

The following financial statements and pro forma financial information regarding Narisma Holdings Limited and CabelTEL AD are filed herewith.

Narisma Holdings Limited

1. Unaudited Financial Statement for Narisma Holdings Limited for the nine months ending September 30, 2004.
2. Audited Financial Statement for Narisma Holdings Limited for the twelve months ending December 31, 2003.
3. Audited Financial Statement for Narisma Holdings Limited for the twelve months ending December 31, 2002.

Cable Bulgaria (CabelTEL) AD

1. Unaudited Financial Statement for CabelTEL AD for the nine months ending September 30, 2004.
2. Audited Financial Statement for Cable Bulgaria AD for the twelve months ending December 31, 2003.
3. Audited Financial Statement for Cable Bulgaria AD for the twelve months ending December 31, 2002.

(b) Pro Forma Financial Information.

Pro Forma financial information required by this item is filed herewith.

(c) Exhibits.

The following exhibits were filed with the Company's Form 8-K on October 15, 2004:

Exhibit Designation	Description of Exhibit

3.4	Certificate of Designations dated October 12, 2004, as filed with the Secretary of State of Nevada on October 13, 2004 (also an exhibit to 10.1 below).
10.1	Acquisition Agreement dated October 12, 2004, among Greenbriar Corporation, Ronald Finley, Jeffrey A. Finley, Bradford A. Phillips and Gene E. Phillips (excluding exhibits and schedules).
99.1	Press Release dated October 12, 2004.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly-caused this Current Report on Form 8-K to be signed on its behalf by the undersigned hereunto duly-authorized.

Dated: December 29, 2004.   GREENBRIAR CORPORATION

By: /s/ Gene S. Bertcher

Gene S. Bertcher, President and
Chief Executive Officer

NARISMA HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS
Nine months ended
30 September 2004

NARISMA HOLDINGS LIMITED
PROFIT AND LOSS ACCOUNT

	Note	Nine Months Ended 30 September 2004 US$	Twelve Months Ended 31 December 2003 US$
Consulting fees		430.304	0
Administration expenses		(329.387)	(8.325)
Operating income	(3)	100.917	(8.325)
Finance income - net	(4)	272.250	363.600
Profit before taxation		373.167	355.275
Taxation	(5)	(17.427)	(16.609)
Net profit		355.740	338.666

NARISMA HOLDINGS LIMITED

BALANCE SHEET

	Note	Nine Months Ended 30 September 2004 US$	Twelve Months Ended 31 December 2003 US$
Assets			
Non - current assets			
Investment in subsidiary company	(6)	7,329,861	7,329,861
Current assets			
Accounts receivable		95,729	0
Loans receivable	(7)	3,344,485	3,072,235

Total assets		10,770,075	10,402,096
		==========	==========
Equity and liabilities			
Capital and Reserves			
Share capital	(8)	1,747	1,747
Reserves	(9)	1,343,737	987,997
		----------	----------
		1,362,143	989,744
Current liabilities			
Amounts due to shareholders	(10)	9,358,610	9,358,610
Accrued expenses		16,656	5,235
Taxation		49,325	48,507
		----------	----------
		9,424,591	9,412,352
Total liabilities		9,424,591	9,412,352
		----------	----------
Total equity and liabilities		10,770,075	10,402,096
		==========	==========

NOTES TO THE FINANCIAL STATEMENTS

1 Incorporation and main activities

(a) The company was incorporated in Cyprus on 15 March 1999 as a private limited liability company in accordance with the provisions of the Companies Law, Cap. 113, of Cyprus.

(b) The company's main activity is the holding of investments.

2 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of preparation

The financial statements, which are expressed in US Dollars, have been prepared in accordance with International Financial Reporting Standards and the provisions of the Companies Law, Cap. 113. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below .

Reporting currency

The reporting currency is the US Dollar. The company does not use the currency of the country in which it is domiciled, the Cyprus Pound, as the vast majority of the transactions of the company are in US Dollars.

Revenue recognition

Other revenues earned by the Company are recognised when the Company's right to receive payment is established.

Foreign currencies

Foreign currency transactions are translated into US Dollars at the rate of exchange ruling at the time of the transaction. Monetary assets and liabilities expressed in foreign currencies are translated into US Dollars at the rates of exchange ruling at the end of the financial period. Share capital was translated at the time of issue. Differences on exchange are included in profit before taxation

Taxation

Provision is made for corporation tax on the taxable profit for the year at the appropriate rates in force.

Investment in subsidiary company

Investment in subsidiary company is shown at cost and provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense when the diminution is identified.

Loans receivable

Loans receivable represent amounts advanced based on agreements and are carried at original amount advanced plus interest accrued less any repayments. Interest for the year is credited in the profit and loss account.

Provisions

Provisions are recognised when the Company has a present obligation as a result of past events, if it is probable that an outflow of funds will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3. Operating Income

	2004 US$	2003 US$
The following items have been charged in arriving at operating loss:		
Auditors' remuneration	2,000	1,150

4. Finance income - net

	2004 US$	2003 US$
Interest income on loans receivable	272,250	363,600
	=========	=========

5. Taxation

	2004 US$	2003 US$

Current taxation	17,427	16,609

The tax on the Company's profit before taxation differs from the theoretical amount that would arise using the applicable tax rates as follows: 2004 2003 US$ US$

Profit before taxation	373,167	355,275
Tax calculated at the applicable tax rates	15,860	15,099
Tax penalties	1,567	1,510
Taxation charge	17,427	16,609

The Company is subject to income tax at the rate of 4,25% of taxable profit.

6. Investment in subsidiary company

	2004 US$	2003 US$
122.543 shares of BGN100 each of the Bulgarian private company Cabletel 70% / 65%)	7,329,861	7,329,861

7. Loans receivable

	2004 US$	2003 US$
Loans to third parties:		
As at 1 January / 31 December	--	300,000
Amounts payment for the year	--	(300,000)
As at 31 December	--	--
Loans to subsidiary company		
Capital amount:		
As at 1 January	2,020,000	2,020,000
Amounts advanced in year	--	--
As at 30 September	2,020,000	2,020,000
Interest charged:		
As at 1 January	1,052,235	688,635
For the year	272,250	363,600
As at 30 September	1,324,485	1,052,235
Total amount due from subsidiary company	3,344,485	3,072,235
Total loans receivable as at 30 September	3,344,485	3,072,235

The above loans are repayable on demand by written notice to the borrower. The loan to the third party is interest free while the loan to the subsidiary company bears interest at the rate of 18% per annum.

8. Share capital

	2003 US$	2002 US$
Authorised		
5.000 shares of C(pound)1 each - equivalent to:	8,735	8,735
	=====	=====
Issued and fully paid		
At 1 January		
1.000 shares of C(pound)1 each - equivalent to:	1,747	1,747
	-----	-----
At 30 September	1,747	1,747
	=====	=====

9. Reserves

	2004 US$	2003 US$
Retained earnings		
At 1 January	987,997	649,331
Net profit for the year	355,740	338,666
	---------	---------
At 31 December	1,343,737	987,997
	=========	=========

10. Related party transactions

The following transactions were carried out with related parties:

(a) Amounts due to Shareholders

	2004 US$	2003 US$
Amounts due to the Shareholders of the Company		
At beginning of year	9,358,610	9,350,000
Amounts received during the year	0	8,610
	---------	---------
At end of year	9,358,610	9,358,610
	=========	=========

Amounts due to shareholders are repayable on demand and bear no interest.

ANALYSIS OF EXPENSES
FOR THE NINE MONTHS ENDED 30 September 2004

	2003 US$	2002 US$
ADMINISTRATION EXPENSES		

Accounting and audit fees	2,000	1,150
Administration expenses	6,335	460
Exchange difference	(10)	--
	------	------
	8,325	1,610
	======	======

NARISMA HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2003

NARISMA HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

Contents

NARISMA HOLDINGS LIMITED

DIRECTORS AND ADVISERS

Directors

Andreas Mavromatis (appointed 31.10.2003)
Georgia Georgiou (appointed 31.10.2003)
Ronald Charles Finley (appointed 31.10.2003)
Kenneth Fields (resigned 31.10.2003)
Declan James Ganley (resigned 31.10.2003)

Registered Office

42 Nestoros street
Kaimakli, 1026 Nicosia,
Cyprus

Company Secretary

Dema Secretarial Limited
24 Agias Varvaras street
Archangelos, Nicosia
Cyprus

Auditors

Demetriades Shakos Pifanis
Photiades Business Centre
Avenue
Nicosia
P.O.Box 22545
Nicosia 1522
CYPRUS

NARISMA HOLDINGS LIMITED

DIRECTORS REPORT
FOR THE YEAR ENDED 31 DECEMBER 2003

1. The directors present their report together with the audited financial statements of the company for the year ended 31 December 2003.

Principal activities

2. The company's main activity is the holding of investments.

Results

3. The results for the year are set out on page 5. The Board of Directors does not recommended the payment of a dividend and the remaining net profit for the year is retained.

Share capital

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

Board of Directors

5. The members of the Board of Directors at 31 December 2003 and at the date of this report are shown on page 1. Mr Kenneth Fields and Mr Declan James Ganley who were directors as at 1 January 2003, resigned on 31 October 2003. Mr Andreas Mavromatis, Mr Ronald Charles Finley and Ms Georgia Georgiou were appointed directors on the same date.

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

Auditors

7. The auditors, Demetriades Shakos Pifanis, have expressed their willingness to continue in office. A resolution giving authority to the directors to fix their remuneration will be proposed at the annual general meeting.

By order of the Board

Andreas Mavromatis
Director

Nicosia, 15 December 2004

NARISMA HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 US$	2002 US$
Administration expenses		(8,325)	(1,610)
Operating (loss)	(3)	(8,325)	(1,610)
Finance income - net	(4)	363,600	363,600
Profit before taxation		355,275	361,990
Taxation	(5)	(16,609)	(16,923)
Net profit		338,666	345,067

Statement of recognised gains and losses
for the year ended 31 December 2003

	2003 US$	2002 US$
Total recognised gains	338,666	345,067

The notes on pages 8 to 12 form part of these financial statements.

NARISMA HOLDINGS LIMITED

BALANCE SHEET
31 DECEMBER 2003

	Note	2003 US$	2002 US$
Assets			
Non - current assets			
Investment in subsidiary company	(6)	7,329,861	7,029,861
Current assets			
Loans receivable	(7)	3,072,235	3,008,635
Total assets		10,402,096	10,038,496
Equity and liabilities			
Capital and Reserves			
Share capital	(8)	1,747	1,747
Reserves	(9)	987,997	649,331
		989,744	651,078
Current liabilities			
Amounts due to shareholders	(10)	9,358,610	9,350,000
Accrued expenses		5,235	5,520
Taxation		48,507	31,898
		9,412,352	9,387,418
Total liabilities		9,412,352	9,387,418
Total equity and liabilities		10,402,096	10,038,496

Approved by the Board of Directors on 15 December 2004.

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Andreas Mavromatis	Georgia Georgiou
Director	Director

The notes on pages 8 to 12 form part of these financial statements.

NARISMA HOLDINGS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 US$	2002 US$
Cash flows from operating activities		
Profit for the year before taxation	355,275	361,990
Adjustments for:		
Interest received	(363,600)	(363,600)
Operating (loss) before working capital changes	(8,325)	(1,610)
Changes in working capital:		
Amounts due to shareholders	8,610	104,164
Amounts due to subsidiary company	--	(104,164)
Accrued expenses	(285)	1,610
Net cash from operating activities	--	--
Cash flows from investing activities		
Interest received	363,600	363,600
Acquisition of investment in subsidiary company	(300,000)	--
Loans made	(63,600)	(363,600)
Net cash (used in) investing activities	--	--
Net movement in cash and cash equivalents	--	--
Cash and cash equivalents at beginning of year	--	--
Cash and cash equivalents at end of year	--	--

The notes on pages 8 to 12 form part of these financial statements.

NARISMA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Incorporation and main activities

(a) The company was incorporated in Cyprus on 15 March 1999 as a private limited liability company in accordance with the provisions of the Companies Law, Cap. 113, of Cyprus.

(b) The company's main activity is the holding of investments.

2 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of preparation

The financial statements, which are expressed in US Dollars, have been prepared in accordance with International Financial Reporting Standards and the provisions of the Companies Law, Cap. 113. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

Reporting currency

The reporting currency is the US Dollar. The company does not use the currency of the country in which it is domiciled, the Cyprus Pound, as the vast majority of the transactions of the company are in US Dollars.

Revenue recognition

Other revenues earned by the Company are recognised when the Company' s right to receive payment is established.

Foreign currencies

Foreign currency transactions are translated into US Dollars at the rate of exchange ruling at the time of the transaction. Monetary assets and liabilities expressed in foreign currencies are translated into US Dollars at the rates of exchange ruling at the end of the financial period. Share capital was translated at the time of issue. Differences on exchange are included in profit before taxation.

NARISMA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Taxation

Provision is made for corporation tax on the taxable profit for the year at the appropriate rates in force.

Investment in subsidiary company

Investment in subsidiary company is shown at cost and provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense when the diminution is identified.

Loans receivable

Loans receivable represent amounts advanced based on agreements and are carried at original amount advanced plus interest accrued less any repayments. Interest for the year is credited in the profit and loss account.

Provisions

Provisions are recognised when the Company has a present obligation as a result of past events, if it is probable that an outflow of funds will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3. Operating Loss

	2003 US$	2002 US$
The following items have been charged in arriving at operating loss:		
Auditors' remuneration	2,000	1,150

4. Finance income - net

	2003 US$	2002 US$
Interest income on loans receivable	363,600	363,600
	=======	=======

NARISMA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5. Taxation

	2003 US$	2002 US$
Current taxation	16,609	16,923
	=======	=======

The tax on the Company's profit before taxation differs from the theoretical amount that would arise using the applicable tax rates as follows: 2003 2002 US$ US$

Profit before taxation	355,275	361,990
	=======	=======
Tax calculated at the applicable tax rates	15,099	15,385
Tax penalties	1,510	1,538
	-------	-------
Taxation charge	16,609	16,923
	=======	=======

The Company is subject to income tax at the rate of 4,25% of taxable profit.

6. Investment in subsidiary company

	2003 US$	2002 US$
122.543 shares of BGN100 each of the Bulgarian private company Cabletel 70% / 65%)	7,329,861	7,029,861

During the year the company acquired 1.839 shares at a cost of US$300.000 representing 1,5% of the subsidiary company's issued share capital.

Consolidated accounts have not been prepared as in the opinion of directors it would be of no real value to the members of the company compared to the costs involved.

NARISMA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. Loans receivable

	2003 US$	2002 US$
Loans to third parties:		
As at 1 January / 31 December	300,000	300,000
Amounts payment for the year	(300,000)	--
As at 31 December	--	300,000
Loans to subsidiary company		
Capital amount:		
As at 1 January	2,020,000	2,020,000
Amounts advanced in year	--	--
As at 31 December	2,020,000	2,020,000
Interest charged:		
As at 1 January	688,635	325,035
For the year	363,600	363,600
As at 31 December	1,052,235	688,635
Total amount due from subsidiary company	3,072,235	2,708,635
Total loans receivable as at 31 December	3,072,235	3,008,635

The above loans are repayable on demand by written notice to the borrower. The loan to the third party is interest free while the loan to the subsidiary company bears interest at the rate of 18% per annum.

8. Share capital

	2003 US$	2002 US$
Authorised		
5.000 shares of C(pound)1 each - equivalent to:	8,735	8,735
Issued and fully paid		
At 1 January		
1,000 shares of C(pound)1 each - equivalent to:	1,747	1,747
At 31 December	1,747	1,747

NARISMA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. Reserves

	2003 US$	2002 US$
Retained earnings		
At 1 January	649,331	304,264
Net profit for the year	338,666	345,067
At 31 December	987,997	649,331

10. Related party transactions

The following transactions were carried out with related parties:

(a) Amounts due to Shareholders

	2003 US$	2002 US$
Amounts due to the Shareholders of the Company		
At beginning of year	9,350,000	9,245,836
Amounts received during the year	8,610	104,164
At end of year	9,358,610	9,350,000

Amounts due to shareholders are repayable on demand and bear no interest.

II. Financial instruments

The main financial assets of the Company are the loans receivable. The main financial liabilities are the accruals and amounts due to the shareholders.

(a) Credit risk
Concentrations of credit risk with respect to trade debtors are limited as the company has policies in place to assess the creditworthiness of its customers. Due to these factors, management believes that no additional credit risk is inherent in the Company's trade debtors.

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

NARISMA HOLDINGS LIMITED

ANALYSIS OF EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 US$	2002 US$
ADMINISTRATION EXPENSES		
Accounting and audit fees	2,000	1,150
Administration expenses	6,335	460
Exchange difference	(10)	--
	8,325	1,610

NARISMA HOLDINGS LIMITED
Nicosia
Cyprus

15 December2004

Demetriades Shakos Pifanis
P.O.Box 22545
Nicosia

Dear Sirs,

Letter of representation

1. We confirm to the best of our knowledge and belief, and having made appropriate inquiries of other directors and officials of the company, the following representations given to you in connection with your audit of the company's financial statements for the year ended 31 December 2003.

2. We acknowledge as directors our responsibility for ensuring:

(a) The accuracy of the accounting records and the financial statements prepared from them; and

(b) that the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2003 and of the loss for the year then ended.

Accounting records and transactions

3 All the accounting records have been made available to you for the purpose of your audit, and all the transactions undertaken have been reflected and recorded in the accounting records. All other records and related information which might affect the truth and fairness of, or necessary disclosure in, the financial statements including minutes of directors and shareholders meetings (and of all relevant management meetings), have been made available to you and no such information has been withheld.

Related parties

4 We confirm that we have disclosed all related party transactions relevant to the company and that we are not aware of any other such matters required to be disclosed in the financial statements whether under International Financial Reporting Standards 24("IFRS 24") Related Party Disclosures or other requirements. Assets 5 Provisions for depreciation and diminution in value, including obsolescence, have been made against fixed assets on bases and at rates calculated to reduce the net book amount of each asset to its estimated residual value by the end of its probable useful life in the company' a business. In this respect we are satisfied that the probable useful lives have been realistically estimated.

6 In our opinion on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce not less than the net book amounts at which they are stated.

7 All assets included in the balance sheet were at that date and remain free from any lien, encumbrance or charge (except as disclosed in the financial statements).

Liabilities

8 Full provision has been made for all liabilities at the balance sheet date, including guarantees, commitments and contingencies where the items are expected to result in significant loss. Other such items, where in our opinion provision is unnecessary, have been appropriately disclosed in the financial statements.

9 We are not aware of any pending litigation, proceedings, hearing or claims negotiations which may result in significant loss to the company.

Other matters

10 We are not aware of any breaches or possible breaches of statute, regulations, contracts, agreements or the company's Memorandum and Articles of Association which might result in the company suffering significant penalties or other loss. No allegations of such breaches have come to our notice.

11 No circumstances have arisen, or events occurred, between the balance sheet date and the date of this letter in respect of matters which would require adjustment to or disclosure in the financial statements, or which should be disclosed to shareholders through some other medium. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

12 Except as disclosed in the financial statements, no transactions involving directors, officers and others requiring disclosure in the financial statements under the Companies Acts have been entered into.

Yours truly

Director

NARISMA HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2002

NARISMA HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002

Contents

NARISMA HOLDINGS LIMITED

DIRECTORS AND ADVISERS

Directors

Kenneth Fields
Declan James

Registered Office

2 Sofouli street
1096 Nicosia
Cyprus

Company Secretary

Dema Secretarial Limited
24 Agias Varvaras street
Archangelos, Nicosia
Cyprus

Auditors

Demetriades Shakos Pifanis
Photiades Business Centre
1st floor, 8 Stassinos Avenue
Nicosia
P.O.Box 22545
Nicosia 1522
CYPRUS

NARISMA HOLDINGS LIMITED

DIRECTORS REPORT
FOR THE YEAR ENDED 31 DECEMBER 2003

1. The directors present their report together with the audited financial statements of the company for the year ended 31 December 2002.

Principal activities

2. The company's main activity is the holding of investments.

Results

3. The results for the year are set out on page 4.

Directors

4. The directors at the date of this report are shown on page 1 and will continue in office.

Auditors

5. The auditors, Demetriades Shakos Pifanis, have expressed their willingness to continue in office. A resolution giving authority to the directors to fix their remuneration will be proposed at the annual general meeting.

By order of the Board

Director

Nicosia, 16 September 2003

Demetriades Shakos Pifanis

Chartered Certified Accountants

AUDITOR'S REPORT TO THE MEMBERS OF

NARISMA HOLDINGS LIMITED

1. We have audited the financial statements, on pages 4 to 11 and have obtained all the information and explanations we considered necessary. These financial statements are the responsibility of the Company's 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 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 extend permitted by taw, 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 directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.'

3. As stated in note 6 the Company has not prepared consolidated financial statements because the Company's directors are of the opinion that it would be of no real value to the members of the Company compared to the costs involved. This is permitted by the Companies Law, Cap 113. However, consolidated financial statements are required by lnternational Financial Reporting Standard IFRS 27 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries". In our opinion, presentation of consolidated information is necessary for a proper understanding of the financial position and operations of the group.

4. In our opinion proper books of account have been kept by the company and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of Narisma Holdings Limited, as of 31 December 2002 and of its loss and cash flows for the year then ended and comply with the Companies Law, Cap.113 and, except for the failure to present consolidated financial statements for the Company and its subsidiary, are in accordance with International Financial Reporting Standards.

Demetriades Shakos Pifanis
Chartered Certified Accountants

Nicosia, 16 September 2003

NARISMA HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 US$	2001 US$
Administration expenses		(1,610)	(1,726)
		--------	--------
Operating (loss)	(3)	(1,610)	(1,726)
Finance income - net	(4)	363,600	314,951
		--------	--------
Profit before taxation		361,990	313,225
Taxation	(5)	(16,923)	(14,643)
		--------	--------
Net profit		345,067	298,582
		========	========

Statement of recognised gains and losses
for the year ended 31 December 2003

	2003 US$	2002 US$
Total recognised gains	345,067	298,582
	========	========

The notes on pages 7 to 11 form part of these financial statements.

NARISMA
HOLDINGS LIMITED

BALANCE SHEET
31 DECEMBER 2002

	Note	2002 US$	2001 US$
Assets			
Non - current assets			
Investment in subsidiary company	(6)	7,029,861	7,029,861
		----------	----------
Current assets			
Loans receivable	(7)	3,008,635	2,645,035
		----------	----------
Total assets		10,038,496	9,674,896
		==========	==========
Equity and liabilities			
Capital and Reserves			
Share capital	(8)	1,747	1,747
Reserves	(9)	649,331	304,264
		----------	----------
		651,078	306,011
		----------	----------
Current liabilities			
Amounts due to shareholders	(10)	9,350,000	9,245,836
Amounts due to subsidiary company		--	104,164
Accrued expenses		5,520	3,910
Taxation		31,898	14,975
		----------	----------
		9,387,418	9,368,885

Total liabilities	9,387,418	9,368,885
Total equity and liabilities	10,038,496	9,674,896

Approved by the Board of Directors on 16 September 2002.

-----------------   ---------------
Director   Director

The notes on pages 7 to 11 form part of these financial statements.

NARISMA HOLDINGS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003

	2002 US$	2001 US$
Cash flows from operating activities		
Profit for the year before taxation	361,990	313,225
Adjustments for:		
Interest received	(363,600)	(314,951)
Operating (loss) before working capital changes	(1,610)	(1,726)
Changes in working capital:		
Amounts due to shareholders	104,164	2,204,557
Amounts due to subsidiary company	(104,164)	(1,554,157)
Accrued expenses	1,610	1,150
Net cash from operating activities	--	650,000
Cash flows from investing activities		
Interest received	363,600	10,084
Acquisition of investment in subsidiary company	(300,000)	--
Loans made	(363,600)	(660,084)
Net cash (used in) investing activities	--	650,000
Net movement in cash and cash equivalents	--	--
Cash and cash equivalents at beginning of year	--	--
Cash and cash equivalents at end of year	--	--

The notes on pages 7 to 11 form part of these financial statements.

NARISMA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Incorporation and main activities

(a) The company was incorporated in Cyprus on 15 March 1999 as a private limited liability company in accordance with the provisions of the Companies Law, Cap. 113, of Cyprus.

(b) The company's main activity is the holding of investments.

2 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of preparation

The financial statements, which are expressed in US Dollars, have been prepared in accordance with International Financial Reporting Standards and the provisions of the Companies Law, Cap. 113. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

Reporting currency

The reporting currency is the US Dollar. The company does not use the currency of the country in which it is domiciled, the Cyprus Pound, as the vast majority of the transactions of the company are in US Dollars.

Revenue recognition

Other revenues earned by the Company are recognised when the Company's right to receive payment is established.

Foreign currencies

Foreign currency transactions are translated into US Dollars at the rate of exchange ruling at the time of the transaction. Monetary assets and liabilities expressed in foreign currencies are translated into US Dollars at the rates of exchange ruling at the end of the financial period. Share capital was translated at the time of issue. Differences on exchange are included in profit before taxation.

NARISMA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Taxation

Provision is made for corporation tax on the taxable profit for the year at the appropriate rates in force.

Investment in subsidiary company

Investment in subsidiary company is shown at cost and provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense when the diminution is identified.

Loans receivable

Loans receivable represent amounts advanced based on agreements and are carried at original amount advanced plus interest accrued less any repayments. Interest for the year is credited in the profit and loss account.

Provisions

Provisions are recognised when the Company has a present obligation as a result of past events, if it is probable that an outflow of funds will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3. Operating Loss

	2002	2001
	US$	US$
The following items have been charged in arriving at operating loss:		
Auditors' remuneration	1,150	1,150

4. Finance income - net

	2002	2001
	US$	US$
Interest income on loans receivable	363,600	314,951
	=======	=======

NARISMA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5. Taxation

	2002 US$	2001 US$
Current taxation	16,923	14,643
	======	======

The tax on the Company's profit before taxation differs from the theoretical amount that would arise using the applicable tax rates as follows: 2002 2001 US$ US$

Profit before taxation	361,990	313,225
	=======	=======
Tax calculated at the applicable tax rates	15,385	13,312
Tax penalties	1,538	1,331
	-------	-------
Taxation charge	16,923	14,643
	=======	=======

The Company is subject to income tax at the rate of 4,25% of taxable profit.

6. Investment in subsidiary company

	2002 US$	2001 US$
83.942 shares of BGN100 each of the Bulgarian private company Cable Bulgaria AD	7,029,861	7,029,861

During the year the company disposed of 9.828 shares at cost, representing 8,02% of the subsidiary's issued share capital.

Consolidated accounts have not been prepared as in the opinion of directors it would be of no real value to the members of the company compared to the costs involved.

NARISMA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. Loans receivable

	2002 US$	2001 US$
Loans to third parties:		
As at 1 January / 31 December	300,000	300,000
	=========	=========
Loans to subsidiary company		
Capital amount:		
As at 1 January	2,020,000	650,000
Amounts advanced in year	--	1,370,000
As at 31 December	2,020,000	2,020,000

Interest charged:		
As at 1 January	325,035	10,084
For the year	363,600	314,951
As at 31 December	668,635	325,035
Total amount due from subsidiary company	2,708,635	2,345,035
Total loans receivable as at 31 December	3,008,635	2,645,035

The above loans are repayable on demand by written notice to the borrower. The loan to the third party is interest free while the loan to the subsidiary company bears interest at the rate of 18% per annum.

8. Share capital

	2002 US$	2001 US$
Authorised		
5.000 shares of C(pound)1 each - equivalent to:	8,735	8,735
Issued and fully paid		
At 1 January		
1.000 shares of C(pound)1 each - equivalent to:	1,747	1,747
At 31 December	1,747	1,747

NARISMA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. Reserves

	2002 US$	2001 US$
Retained earnings		
At 1 January	304,264	5,682
Net profit for the year	345,067	298,582
At 31 December	649,331	304,264

10. Related party tra nsactions

The following transactions were carried out with related parties:

(a) Amounts due to Shareholders

	2002 US$	2001 US$

Amounts due to the Shareholders of the Company		
At beginning of year	9,245,836	7,678,035
Amounts received during the year	104,164	1,752,580
Amounts advanced during the year	--	(184,779)
At end of year	9,350,000	9,245,836

Amounts due to shareholders are repayable on demand and bear no interest.

II. Financial instruments

The main financial assets of the Company are the loans receivable. The main financial liabilities are the accruals and amounts due to the shareholders.

(a) Credit risk
Concentrations of credit risk with respect to trade debtors are limited as the company has policies in place to assess the creditworthiness of its customers. Due to these factors, management believes that no additional credit risk is inherent in the Company's trade debtors.

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

NARISMA HOLDINGS LIMITED

ANALYSIS OF EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2002

	2002 US$	2001 US$
ADMINISTRATION EXPENSES		
Accounting and audit fees	1,150	1,150
Administration expenses	460	576
	1,610	1,726

CABLETEL AD

CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED

SEPTEMBER 30, 2004

"CableTEL" AD

CONSOLIDATED INCOME STATEMENT

	Note	Nine Months Ended 30 September 2004 BGN '000	Year Ended 31 December 2003 BGN '000
Net sales revenues			
Services		11,153	14,369
Sale of duct		2,746	--
Cost of sales		(10,965)	(12,851)
Gross profit		2,934	1,518
Administrative expenses		(4,301)	(3,394)
Imapirment charge		--	(240)
Profit on acquisition of investment		299	--
Other operating income		418	671
(Loss)/profit on disposal of investment		(554)	634
Operating loss		(1,204)	(811)
Finance income (net)		(679)	374
Loss before tax		(1,883)	(437)
Tax charge		58	114
Group loss		(1,825)	(323)
Minority interest		(109)	57
Net loss		(1,934)	(266)

"CableTEL" AD

CONSOLIDATED BALANCE SHEET

	Note	Nine Months Ended 30 September 2004 BGN '000	Year Ended 31 December 2003 BGN '000
ASSETS			
Fixed (non-current) assets			
Prtoperty, plant and equipment		19,935	12,940
Intangible assets		84	80
Investments		11	45
Goodwill		2,217	2,232
Total		22,247	15,297
Current assets			
Inventories		3,237	367
Receivables		4,293	3,026
Cash and cash equivalents		844	2,214
Prepayments		102	105
Total		8,476	5,712
Total assets		30,723	21,009
LIABILITIES			
Equity			
Share capital		12,254	12,254
Revaluation reserves		82	90
Other Reserves		47	47
Accumulated deficit		(7,325)	(5,457)
Total		5,058	6,934
Minority interest		231	1,022
Long-term liabilities			
Bank borrowings and leases		1,885	4,135
Deferred tax liabilities		43	106
Total		1,928	4,241
Short-term liabilities			
Borrowings from shareholders		3,666	3,505
Trade and other payables		12,693	4,925
Borrowings		6,911	192
Deferred income		236	190
Total		23,506	8,812
Total liabilities		25,434	13,053
Total equity and liabilities		30,723	21,009

"CableTEL" AD

CONSOLIDATED CASH FLOW STATEMENT

	Note	Nine Months Ended 30 September 2004 BGN '000	Year Ended 31 December 2003 BGN '000
Operating activities			
Cash generated from operations		4,065	2,405
Interest received		10	
Interest paid		(535)	--
Tax paid		(4)	(75)
Net cash from operating activities		3,526	2,340
Investing activities			
Acquisition of subsidiary, net of cash acquired		34	(76)
Purchase of property, plant and equipment		(9,146)	(3,952)
Net cash used in investing activities		(9,112)	(4,028)
Financing activities			
Repaid short-term borrowings		(83)	
Received long-term borrowings		4,469	3,192
Lease payments		(144)	0
Divident paid to minotirty shareholders		(109)	0
Net cash from financing activities		4,216	3,109
Increase/(Decrease) in cash and cash equivalents		(1,370)	1,421
Movement in cash and cash equivalents			
As at 1 January in the corresponding year		2,214	793
Increase/(Decrease)			
At the end of period		844	2,214

"Cable Bulgaria" AD

Consolidated statement for the changes in equity
for the nine months ended 30 September 2004

	Share capital	Revaluation reserves	Other reserves	Accumulated deficit	Total

Balance at 31 December 2003	12,254	90	46	(5,457)	6,
Dividents paid to minority	--	--	--	--	-
Other movements	--	--	1	66	
Revaluation of property	--	(8)	--	--	
Net loss	--	--	--	(1,934)	(1,
Balance at 30 September 2004	12,254	82	47	(7,325)	5,

1. Operating profit

The following items have been charged in arriving at the operating result:

	Year ended 30 September 2004	Year ended 31 Decembe 2003
Depreciation on property, plant and equipment (Note 6)	1,800	2,411
Amortisation of intangible assets (Note 7)	347	1,447
- goodwill (included in 'Administrative expenses')	347	1,378
- other intangible assets (included in 'Administrative expenses')	--	69
Impairment charge	259	240
Program rights expenditure	3,523	3,423
Raw materials and consumables used	808	1,670
Staff costs (Note 3)	2,961	3,589
Consulting services and marketing research	1,946	1,075
Rents	1,085	965
Satellite transmission		
Telecommunication costs	421	295
License fees	--	106
Other hired services	526	706
Other expenses	260	518
Cost of merchandise sold	1,330	40
Total operating expenses	15,266	15,132

2. Staff costs

Year ended 30 September 2004	Year ended 31 December 2003

Wages and salaries	2,008	2,234
Social security contributions and social costs for staff	953	1,355
	-----	-----
Total staff cost	2,961	3,589
	=====	=====

The number of employees in 2003 was 390 (2003: 390).

3. Finance costs

	Year ended 31 December 2003	Year ended 31 December 2002
Interest income	4	10
Net foreign exchange transaction (loss)/gain	(37)	712
Interest expense	(600)	(207)
Other financial expense	(46)	(141)
	----	----
Net financial income	(679)	374
	====	====

4. Fixed assets

Nine months ended 30 Sept. 2004	Land & Buildings	Plant & Machinery	Vehicles & Equipment	Assets under construction	Total
Opening net					
book amount	699	5,643	623	5,975	12,940
Additions	28	3084	344	10,003	13,459
Disposals	-5	-423	-128	-4,135	-4,691
Depreciation charge		-21	-1610	-142	-1,773
Closing net book amount	701	6,694	697	11,843	19,935
At 30 September 2004					
Cost or fair value	856	13,347	1,237	11,843	27,283
Accumulated depreciation	-155	-6,653	-540	0	-7,348
Net book amount	701	6,694	697	11,843	19,935

CABLE BULGARIA AD

REPORT AND AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

PricewaterhouseCoopers
9-11 Maria Louisa Blvd
1000 Sofia
Bulgaria
Telephone +359 2 9355200
Facsimile +359 2 9355266

REPORT OF THE AUDITORS

TO THE SHAREHOLDERS OF CABLETEL AD

We have audited the accompanying consolidated balance sheet of CableTEL AD and its subsidiaries (the Group) as of December 31, 2003, and the related consolidated statements of income, of cash flows and of changes in shareholders' equity for the year then ended. These consolidated financial statements set out on pages 1 to 24 are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Except as discussed in the following paragraph, 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Union Television AD (UTV) subsidiary was disposed in May 2003. However the subsidiary results and cash flows until the date of disposal have not been consolidated based on the assumption of the Group management that the effect of this non-compliance with IAS 27 "Consolidated and Separate Financial Statements" is insignificant in value. We were unable to satisfy ourselves as to the validity of this management assumption. In addition no disclosure was made for discontinuing operations as required by IAS 35 "Discontinuing Operations".

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the effect on the financial result of the disposed subsidiary until its disposal, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2003, and the results of its operations and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to the fact that the consolidated financial statements of the Group have been prepared on the basis of going concern which means that the Group will continue its operations in the foreseeable future. As at 31 December 2003 the short-term liabilities of the Group exceed its short-term assets by BGN 3,100 thousand (2002: BGN 2,167 thousand, the loss for the year is BGN 266 thousand (2002: BGN 1,129 thousand) and the accumulated deficit is BGN 5,457 thousand (2002: BGN 5,124 thousand). However, the management of the Group still considers that the financial statements should be prepared on the basis of going concern. The validity of this consideration is dependent on the intention and abilities of the owners of the Company and its lenders to continue providing adequate financial support of the company's operations.

Certified by

Jean-Pierre Vigroux
PricewaterhouseCoopers Odit OOD
22 December 2004
Sofia

"Cable Bulgaria" AD

CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2003

	Note	2003 BGN '000	2002 BGN '000
Net sales revenues			
Services		14,369	13,753
Cost of sales		(12,851)	(11,334)
Gross profit		1,518	2,419
Administrative expenses		(3,394)	(3,798)
Imapirment charge		(240)	--

Profit on disposal of investment	634	
Other operating income	671	13
Operating loss	(811)	(1,366)
Finance income (net)	374	648
Loss before tax	(437)	(718)
Taxation	114	(250)
Group loss	(323)	(968)
Minority interest	57	(161)
Net loss	(266)	(1,129)

"Cable Bulgaria" AD

CONSOLIDATED BALANCE SHEET
as at 31 December 2003

	Note	31 December 2003 BGN '000	31 December 2002 BGN '000
ASSETS			
Fixed (non-current) assets			
Prtoperty, plant and equipment		12,940	11,213
Intangible assets		80	173
Investments		45	12
Goodwill		2,232	3,611
Total		15,297	15,009
Current assets			
Inventories		367	339
Receivables		3,026	716
Cash and cash equivalents		2,214	793
Prepayments		105	122
Total		5,712	1,970
Total assets		21,009	16,979
LIABILITIES			
Equity			
Share capital		12,254	12,254
Revaluation reserves		90	--
Other Reserves		47	46
Accumulated deficit		(5,457)	(4,795)
Total		6,934	7,505

Minority interest	1,022	1,087
Long-term liabilities		
Borrowings from shareholders	--	3,808
Bank borrowings and leases	4,135	90
Deferred tax liabilities	106	352
Total	4,241	4,250
Short-term liabilities		
Borrowings from shareholders	3,505	--
Trade and other payables	4,925	3,822
Borrowings	192	42
Deferred income	190	273
Total	8,812	4,137
Total liabilities	13,053	8,387
Total equity and liabilities	21,009	16,979

"Cable Bulgaria" AD

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 December 2003

	Note	2003 BGN '000	2002 BGN '000
Operating activities			
Cash generated from operations		2,405	1,946
Interest received		10	4
Interest paid		--	(35)
Sponsorship paid		--	(12)
Tax paid		(75)	(142)
Net cash from operating activities		2,340	1,761
Investing activities			
Acquisition of subsidiary, net of cash acquired		(76)	(17)
Purchase of property, plant and equipment		(3,952)	(1,462)
Net cash used in investing activities		(4,028)	(1,479)
Financing activities			
Repaid short-term borrowings		(83)	(454)
Received long-term borrowings		3,192	240
Decrease in restricted cash		100	
Divident paid to minotirty shareholders		0	(124)
Net cash from financing activities		3,109	(238)

Increase/(Decrease) in cash and cash equivalents	1,421	44
Movement in cash and cash equivalents		
As at 1 January in the corresponding year	793	749
Increase/(Decrease)		
At the end of period	2,214	793

"Cable Bulgaria" AD

Consolidated statement for the changes in equity
for the year ended 31 December 2003

	Share capital	Revaluation reserves	Other reserves	Accumulated deficit	Total
Balance at 1 January 2002					
Opening balance	12,254	-	46	(3,530)	8,770
Sponsorships	-	-	-	(12)	(12)
Dividents	-	-	-	(124)	(124)
Net loss	-	-	-	(1,129)	(1,129)
Balance at 31 December 2002	12,254	-	46	(4,795)	7,505
Balance at 1 January 2003					
Opening balance	12,254	-	46	(4,795)	7,505
Fundamental errors (See accounting policy 21)	-	-	-	(329)	(329)
Restated opening balance	12,254	-	46	(5,124)	7,176
Dividents paid to minority	-	-	-	(80)	(80)
Other movements	-	-	1	13	14
Revaluation of property	-	90	-	-	90
Net loss	-	-	-	(266)	(266)

Balance at 31 December 2003	12,254	90	47	(5,457)	6,934

Cable Bulgaria AD
Consolidated Financial Statements
for the year ended 31 December 2003

Notes to the consolidated financial statements

`Cable Bulgaria AD is a limited liability company, the shares of which are not publicly traded. The company is domiciled in the Republic of Bulgaria and has the following address of its registered office: Sofia 1000, Business Center Vitosha, Blvd. Bulgaria 49.

The Group operates in the telecommunications and information services sector, primarily by running cable TV distribution networks.

The Group has direct or indirect controlling interest in 8 subsidiaries involved in cable TV distribution.

1. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

1. Basis of preparation

The consolidated financial statements are prepared in accordance with and comply with International Financial Reporting Standards.

The consolidated financial statements are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The consolidated financial statements have been prepared in the functional currency of the company, which is the Bulgarian Lev (BGN).

Accounting convention

The preparation of the financial statements in conformity with generally accepted accounting principles that require the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as 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.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future. As at 31 December 2003 the current liabilities exceed current assets by BGN 3,100 thousand (2002: BGN 2,167 thousand), the loss for the year is BGN 266 thousand (2002: BGN 1,129 thousand), the accumulated deficit is BGN 5,457 thousand (2002: BGN 5,124 thousand).

This may cast doubt as to the ability of the Group to operate as a going concern; this indicates that the Group depends upon the continuing support of the owners and providers of finance. If these withdraw their support and the going concern basis become inapplicable, assets and liabilities would have to be revalued at their realisable amount. These may differ significantly from the values stated in the financial statements on a going concern basis.

These notes represent an integral part of the financial statements presented on pages 1-4

Going concern (Continued)

The directors, in light of their assessment of expected future cash flows and based on the obtained confirmation of support from the majority shareholder, stating the commitment of the latter to continue in providing financial support to the Company and assisting it in its capital expenditure commitments as they fall due, are satisfied that it is appropriate for the consolidated financial statements to be prepared on a going concern basis.

2. Consolidation

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. Where the effect is immaterial companies are not included in consolidation even if not disposed exactly at the beginning of the year. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Intercompany transactions, balances and unrealized surpluses and deficits on transactions between group companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group. Separate disclosure is made of minority interests. A listing of the Group's principal subsidiaries is set out in Note 20.

3. Investments in associates

Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings over which the Group has between 20% and 50%

of the voting rights, and over which the Group exercises significant influence, but which it does not control. Provisions are recgnised for long-term impairment in value.

These notes represent an integral part of the financial statements presented on pages 1-4

Cable Bulgaria AD
Consolidated Financial Statements
for the year ended 31 December 2003

Notes to the consolidated financial statements (continued)
All amounts in BGN thousands unless otherwise stated

4. Financial Risk Management

Financial risk factors

The Group's activities expose it to a variety of financial risks, including the effects of foreign currency exchange rates and interest rates. Management monitors the overall risk and seeks to minimise potential adverse effects on the financial performance of the Group.

(i) Foreign exchange risk

The Group operates in Bulgaria and is currently exposed to a foreign exchange risk arising from purchase of program rights and of equipment from foreign suppliers and from borrowing from the shareholders, both denominated in USD a currency, different from the functional currency. The exposures involved are closely monitored to ensure effective risk management by hedging the exposures involved.

(ii) Interest rate risk

The Group usually borrows at fixed and floating rates and the exposures involved are monitored regularly.

(iii) Credit risk

The Group has no significant concentrations of credit risk. In cable TV distribution business in Bulgaria normally the subscribers pay regularly.

(iv) Liquidity risk

All major liquidity risk is managed by the Group by monitoring the cash generation in the cable TV distribution business; the business is additionally financed by its shareholders for its investrnent activity in cable network and acquisition of cable TV distribution operators.

5. Foreign currencies

Foreign currency transactions in Group companies are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Such balances are translated at year-end exchange rates unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used.

These notes represent an integral part of the financial statements presented on pages 1-4

6. Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade creditors, leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

7. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated undertaking at the date of acquisition. Goodwill on acquisitions is reported in the balance sheet as an intangible asset and is amortised over the period of 5 years using the straight-line method over its estimated useful life. The carrying amount of goodwill is reviewed annually and written down for permanent impairment where it is considered necessary. The gain or loss on disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

8. Other intangible assets

Expenditure on acquired patents, trademarks and licenses is capitalised and amortised using the straight-line method over their useful lives, generally over 7 years. Intangible assets are not revalued. The carrying amount of each intangible asset is reviewed annually and adjusted for permanent impairment where it is considered necessary.

9. Other investments

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 and are included in non-current assets. Investments are shown at cost and provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

On disposal of an investment, amounts in revaluation and other reserves relating to that marketable security are transferred to retained earnings.

These notes represent an integral part of the financial statements presented on pages 1-4

Notes to the consolidated financial statements (continued)
All amounts in BGN thousands unless otherwise stated

10. Property, plant and equipment

All property, plant and equipment is initially recorded at cost. Property, plant and equipment of subsidiaries are stated at fair values determined as at the dates of acquisition. Additions to property, plant and equipment are stated at cost or fair value following the application of acquisition accounting. Land and buildings are presented at fair value less depreciation using the allowed alternative treatment under IAS 16 "Property, Plant and Equipment". All other property, plant and equipment is stated at historical cost less depreciation. Depreciation is calculated using the straight-line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful life as follows:

Buildings	25 years
Plant and machinery	5-25 years
Other equipment	3-6 years

Land is not depreciated as it is deemed to have an indefinite life.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Part of Group expenses directly attributable to acquisition of property, plant and equipment are capitalized. Impairment of assets based on management estimates has not been performed. All assets held are utilized in the operations and the future economic benefits are expected to flow in the Group.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major improvements and renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major improvements and renovations are depreciated over the remaining useful life of the related asset.

These notes represent an integral part of the financial statements presented on pages 1-4

Cable Bulgaria AD
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for the year ended 31 December 2003

Notes to the consolidated financial statements (continued)
All amounts in BGN thousands unless otherwise stated

11. Accounting for leases

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts is depreciated over the useful life of the asset.

Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

12. Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by weighted average method. Net realisable value is the estimate of the selling price in the ordinary course of business, less the cost of completion and selling expenses.

13. Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the period in which they are identified.

14. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

These notes represent an integral part of the financial statements presented on pages 1-4

Notes to the consolidated financial statements (continued)
All amounts in BGN thousands unless otherwise stated

15. Borrowings

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowing.

16. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

17. Pension obligations

No formal or informal pension plans are currently operated by the Group. The Government of Bulgaria is responsible for providing pensions in Bulgaria under a defined contribution pension plan. The company's contributions to the defined contribution pension plan are charged to the income statement in the year to which they relate. The company has made calculations following the requirements of IAS 19 (Employee Benefits) and has determined that pension obligations are immaterial (less than BGN 20 thousand) and decided not to accrue them.

18. Deferred income taxes

Deferred income tax is using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

The principal temporary differences arise from different valuation on property, plant and equipment and unused paid leave. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

These notes represent an integral part of the financial statements presented on pages 1-4

Cable Bulgaria AD
Consolidated Financial Statements
for the year ended 31 December 2003

Notes to the consolidated financial statements (continued)
All amounts in BGN thousands unless otherwise stated

19. Revenue recognition

Sales are recognised upon performance of the services (in line with the timescale of the contracts for access to the cable TV network), net of sales taxes and discounts, and after eliminating sales within the Group, unless there is a significant uncertainty as to their collectibility.

Interest income is recognised as it accrues (taking into account the effective yield on the asset) unless collectibility is in doubt.

20. Cash flows

The Group prepares its Cash Flow Statement in accordance with IAS 7 "Cash flow statements" using the indirect method of cash flow preparation.

21. Related parties

For the purposes of the accompanying consolidated financial statements, the parent companies and their subsidiaries and associated companies, key management personnel and Board members, together with the close members of their families in each case and with companies controlled by them, are considered and referred to as related parties. A number of transactions are entered into with related parties in the normal course of business. A detailed breakdown of related party transactions and balances outstanding at the year-end is provided in Note 19.

21. Fundamental errors

Fundamental errors are reported using the benchmark treatment of IAS 8 ("Accounting Policies, Changes in Accounting Estimates and Errors"). The fundamental error represents an accrual of interest calculated on a loan provided by the major shareholder, Narisma Holding. The Group has not recorded any interest until the end of 2002 following the clause for grace period stipulated in the loan contract. In 2003 the Group has calculated and accrued interest on that loan following the requirements of IAS 39 ("Financial Instruments: Recognition and Measurement") to present the loan at its amortised value using stepped interest charge when loan contract specifies for grace period.

The interest related to the periods before 2003 was presented as a restatement of the opening balance of accumulated deficit.

These notes represent an integral part of the financial statements presented on pages 1-4

Cable Bulgaria AD
Consolidated Financial Statements
for the year ended 31 December 2003

Notes to the consolidated financial statements (continued)
All amounts in BGN thousands unless otherwise stated

2. Operating profit

The following items have been charged in arriving at the operating result:

	Year ended 31 December 2003	Year 31 Decembe
Depreciation on property, plant and equipment (Note 6)	2,411	

Amortisation of intangible assets (Note 7)	1,447	
- goodwill (included in 'Administrative expenses')	1,378	
- other intangible assets (included in 'Administrative expenses')	69	
Impairment charge	240	
Program rights expenditure	3,423	
Film rights expenditure	--	
Raw materials and consumables used	1,670	
Staff costs (Note 3)	3,589	
Consulting services and marketing research	1,075	
Rentals	965	
Satellite transmission	--	
Telecommunication costs	295	
License fees	106	
Other hired services	706	
Other expenses	518	
Cost of goods sold	40	
Total operating expenses	16,485	

3. Staff costs

	Year ended 31 December 2003	Year 31 Decembe
Wages and salaries	2,234	
Social security contributions and social costs for staff	1,355	
Total staff cost	3,589	

The number of employees in 2003 was 390 (2002: 396).

These notes represent an integral part of the financial statements presented on pages 1-4

Cable Bulgaria AD
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for the year ended 31 December 2003

Notes to the consolidated financial statements (continued)
All amounts in BGN thousands unless otherwise stated

4. Finance costs

	Year ended 31 December 2003	Year ended 31 December 2002
Interest income	10	7
Dividend income	--	12
Net foreign exchange transaction (loss)/gain	712	698
Interest expense	(207)	(36)
Other financial expense	(141)	(33)

Net financial income	374	648

Net foreign exchange gains include BGN 900 thousand (2002: 1,114) of revaluation gain on the balances denominated in USD due to shareholders.

5. Tax

	Year ended 31 December 2003	Year ended 31 December 2002
Current tax	129	151
Deferred tax (Note 14)	(243)	99
Total taxes	(114)	250

The tax in the income statement of the Group differs from the theoretical amount that would arise when applying the applicable tax rate to the financial result before tax of the Group as follows:

	Year ended 31 December 2003	Year en 31 December 2
Loss before tax	(437)	(
Tax calculated at a tax rate of 23.5 % (2002: 23.5 %)	(103)	(
Effect of income/expenses not recognized/deductible for tax purposes	(11)	
Total taxe in income statement	(114)	

The parent company Cable Bulgaria was subject to a tax inspection in 2003 by Tax office Krasno Selo for the period from June 04, 1999 until December 31, 2002. The tax inspection covered the determination of Corporate income tax, Municipal tax and Personal income tax.

The tax liabilities additionally determined as a result of the tax inspection report amount to BGN 4 thousand principal and BGN 2 thousand of penalty interest.

These notes represent an integral part of the financial statements presented on pages 1-4

Cable Bulgaria AD
Consolidated Financial Statements
for the year ended 31 December 2003

Notes to the consolidated financial statements (continued)
All amounts in BGN thousands unless otherwise stated

5. Tax (Continued)

The tax authorities may at any time inspect the books and statements of the

All amounts in BGN thousands unless otherwise stated

Group for five consecutive years back in time and to charge additional taxes. Management has no knowledge of any circumstances that might lead to such significant new unrecorded tax liabilities.

6. Property, Plant and Equipment

Year ended 31 December 2003

	Land & Buildings	Plant & Machinery	Vehicles & Equipment	Assets under construction	Tot
Opening carrying value	708	7,468	482	2,555	
Additions	1	896	418	3,984	
Disposals	(29)	(227)	(74)	(564)	
Disposal of UTV	--	(285)	(94)	--	
Depreciation charge	(93)	(2,209)	(109)	--	
Revaluation	112	--	--	--	
Closing carrying value	699	5,643	623	5,975	
Cost or valuation	848	10,617	884	5,975	
Accumulated depreciation	(149)	(4,974)	(261)	--	
Closing carrying value	699	5,643	623	5,975	

Assets under construction as at 31 December 2003 contain expenses for acquisition of TFA amounting to BGN 5,924 thousand (31 December 2002: BGN 2,507 thousand). Such expenses relate to the Company's optical ring currently under construction. It is expected that the assets related to this ring be put into operation by the end of 2004.

The land and buildings were last valuated in the beginning of 2003 by an independent valueas, based on current market prices. The resulting revaluation reserve, net of deferred tax liability was recorded as an increase in "revaluation reserve" in the equity.

Based on the review of the carrying value of the assets, the management of the Group considers that as at 31 December 2003 there are no indicators requiring impairment of the tangible non-current assets.

Non-current assets amounting to BGN 10,086 thousands have been pledged to secure bank loans received by the Group (see also Note 13).

Cable Bulgaria AD (as a whole entity) has been pledged as collateral to secure the bank loans.

These notes represent an integral part of the financial statements presented on pages 1-4

6. Property, Plant and Equipment (Continued)

The newly acquired non-current assets include assets acquired under finance lease arrangements in the amount of BGN 331 thousand. (2002: BGN 86 thousand).

Leased assets where the Group is a lessee under a finance lease, comprise vehicles and equipment as follows:

	31 December 2002	31 December 2003
Cost - capitalised finance leases	331	86
Accumulated depreciation	(45)	(2)
Carrying value	286	84

7. Intangible assets

Year ended 31 December 2003	Goodwill	Other intangible assets	Total
Opening carrying value	3,611	173	3,784
Additions	(1)	30	29
Disposals	--	(21)	(21)
Disposal of UTV	--	(33)	(33)
Depreciation charge	(1,378)	(69)	(1,447)
Closing carrying value	2,232	80	2,312
Cost	6,892	293	7,185
Accumulated depreciation	(4,660)	(213)	(4,873)
Closing carrying value	2,232	80	2,312

Other intangible assets represents primarily software
8. Investments

The amount represents a minority participation of 16.5% held by UTY (100% subsidiary of Cable Bulgaria) in Telekabel - Pazardjik. The investment is stated at cost with no indications for necessity of impairment.

9. Inventories

	31 December 2003	31 December 2002
Materials (at cost)	367	339
Total inventories	367	339

Materials balance comprises mainly optic fibres and components for the cable network.

These notes represent an integral part of the financial statements presented on pages 1-4

Cable Bulgaria AD

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Notes to the consolidated financial statements (continued)
All amounts in BGN thousands unless otherwise stated

10. Receivables

	31 December 2003	31 December 2002
Trade receivables and accrued income	692	473
Recoverable tax	95	85
Prepayments	2,132	67
Other receivables	107	91
Total receivables	3,026	716

Prepayments represent a payment to Global Technologies Inc under a contract for delivery of an Excel Switch, which will be used for the provision of telephone services. The equipment has been received in 2004.

11. Cash and cash equivalents

	31 December 2003	31 December 2002
Cash in hand	213	287
Cash at bank	2,001	506
Total cash	2,214	793

For the purposes of the cash flow statement, the period-end cash and cash equivalents comprise the following:

	31 December 2003	31 December 2002
Cash in hand and bank	2,214	793
Total cash	2,214	793

12. Trade and other payables

	31 December 2003	31 December 2002
Trade payables	1,480	1,412
Payables to employees	308	541
Social security and other taxes	366	653
Accrual for program rights payable	2,344	396
Accrual for broadcast licenses payable	--	159
Accrual for construction works	--	192
Other payables and accruals	427	469
Total trade and other payables	4,925	3,822

These notes represent an integral part of the financial statements presented on pages 1-4

Cable Bulgaria AD
Consolidated Financial Statements
for the year ended 31 December 2003

Notes to the consolidated financial statements (continued)
All amounts in BGN thousands unless otherwise stated

13. Borrowings

Current	31 December 2003	31 December 2002
Loans from related parties (Note 19)	3,505	--
Bank borrowings	192	28
Other	--	14
Total current borrowings	3,697	42

Non-current	31 December 2003	31 December 2002
Loans from related parties (Note 19)	--	3,808
Loans from banks	3,840	35
Payable under finance leases	295	55
Total non-current borrowings	4,135	3,898
Total borrowings	7,832	3,940

The current bank borrowings include:
A loan received from Roseximbank AD by Cable Bulgaria amounting to BGN 200 thousand.
The balance outstanding at 31 Decembet 2003 is BGN 192 thousand. The collateral includes properties owned by Cable Bulgaria valued at BGN 699 thousand.

The non-current bank loans include:

Loan provided by Roseximbank AD to Cable Bulgaria AD amounting to BGN 1,400 thousand. The balance outstanding at 31 Decembet 2003 is BGN 1,400 thousand. The collateral includes properties owned by Cable Bulgaria valued at BGN 699 thousand;
Loan provided by Roseximbank AD to Cable Bulgaria amounting to EUR 3,695 thousand. The balance outstanding at 31 Decembet 2003 is EUR 1,248 thousand. The entire commercial enterprise of Cable Bulgaria AD has been pledged as collateral.

The non-current loans are used for the construction of a national fibre optic backbone. Maturity of non-current borrowings is as follows:

	31 December 2003	31 December 2002
Between 1 and 2 years	3,840	3,843
Total non-current borrowings	3,840	3,843

These notes represent an integral part of the financial statements presented on pages 1-4

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Notes to the consolidated financial statements (continued)
All amounts in BGN thousands unless otherwise stated

13. Borrowings (Continued)

Lease liability - minimum lease payments:	31 December 2003	31 December 2002
Up to 1 year	113	14
From 1 to 5 years	155	44
Unearned financial expense related to a finance lease	(36)	(10)
Present value of the lease liability	232	48

The present value of the lease liability is allocated as follows:

	31 December 2003	31 December 2002
Up to 1 year	96	13
From 1 to 5 years	136	35
	232	48

14. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 19.5% (2002: 23.5%). Cable Bulgaria AD has incurred tax losses amounting to BGN 3,205 thousand as at 31 December 2003 (31 December 2002: BGN 1,494 thousand). As the recoverability of these losses in the future is not certain, no deferred tax asset has been recognised in the consolidated balance sheet.

	31 December 2003	31 December 2002
Deferred tax liabilities	147	584
Deferred tax assets	(41)	(232)
Total	106	352

Deferred tax liabilities and deferred tax charge in the income statement are attributable to the following items:

	31 December 2002	(Charge)/credit	31 December 2
Deferred income tax assets			
Intangible assets recognised as expense	203	(187)	
Holiday pay accrual recognised as expense	29	(4)	
Deferred income tax liabilities			
Property, plant and equipment	(584)	434	(
Net deferred tax liability	(352)	243	(

These notes represent an integral part of the financial statements presented on pages 1-4

Cable Bulgaria AD
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Notes to the consolidated financial statements (continued)
All amounts in BGN thousands unless otherwise stated

15. Ordinary shares and share premium

The total authorised number of ordinary shares is 122,542 shares (31 December 2002: 122,542) with a par value of BGN 100 per share. All issued shares are fully paid.

16. Minority interests

	31 December 2003	31 December 2002
At beginning of period	1,087	991
Acquisitions (net)	(7)	(65)
Minority interest in Income Statement	(58)	161
At 31 December	1,022	1,087

17. Cash generated from operations

Reconciliation of loss before tax and minority interest to cash generated from operations:

	31 December 2003	31 Decembe
Loss before tax and minority interest	(833)	
Adjustments for:		
Depreciation	2,411	
Amortisation	1,447	

Impairment charge	21	
Interest expense (net) (Note 4)	(30)	
	3,016	
Changes in working capital (excluding the effects of acquisition and disposal):		
- trade and other receivables	(2,310)	
- inventories	(28)	
- payables	1,710	
- prepayments	17	
Cash generated from operations	2,405	

These notes represent an integral part of the financial statements presented on pages 1-4

Cable Bulgaria AD
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Notes to the consolidated financial statements (continued)
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18. Acquisition and disposals

During the year ended 31 December 2003 the group made the following partial acquisition in already existing subsidiary: KIS Russe - additional 0.69% purchased

Details of net assets acquired and goodwill from the acquisition during the period are as follows:

	31 December 2003
Purchase consideration :	
Cash paid	6
Fair value of net assets acquired	(7)
Goodwill (Note 7)	(1)

19. Related party transactions

The company did not undertake any related party transactions during the year ended 31 December 2003 in relation to purchases and sales activities. Other related party balances include:

Loans from related parties	31 December 2003	31 December 2002
Narisma Holdings - loan, long-term in 2002;	--	3,808
Short-term in 2003	3,505	--
At December 31, 2003	3,505	3,808

The loan payable to Narisma Holding has maturity and is repayable at December 31, 2004. The management of Cable Bulgaria AD believes that the loan should be classified as short-term borrowing as the maturity is 12 months from the preparation of the financial statements.

Loans to related parties	31 December 2003	31 December 2002
Loans to minority shareholders	--	90
At December 31, 2003	--	90

These notes represent an integral part of the financial statements presented on pages 1-4

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20. Principal subsidiary undertakings

Name	Country of incorporation	Effective Percentage held at 31.12.2003	Effective Percentage held at 31.12.2002
Union Television AD	Bulgaria	-	100.00
TV Mix, Burgas AD	Bulgaria	100.00	100.00
Pleven - Sprint OOD	Bulgaria	51.00	51.00
Union Kabel, Dobrich OOD	Bulgaria	52.50	52.50
Dovacom, Dobrich EOOD	Bulgaria	52.50	52.50
Union Television - Velingrad OOD	Bulgaria	70.00	70.00
Broadnet AD	Bulgaria	100.00	100.00
KIS AD	Bulgaria	60.64	59.94
Globo Lom AD	Bulgaria	51.00	51.00
Globo Stara Zagora AD	Bulgaria	-	95.80
Globo EOOD	Bulgaria	-	100.00

All holdings are in the ordinary share capital of the undertakings concerned.

21. Discontinued operations

In 2003 the Group disposed of two entities.

The Board of Directors took a decision to dispose UTV (part of the Group), the operator of the DEN TV channel in 2003. The management decided to dispose of UTV as its operations were considered not to fall within the core business of the Group. Further, the results for the last years of UTV were unsatisfactory and were not in line with the trends in the core business results.

The profit from the disposal of this investment recorded in the consolidated results for 2003 amounts to BGN 634 thousand.

Although the disposal was legally effected in May, for consolidation purposes, it was recognised as if the disposal happened as at 1 January 2003. Management believes that due to the insignificant value and volume of operations of DEN TV, as well as no significant change in the value of its net assets in the period from January to May 2004, no further adjustments are necessary to ensure true and fair presentation of this disposal. The management considers the revenues and expenses of UTV for 2003 as immaterial and has not included them in the consolidation. The decision not to consolidate the results of the company until the date of disposal is taken also with respect that this will have no effect on the net result for the year. Any profit or loss of UTV for the period it was part of the group would have been offset with the result from the disposal of that investment.

The Globo Stara Zagora subsidiary was liquidated in March 2003. The company was in process of liquidation since 2000 and had no activity in 2003.

These notes represent an integral part of the financial statements presented on pages 1-4

22. Subsequent event

In 2003 Dovacom provided a loan of BGN 85 thousand to Camisto Mati EOOD. In 2004 the creditor was declared insolvent. Impairment charge on the loan receivable was recognised in 2003 following the requirements of IAS 10 "Events After the Balance Sheet Date" as an adjusting event.

These notes represent an integral part of the financial statements presented on pages 1-4

CABLE BULGARIA AD

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

PricewaterhouseCoopers

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AUDIT REPORT
TO THE SHAREHOLDERS OF CABLE BULGARIA AD

We have audited the accompanying consolidated balance sheet of Cable Bulgaria AD Group and its subsidiaries as of 31 December 2002 and the related consolidated income, cash flow and statement of changes in shareholder's equity for the year then ended. The consolidated financial statements set out on pages 3 to 20 are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion the consolidated financial statements present fairly in all material respects the financial position of the Group as of 31 December 2002 and the results of its cash flows for the year ended 31 December 2002 in accordance with International Financial Reporting Standards.

/s/ Pricewaterhouse Coopers
PricewaterhouseCoopers
Sofia
30 November 2003

Cable Bulgaria AD
Consolidated Financial Statements
for the year ended 31 December 2002

Cable Bulgaria AD
Consolidated Financial Statements
31 December 2002

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Cable Bulgaria AD
Consolidated Financial Statements
for the year ended 31 December 2002

Consolidated income statement

(all amounts in BGN thousands)	Notes	Cable - CATV		Studio		Total
		2002	2001	2002	2001	2002
Sales		12,917	11,732	836	977	13,753
Cost of sales	2	(9,529)	(7,437)	(1,805)	(1,978)	(11,334)
Gross profit		3,388	4,295	(969)	(1,001)	2,419
Administrative expenses	2	(3,666)	(3,669)	(132)	(262)	(3,798)
Impairment charge		--	--	--	(281)	--
Other operating income		3	262	10	--	13
Other operating expenses	2	--	(189)	--	--	--
Operating profit (loss)		(275)	699	(1,091)	(1,544)	(1,366)
Finance income	4	605	(441)	43	(40)	648
Profit/(loss) before tax		330	258	(1,048)	(1,584)	(718)
Tax charge	5	(250)	(478)	--	--	(250)
Group loss		80	(220)	(1,048)	(1,584)	(968)
Minority interest	16	(161)	(333)	--	--	(161)
Net loss		(81)	(553)	(1,048)	(1,584)	(1,129)

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

Cable Bulgaria AD
Consolidated Financial Statements
for the year ended 31 December 2002

Consolidated balance sheet

(all amounts in BGN thousands)	Notes	31 December 2002	31 December 2001
ASSETS			
Non-current assets			
Property, plant and equipment	6	11,213	10,130
Intangible assets	7	173	225
Investments	8	12	12
Goodwill	7	3,611	5,047
		15,009	15,414
Current assets			
Inventories	9	339	376
Receivables	10	716	727
Cash and cash equivalents	11	793	849
Prepayments		122	311
		1,970	2,263
Total assets		16,979	17,677
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shares	15	12,254	12,254
Other reserves		46	46
Accumulated deficit		(4,795)	(3,530)
		7,505	8,770
Minority interest	16	1,087	991
Non-current liabilities			
Borrowings from shareholders	13	3,808	4,483
Bank borrowings and leases	13	90	69
Deferred tax liabilities	14	352	253
		4,250	4,805
Current liabilities			
Trade and other payables	12	3,822	2,449
Borrowings	13	42	448
Deferred income		273	214
		4,137	3,111
Total liabilities		8,387	7,916

Total equity and liabilities	16,979	17,677

30 November 2003

Executive Director: Financial Director:

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

Cable Bulgaria AD
Consolidated Financial Statements
for the year ended 31 December 2002

Consolidated statement of changes in equity

(all amounts in BGN thousands)	Notes	Share capital	Other reserves	Accumulated deficit	Total
Balance at 1 January 2001					
Opening balance		9,134	46	(1,393)	7,787
Increase in share capital		3,120	--	--	3,120
Net loss		--	--	(2,137)	(2,137)
Balance at 31 December 2001		12,254	46	(3,530)	8,770
Balance at 1 January 2002					
Opening balance		12,254	46	(3,530)	8,770
Sponsorship		--	--	(12)	(12)
Dividends		--	--	(124)	(124)
Net loss		--	--	(1,129)	(1,129)
Balance at 31 December 2002		12,254	46	(4,795)	7,505

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

Cable Bulgaria AD
Consolidated Financial Statements
for the year ended 31 December 2002

Consolidated cash flow statement

(all amounts in BGN thousands)	Notes	Cable CATV		Studio		
		2002	2001	2002	2001	200
Operating activities						
Cash generated from operations	17	1,920	3,330	26	(594)	1,9
Interest received		4	6	--	--	
Interest paid		(31)	(24)	(4)	(32)	(
Sponsorship paid		(12)	--	(12)		
Tax paid		(142)	(163)	--	--	(1
Net cash from operating activities		1,739	3,149	22	(626)	1,7
Investing activities						
Acquisition of subsidiary, net of cash acquired		(17)	(1,545)	--	--	(
Purchase of property, plant and equipment		(1,462)	(4,309)	--	(68)	(1,4
Net cash used in investing activities		(1,479)	(5,854)	--	(68)	(1,4
Financing activities						
Repaid short-term borrowings		(209)	203	(245)	245	(4
Received long-term borrowings		40	2,824	200	477	2
Decrease in restricted cash		100	--	--	(100)	1
Dividend paid to minority shareholders		(124)	--	--	--	(1
Net cash from financing activities		(193)	3,027	(45)	622	(2
Increase/(Decrease) in cash and cash equivalents		67	322	(23)	(72)	
Movement in cash and cash equivalents						
As at 1 January in the corresponding year		703	410	46	89	7
Increase/(Decrease)		67	322	(23)	(72)	

At end of period	770	732	23	17	7

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

Cable Bulgaria AD
Consolidated Financial Statements
for the year ended 31 December 2002

Notes to the consolidated financial statements

1 Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

1 Basis of preparation

The consolidated financial statements are prepared in accordance with and comply with International Financial Reporting Standards. The consolidated financial statements are prepared under the historical cost convention, except as disclosed in the accounting policies below.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future. The future viability of the Group depends upon the business environment as well as upon the continuing support of the existing and potential owners and providers of finance. If this risk is not mitigated and if the business of the Group was to be wound down and its assets sold, then adjustments would have to be made to reduce the balance sheet value of assets to their liquidation value, to provide for further liabilities that might arise, and to reclassify property, plant and equipment and long term liabilities as current assets and liabilities.

The directors, in light of their assessment of expected future cash flows and based on the obtained confirmation of support from Narisma Holdings, the majority shareholder, stating the commitment of the latter to continue in providing financial support to the Company and assisting it in its capital expenditure commitments as they fall due, are satisfied that it is appropriate for the consolidated financial statements to be prepared on a going concern basis.

2 Consolidation

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group. Separate disclosure is made of minority interests. A listing of the Group's principal subsidiaries is set out in Note 20

3 Investments in associates

Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings over which the Group has between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but which it does not control. Provisions are recorded for long-term impairment in value.

4 Financial Risk Management

Financial risk factors

The Group's activities expose it to a variety of financial risks, including the effects of foreign currency exchange rates and interest rates. Management monitors the overall risk and seeks to minimise potential adverse effects on the financial performance of the Group.

(i) Foreign exchange risk

The Group operates in Bulgaria and is currently exposed to foreign exchange risk arising from purchase of program and film rights from foreign suppliers and from borrowing from the shareholders, both denominated in USD, different form the reporting currency. The exposures involved are closely monitored to ensure effective risk management.

Notes to the consolidated financial statements (Continued)

1 Accounting policies (Continued)

4 Financial Risk Management (Continued)

(ii) Interest rate risk

The Group's interest bearing liabilities are with fixed and floating interest rates. The Group usually borrows at fixed and floating rates and the exposures involved are monitored regularly.

(iii) Credit risk

The Group has no significant concentrations of credit risk. The Group operates in the CATV business where normally the subscribers pay regularly in their majority.

(iv) Liquidity risk

No major liquidity risk exists as the Group is operating in the cash generating CATV business and is additionally financed by its shareholders for its investment activity in cable network and acquisition of CATV operators.

5 Foreign currencies

Foreign currency transactions in Group companies are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Such balances are translated at year-end exchange rates unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used.

6 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade creditors, leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated undertaking at the date of acquisition. Goodwill on acquisitions is reported in the balance sheet as an intangible asset and is amortised using the straight-line method over its estimated useful life.

Goodwill is amortised over a period of 5 years.

The carrying amount of goodwill is reviewed annually and written down for permanent impairment where it is considered necessary.

8 Other intangible assets

Expenditure on acquired patents, trademarks and licences is capitalised and amortised using the straight-line method over their useful lives, generally over 7 years. Intangible assets are not revalued. The carrying amount of each intangible asset is reviewed annually and adjusted for permanent impairment where it is considered necessary.

Notes to the consolidated financial statements (Continued)

1 Accounting policies (Continued)

9 Other investments

Fixed asset investments excluding marketable securities are shown at cost and provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

Increases in the carrying amount of marketable securities classified as long-term assets are credited to revaluation and other reserves in shareholders' equity. Decreases that offset previous increases of the same marketable security are charged against revaluation and other reserves; all other decreases are charged to the income statement. Increases/decreases in the carrying amount of marketable securities classified as current assets are credited/charged to the income statement.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement. On disposal of a marketable security classified as long-term asset, amounts in revaluation and other reserves relating to that marketable security are transferred to retained earnings.

10 Property, plant and equipment

All property, plant and equipment is initially recorded at cost. Property, plant and equipment of subsidiaries are stated at fair values determined as at the dates of acquisition. All property, plant and equipment is stated at historical cost less depreciation.

Depreciation is calculated on the straight line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful life as follows:

Buildings	25 years
Plant and machinery	5-25 years

Land is not depreciated as it is deemed to have an indefinite life.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

11 Accounting for leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts is depreciated over the useful life of the asset.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the less or are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Notes to the consolidated financial statements (Continued)

1 Accounting policies (Continued)

12 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the first-in, first-out (FIFO) method. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

13 Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

14 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts.

15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

16 Pension obligations

The Government of Bulgaria is responsible for providing pensions in Bulgaria under a defined contribution pension plan. The company's contributions to the defined contribution pension plan are charged to the income statement in the year to which they relate.

17 Deferred income taxes

Deferred income tax is using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

The principal temporary differences arise from depreciation on property, plant and equipment and revaluation of certain non-current assets. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

18 Revenue recognition

Sales are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of sales taxes and discounts, and after eliminating sales within the Group, unless there is a significant uncertainty as to their collectibility.

Other revenues earned by the Group are recognised on the following bases:

Royalty income - on an accrual basis in accordance with the substance of the relevant agreement. Interest income - as it accrues (taking into account the effective yield on the asset) unless collectibility is in doubt.

Notes to the consolidated financial statements (Continued)

1 Accounting policies (Continued)

19 Discontinuing operations

These financial statements are prepared on the presumption that part of the activities of the Group, relating to the operation of the TV channel DEN, will be discontinued. In May 2003 the Group has disposed of the TV programme DEN, owned by UTV, part of the Cable Bulgaria Group. These financial statements present separately the results of operations of the cable network and the TV programme.

Cable Bulgaria AD
Consolidated Financial Statements
for the year ended 31 December 2002

Notes to the consolidated financial statements (Continued)

2 Operating profit

The following items have been charged in arriving at the operating result:

	Cable 2002	2001	2
Depreciation on property, plant and equipment (Note 6)	1,572	937	
Amortisation of intangible assets (Note 7)	1,445	1,341	
- goodwill (included in `Administrative expenses')	1,388	1,309	
- other intangible assets (included in `Administrative expenses')	57	32	
Impairment charge	--	--	
Program rights expenditure	3,036	2,520	
Film rights expenditure	--	--	
Raw materials and consumables used	707	578	
Staff costs (Note 2)	3,224	3,251	
Consulting services and marketing research	304	492	
Rents	1,166	912	
Satellite transmission	--	--	
Telecommunication costs	223	209	
Licence fees	168	128	
Other external services	912	348	
Other expenses	358	579	
Cost of merchandise sold	80	--	
Total operating expenses	13,195	11,295	1

3 Staff costs

	31 December 2002	31 Decembe
Wages and salaries	2,143	
Social security contributions and social costs for staff	1,669	
	3,812	

4 Finance costs

	31 December 2002	31 December 2001

Interest income	7	6
Dividend income	12	14
Net foreign exchange transaction (loss)/gain	698	(379)
Interest expense	(36)	(56)
Other financial expense	(33)	(66)
Net financial income	648	(481)

The above figure for net foreign exchange gain includes gain of BGN 1,114,000, which is mostly due to the revaluation of the balances denominated in USD due to shareholders at the end of period.

Cable Bulgaria AD
Consolidated Financial Statements
for the year ended 31 December 2002

Notes to the consolidated financial statements (Continued)

(all amounts in BGN thousands)

5 Tax

	31 December 2002	31 December 2001
Current tax	151	250
Deferred tax (Note 14)	99	228
	250	478

6 Property, Plant and Equipment

	Land & buildings	Plant & machinery	Vehicles & equipment	Assets under construction
Year ended 31 December 2001				
Opening net book amount	539	6,497	511	2,583
Additions	187	1,934	195	743
Disposals	--	(67)	(95)	--
Transfer	--	771	--	(771)
Depreciation charge (Note 1)	(18)	(1,667)	(129)	--
Closing net book amount	708	7,468	482	2,555
At 31 December 2001				
Cost or fair value	750	10,795	755	2,555
Accumulated depreciation	(42)	(3,327)	(273)	--

Net book amount	708	7,468	482	2,555

Additions to plant and machinery are stated at cost or fair value following the application of acquisition accounting.

7 Intangible assets

	Goodwill	Other intangible Assets
Year ended 31 December 2002		
Opening net book amount	5,047	225
Additions (Note 18)	(48)	18
Disposals	--	(1)
Amortisation charge (Note 1)	(1,388)	(69)
Closing net book amount	3,611	173
At 31 December 2002		
Cost	6,893	359
Accumulated amortisation	(3,282)	(186)
Net book amount	3,611	173

Cable Bulgaria AD
Consolidated Financial Statements
for the year ended 31 December 2002

Notes to the consolidated financial statements (Continued)

(all amounts in BGN thousands)

8 Investments

The amount represents a minority participation of 16.5% held by UTV (100% subsidiary of Cable Bulgaria) in Telekabel - Pazardjik.

9 Inventories

	31 December 2002	31 December 2001
Materials (at cost)	339	376
	339	376

Materials balance comprises mainly of optic fibres and components for the cable network.

10 Receivables

	31 December 2002	31 December 2001
Trade receivables and accrued income at year-end	473	361
Recoverable tax	85	64
Advance payments	67	44
Receivables from related parties	--	178
Other receivables	91	80
	716	727

11 Cash and cash equivalents

	31 December 2002	31 December 2001
Cash in hand	287	749
Cash in bank	506	100
	793	849

For the purposes of the cash flow statement, the period-end cash and cash equivalents comprise the following:

	31 December 2002	31 December 2001
Cash in hand and bank	793	849
Restricted cash	--	(100)
	793	749

Notes to the consolidated financial statements (Continued)

(all amounts in BGN thousands)

12 Trade and other payables

	31 December 2002	31 December 2001
Trade payables	1,412	1,150
Payables to employees	541	309
Social security and other taxes	653	369
Advances received	--	23
Payables to related parties (Note 19)	--	204
Accrual for program rights payable	396	187
Accrual for broadcast licenses payable	159	99
Accrual for construction works payable	192	--

Other payables and accruals	469	108
	3,822	2,449

13 Borrowings

	31 December 2002	31 December 2001
Current		
Bank borrowings	28	448
Other	14	--
	42	448
Non-current		
Loans from related parties (Note 19)	3,808	4,483
Loans from banks	35	--
Payable under finance leases	55	69
	3,898	4,552
Total borrowings	3,940	5,000

The current bank borrowings include:

- A loan received from Roseximbank AD by Cable Bulgaria - branch in Bourgas amounting to BGN 100,000. The balance outstanding at 31 December 2002 is BGN 30,000. The collateral imposed includes properties owned by Cable Bulgaria valued at BGN 206,000.
- A loan received from Eurobank AD by Cable Bulgaria - branch in Haskovo amounting to EUR 25,000 (BGN 48,896). The balance outstanding at 31 December 2002 is EUR 14,534. The collateral imposed includes fixed assets owned by Cable Bulgaria valued at BGN 108,000.
- A loan received from Roseximbank AD by Cable Bulgaria Haskovo branch with a balance outstanding at 31 December 2002 of BGN 5,000. The collateral imposed includes a building owned by Cable Bulgaria valued at BGN 108,000.

(all amounts in BGN thousands)

13 Borrowings (Continued)

Maturity of non current borrowings:

	31 December 2002	31 December 2001
Between 1 and 2 years	3,898	4,552
	3,898	4,552

14 Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 23.5% (2001: 23.5%).

Cable Bulgaria AD has incurred tax losses amounting to BGN 1,494,000 as at 31 December 2002 (31 December 2001: BGN 903,000). As the recoverability of these losses in the future is not certain, no deferred tax asset has been recognised in the consolidated balance sheet.

	31 December 2002	31 December 2001
Deferred tax liabilities	352	253
	352	253

Deferred tax liabilities and deferred tax charge in the income statement are attributable to the following items:

	31 December 2001	Charge	31 December
Deferred income tax assets			
Intangible assets recognised as expense	217	(14)	
Holiday pay accrual recognised as expense	--	29	
Deferred income tax liabilities			
Accrued income at year end	(14)	14	
Fixed assets	(456)	(128)	
Net deferred tax liability	(253)	(99)	

15 Ordinary shares and share premium

The total authorised number of ordinary shares is 122,542 shares (31 December 2001: 122,542) with a par value of BGN 100 per share. All issued shares are fully paid. There were no changes in the share capital of the company during the year ended 31 December 2002.

Notes to the consolidated financial statements (Continued)

(all amounts in BGN thousands)

16 Minority interests

	31 December 2002	31 December 2001
At beginning of period	991	387
Acquisitions (net)	(65)	271
Minority interest in Income Statement	161	333
At 31 December 2002	1,087	991

17 Cash generated from operations

Reconciliation of loss before tax and minority interest to cash generated from operations:

	Year ended 31 December 2002
Loss before tax and minority interest	(718)
Adjustments for:	
Depreciation (Note 1)	1,883
Amortisation (Note 1)	1,388
Impairment charge	--
Interest expense (net) (Note 4)	31
	2,584
Changes in working capital (excluding the effects of acquisition and disposal):	
- trade and other receivables	11
- inventories	37
- payables	(675)
- prepayments	189
Cash generated from operations	2,146

Consolidated Financial Statements
for the year ended 31 December 2002

Notes to the consolidated financial statements (Continued)

(all amounts in BGN thousands)

18 Acquisition and disposals

During the twelve months ended 31 December 2002 the group made the following partial acquisition in already existing subsidiary:

KIS Russe - additional 2.69% purchased

Details of net assets acquired and goodwill from the acquisition during the period are as follows:

Purchase consideration:	
Cash paid	17
Fair value of net assets acquired	(65)
Goodwill (Note 7)	(48)

From 1 July 2001 Globo EOOD was excluded from the consolidation as the entity is in a process of liquidation and there are restrictions regarding the outflow of future benefits to Cable Bulgaria Group.

In February 2002 the assets of the branches of UTV relating to the CATV business were legally separated and new entity was formed with the name Cable Bulgaria West EOOD. In August 2002 Cable Bulgaria West EOOD was legally merged into Cable Bulgaria AD and the former branches of UTV became branches of Cable Bulgaria.

19 Related party transactions

The company did not undertake any related party transactions during the year ended 31 December 2002 in relation to purchases and sales activities.

Loans from related parties	31 December 2002	31 December 2001
Narisma Holdings - loan	3,808	4,483
	3,808	4,483

The loan payable to Narisma Holding has no maturity and is repayable upon request from the lender. The management of Cable Bulgaria AD believes that the loan should be classified as long-term borrowing as the purpose was investment in long-term assets and Narisma has committed itself not to withdraw the loan in the short-term period and disturb the operations of Cable Bulgaria and its subsidiaries.

Loans to related parties

Loans to minority shareholders	90	178

	90	178
Payables to related parties		
Payables to related parties	--	204
	--	204

Cable Bulgaria AD
Consolidated Financial Statements
for the year ended 31 December 2002

Notes to the consolidated financial statements (Continued)

20 Principal subsidiary undertakings

Name	Country of incorporation	Effective percentage held at 31 December 2002	Effecti 31
Union Television AD	Bulgaria	100.00	
TV Mix, Burgas AD	Bulgaria	100.00	
Pleven - Sprint OOD	Bulgaria	51.00	
Union Kabel, Dobrich OOD	Bulgaria	52.50	
Dovacom, Dobrich EOOD	Bulgaria	52.50	
Union Television - Velingrad OOD	Bulgaria	70.00	
Broadnet AD	Bulgaria	100.00	
KIS AD	Bulgaria	59.94	
Globo Lom AD	Bulgaria	51.00	
Globo Shumen EAD	Bulgaria	-	
Globo Stara Zagora AD	Bulgaria	95.80	
Globo EOOD (excluded from consolidation)	Bulgaria	100.00	

All holdings are in the ordinary share capital of the undertaking concerned.

In August 2002 Globo Shumen EAD was legally merged together with Cable Bulgaria West EOOD in Cable Bulgaria AD.

21 Subsequent events and discontinuing operations

In March 2003 Globo Stara Zagora AD was liquidated with a decision of the court.

Up to August 2003 Cable Bulgaria acquired an additional 0.48% shareholding in KIS AD, Rousse. The consideration paid for this share was in the amount of BGN 6,000.

Discontinuing operations

The Board of Directors took a decision to dispose Union Television AD (part of the Group) operator of the DEN TV channel in 2003. The management decided to dispose of UTV AD because its operations are in area apart of the core business (CATV) that forms the long-term direction of the Group. Further the results for the last couple of years related to the UTV AD were negative and were not in line with the trends in the core CATV business results.

Management have reviewed the need for provision relating to the possible losses, which the Group may incur in this disposal and have concluded that no provision is required in these consolidated financial statements.

The total assets of UTV AD as at 31 December 2002 are BGN 732,000 and total liabilities are BGN 1,215,000 giving a negative net assets of BGN 483,000.

In March 2003 a frame agreement was concluded which was signed as official contract in May 2003 between Cable Bulgaria AD and two of its shareholders, namely Narisma Holdings and Clearway Investments concerning the sale of UTV AD to Clearway Investments. According to the agreement Cable Bulgaria AD transfers 100% of its shares in UTV AD as part of the consideration on a share purchase deal between Narisma Holdings and Clearway Investments. According to the provisions of the agreement 1.5% of the share capital of Cable Bulgaria AD owned by Clearway Investments is transferred to Narisma Holdings, thus increasing its shareholding to 70%.

Notes to the consolidated financial statements (Continued)

22 Contingent liabilities

As part of the above deal an amount of USD 90,000 was committed for payment to Clearway Investments by Cable Bulgaria by 29 February 2004. No transfer of ownership of the shares of Narisma Holdings in Cable Bulgaria AD can take place before that payment is made in case such deal occurs before the aforementioned final date for the payment.

GREENBRIAR CORPORATION
PRO FORMA FINANCIALS FOR THE
NINE MONTHS ENDED 30 SEPTEMBER 2004
AND TWELVE MONTHS ENDED 31 DECEMBER 2003

On October 12, 2004 Greenbriar Corporation, through the acquisition of two US Corporations, acquired 100% of the outstanding common stock of Tacaruna Holdings B.V. a Netherlands Company whose only principal assets are 30% of the outstanding stock CableTEL A.D., a Bulgarian Company and 64% of the outstanding stock of Narisma Holdings Limited, a Cyprus Company. The principal asset of Narisma is the ownership of 70% of CableTEL A.D. Through the ownership of Tacaruna, Greenbriar acquired 74.8% of the outstanding stock of CableTEL A.D.

Greenbriar is the acquiring company in this acquisition however due to the relative values of the companies for accounting purposes this transaction is being treated as a reverse merger. As a reverse merger, for accounting purposes Greenbriar is being accounted for as if it had been the acquired company

The pro forma combined Balance Sheet gives effect to the acquisition as if it had occurred on September 30, 2004. The pro forma combined condensed Statement of Operations for the Year ended December 31, 2003 and the nine months ended September 30, 2004 gives effect to the transaction as if it had occurred on January 1, 2003.

The pro forma condensed combined information is presented for illustrative purposes only. Such information does not purport to be indicative of the results of operations and financial position that actually would have resulted had the acquisition actually occurred on the dates indicated, nor is it indicative of the results that may be expected in future periods. The pro forma adjustments are based upon information and assumptions available at the time of filing this Form 8-K.

Greenbriar Corporation
Consolidated Balance Sheets
September 30, 2004
(Amounts in thousands)

	Euros	US$	BGN	BGN
	Tacaruna	Narisma		

	Holdings B.V.	Holdings Limited	CableTel AD	Historical Consolidated
Assets				
Current assets				
Cash and cash equivalents	5	0	844	849
Accounts receivable-trade	0	0	4,293	4,293
Inventory	0	0	3,237	3,237
Notes receivable	0	3,344	0	3,344
Property held for sale	0	0	0	0
Other current assets	298	96	102	496
Total current assets	303	3,440	8,476	12,219
Notes receivable, from sale of properties	0	0	0	0
Less deferred gains	0	0	0	0
	0	0	0	0
Deferred income tax benefit	0	0	0	0
Investment in subsidiaries	7,593	7,330	0	14,923
Property and equipment, at cost				
Land and improvements	0	0	848	848
Buildings and improvements	0	0	0	0
Equipment and furnishings	0	0	11,501	11,501
Assets under construction	0	0	14,770	14,770
Proven oil and gas properties (full cost method)	0	0	0	0
	0	0	27,119	27,119
Less accumulated depreciation and depletion	0	0	7,184	7,184
	0	0	19,935	19,935
Deposits	0	0	0	0
Other assets	0	0	2,312	2,312
Total Assets	7,896	10,770	30,723	49,389

Greenbriar Corporation
Consolidated Balance Sheets - Continued
(Amounts in thousands, except share amounts)

	Historical Historical Tacaruna Consolidated	US$ Historical	US$	US$ Pro For

	Converted to US$	Greenbriar Corporation	Pro Forma Adjustments		Combin Greenbr
Assets					
Current assets					
Cash and cash equivalents	538	324	0		
Accounts receivable-trade	2,705	336	0		3
Inventory	2,039	0	0		2
Notes receivable	3,344	1,156	(3,344)	A	1
Property held for sale	0	1,876	0		1
Other current assets	527	241	0		
Total current assets	9,153	3,933	(3,344)		9
Notes receivable, from sale of properties	0	4,107	(387)	B	3
Less deferred gains	0	(3,720)	0		(3
	0	387	(387)		
Deferred income tax benefit	0	1,161	(1,161)	B	
Investment in subsidiaries	16,669	0	(7,330)	A	
Property and equipment, at cost					
Land and improvements	534	2,240	0		2
Buildings and improvements	0	6,549	1,702	B	8
Equipment and furnishings	7,246	1,228	(400)	B	8
Assets under construction	9,305	0	0		9
Proven oil and gas properties (full cost method)	0	1,466	(150)	B	1
	17,085	11,483	1,152		29
Less accumulated depreciation and depletion	4,526	1,288	(1,288)	B	4
	12,559	10,195	2,440		25
Deposits	0	307	(210)	B	
Other assets	1,457	691	(167)	B	1
Total Assets	39,838	16,674	(19,498)		37

Greenbriar Corporation
Consolidated Balance Sheets - Continued
(Amounts in thousands, except share amounts)

	Euros	US$	BGN	BGN
	Tacaruna Holdings	Narisma Holdings	CableTel	Historic

	B.V.	Limited	AD	Consolidat
Liabilities and Stockholders' equity				
Current liabilities				
Current maturities of long-term debt	0	0	0	
Current notes payable	0	9,359	10,577	19,9
	0	0	0	
Accounts payable - trade	0	0	12,693	12,6
Accrued expenses	13	17	0	
Other current liabilities	291	49	0	3
Total current liabilities	304	9,425	23,270	32,9
Long-term debt	7,607	0	1,885	9,4
Deferred Gain	0	0	236	2
Other long term liabilities	0	0	43	
Total liabilities	7,911	9,425	25,434	42,7
Minority interest	0	0	231	2
Stockholders' equity				
Preferred stock	0	0	0	
Common stock $.01 par value; authorized, 4,000,000 shares; 977,000 shares issued and outstanding	0	2	0	
Additional paid-in capital	20	0	12,383	12,4
	0	0	0	
	0	0	0	
Retained Earnings	(35)	1,343	(7,325)	(6,0
	(15)	1,345	5,058	6,3
Total Liabilities & Equity	7,896	10,770	30,723	49,3

Greenbriar Corporation
Consolidated Balance Sheets - Continued
(Amounts in thousands, except share amounts)

	Historical Historical Tacaruna Consolidated Converted to US$	US$ Historical Greenbriar Corporation	US$ Pro Forma Adjustments	US$ Pro Fo Combi Greenb

Liabilities and Stockholders' equity					
Current liabilities					
Current maturities of long-term debt	0	4,756	0		
Current notes payable	16,023	0	(7,330)	A	
	0	0	(3,344)	A	
Accounts payable - trade	7,997	214	0		
Accrued expenses	33	821	0		
Other current liabilities	407	309	0		
Total current liabilities	24,459	6,100	(10,674)		1
Long-term debt	10,544	7,589	0		1
Deferred Gain	149	0	0		
Other long term liabilities	27	188	(188)	B	
Total liabilities	35,179	13,877	(10,862)		3
Minority interest	146	0	0		
Stockholders' equity					
Preferred stock	0	1	0		
Common stock $.01 par value; authorized, 4,000,000 shares; 977,000 shares issued and outstanding	2	10	88		
Additional paid-in capital	7,826	55,966	(9,339)	C	
	0	0	703	B	
	0	0	(53,268)	D	
Retained Earnings	(53,180)	53,180	(3,315)	D	
	4,513	2,797	(8,636)		(
Total Liabilities & Equity	39,838	16,674	(19,498)		3

Footnotes

A- To eliminate intercompany debt

B- To adjust Greenbriar to reflect assets and liabilities at fair market value

C- To eliminated intercompany investment in subsidiaries

D - To eliminated Greenbriar's historical retained earnings

E- Foreign monetary conversions were based on the values existing on September 30, 2004. On that date one Euro converted into $ 1.23 and one Bulgarian Leva (BGN) converted into $ .63

F - The deferred tax asset of Greenbriar Corporation was supported by Net Operating Loss Carry forwards held by Greenbriar. This acquisition will be viewed by the Internal Revenue service as a change in control which severely limits the Company's ability to utilize these loss carry forwards.

Greenbriar Corporation
Pro Forma Historical Combined Statement of Operations
Nine Months Ended September 30, 2004
Amounts in Thousands

	Euros	US$	BGN	BGN
	Tacaruna Holdings B.V.	Narisma Holdings Limited	CableTel AD	Historical Consolidated
Revenue				
Real estate operations	0	0	0	0
Oil & gas operations	0	0	0	0
Cable operations	0	0	11,153	11,153
	0	0	11,153	11,153
Operating expenses				
Real estate operations	0	0	0	0
Oil & gas operations	0	0	0	0
Cable operations	0	0	8,080	8,080
Lease expense	0	0	1,085	1,085
Depletion, depreciation and amortization	0	0	2,147	2,147
Corporate general and administrative	8	329	3,954	4,291
	8	329	15,266	15,603
Operating earning (loss)	(8)	(329)	(4,113)	(4,450)
Other income (expense)				
Interest income	0	272	4	276
Interest expense	0	0	(600)	(600)
Gain on foreign exchange transactions, net	0	0	(37)	(37)
Net gain on sale of assets	0	0	2,491	2,491
Other	0	430	372	802
	0	702	2,230	2,932
Earnings from continuing operations before income taxes and minority interest	(8)	373	(1,883)	(1,518)
Income tax (income) expense	0	17	(58)	(41)

Minority interest	0	0	109	109
Net earnings (loss) from continuing operations	(8)	356	(1,934)	(1,586)
Earnings (loss) per share from continuing operations				
Weighted average number of common shares outstanding				

Greenbriar Corporation
Pro Forma Historical Combined Statement of Operations Continued
Nine Months Ended September 30, 2004
Amounts in Thousands

	Historical Tacaruna Consolidated Converted to US$	US$ Historical Greenbriar Corporation	US$ Pro Forma Adjustments		US$ Pro Forma Combined Greenbriar
Revenue					
Real estate operations	0	$ 4,477	0		$ 4,477
Oil & gas operations	0	996	0		996
Cable operations	5,878	0	0		5,878
	5,878	5,473	0		11,351
Operating expenses					
Real estate operations	0	2,602	0		2,602
Oil & gas operations	0	758	0		758
Cable operations	4,258	0	0		4,258
Lease expense	572	686	0		1,258
Depletion, depreciation and amortization	1,131	365	(385)		1,111
Corporate general and administrative	2,413	774	0		3,187
	8,374	5,185	(385)	B	13,174
Operating earning (loss)	(2,497)	288	385		(1,824)
Other income (expense)					
Interest income	274	179	(272)	A	181
Interest expense	(316)	(994)	72	A	(994)
			244	C	12
Gain on foreign exchange transactions, net	(19)	0	0		(19)
Net gain on sale of assets	1,313	1,409	2,722		
Other	626	(618)	0		8

	1,877	(24)	44		1,909
Earnings from continuing operations before income taxes and minority interest	(619)	264	429		86
Income tax (income) expense	(14)	0	0		(14)
Minority interest	63	0	141	D	204
Net earnings (loss) from continuing operations	(669)	264	288		(105)
Earnings (loss) per share from continuing operations				$	(0.01)
Weighted average number of common shares outstanding					9,997

Footnotes

A - To eliminate intercompany interest

B - To adjust amortization of intangible assets to reflect a write off period of 14 years

C- To capitalize construction interest incurred in 2004.

C - To record the minority interest in Narisma which is 36% owned by an independent third party.

D- The acquisition was completed by the issuance of 31,500 shares of Greenbriar Series J Preferred Stock. It is anticipated that the Series J Preferred Stock will be converted into 9,000,000 common shares of Greenbriar Corporation. This proforma assumes theconversion has occurred as of January 1, 2003

E- Foreign monetary conversions were based on the average conversion price for the nine months ended September 30, 2004. On that date one Euro converted into $ 1.23 and one Bulgarian Leva (BGN) converted into $ .63

Greenbriar Corporation Consolidated
Pro Forma Historical Combined Statement of Operations
Year Ended December 31, 2003
Amounts in Thousands

	Euros	US$	BGN	BGN
	Tacaruna Holdings B.V.	Narisma Holdings Limited	CableTel AD	Historical Consolidated
Revenue				
Real estate operations	0	0	0	0
Oil & gas operations	0	0	0	0
Cable operations	0	0	14,369	14,369

	0	0	14,369	14,369
Operating expenses				
Real estate operations	0	0	0	0
Oil & gas operations	0	0	0	0
Cable operations	0	0	9,475	9,475
Lease expense			965	965
Depletion, depreciation and amortization	0	0	3,858	3,858
Corporate general and administrative	11	8	2,187	2,206
	11	8	16,485	16,504
Operating earning (loss)	(11)	(8)	(2,116)	(2,135)
Other income (expense)				
Interest income	0	364	10	374
Interest expense	0	0	(207)	(207)
Gain on foreign exchange transactions, net	0	0	712	712
Net gain on sale of assets	0	0	634	634
Other	0	0	530	530
	0	364	1,679	2,043
Earnings from continuing operations before income taxes and minority interest	(11)	356	(437)	(92)
Income tax (income) expense	0	17	(114)	(97)
Minority interest	0	0	(57)	(57)
Net earnings from continuing operations	(11)	339	(266)	62
Earnings per share from continuing operations				
Weighted average number of common shares outstanding				

Greenbriar Corporation Consolidated
Pro Forma Historical Combined Statement of Operations - Continued
Year Ended December 31, 2003
Amounts in Thousands

	US$	US$	US$
Historical Tacaruna			

	Consolidated Converted to US$	Historical Greenbriar Corporation	Pro Forma Adjustments		Pro Forma Combined Greenbriar
Revenue					
Real estate operations	0	$ 4,585	0		$ 4,585
Oil & gas operations	0	449	0		449
Cable operations	8,320	0	0		8,320
	8,320	5,034	0		13,354
Operating expenses					
Real estate operations	0	2,522	0		2,522
Oil & gas operations	0	400	0		400
Cable operations	5,486	0	0		5,486
Lease expense	559	1,412			1,971
Depletion, depreciation and amortization	2,234	331	(513)	B	2,052
Corporate general and administrative	1,277	1,146	0		2,423
	9,556	5,811	(513)		14,854
Operating earning (loss)	(1,236)	(777)	513		(1,500)
Other income (expense)					
Interest income	370	304	(364)	A	310
Interest expense	(120)	(705)	85	A	(740)
Gain on foreign exchange transactions, net	412	0	0		412
Net gain on sale of assets	367	1,058	0		1,425
Other	307	342	0		649
	1,336	999	(279)		2,056
Earnings from continuing operations before income taxes and minority interest	100	222	234		556
Income tax (income) expense	(49)	0	0		(49)
Minority interest	(33)	0	97	C	64
Net earnings from continuing operations	182	222	137		$ 541
Earnings per share from continuing operations					$ 0.05
Weighted average number of common shares outstanding				D	10,977

Footnotes

A - To eliminate intercompany interest

B - To adjust amortization of intangible assets to reflect a write off period of 14 years

C - To record the minority interest in Narisma which is 36% owned by an independent third party.

D- The acquisition was completed by the issuance of 31,500 shares of Greenbriar Series J Preferred Stock. It is anticipated that the Series J Preferred Stock will be converted into 9,000,000 common shares of Greenbriar Corporation. This proforma assumes theconversion has occurred as of January 1, 2003

E- Foreign monetary conversions were based on the average conversion price for the nine months ended September 30, 2004. On that date one Euro converted into $ 1.29 and one Bulgarian Leva (BGN) converted into $ .579