

**PHILIPPOS NAKAS S.A. MUSIC HOUSE  
BALANCE SHEET AT 30TH JUNE 2005  
24TH FISCAL YEAR (1ST JULY 2004 - 30TH JUNE 2005)**

**ASSETS**

	Closing period 30.6.2005			Previous period 30.6.2004		
	Acquisition cost	Depreciation	Net book value	Acquisition cost	Depreciation	Net book value
<b>B. FORMATION EXPENSES</b>						
1. Establishment expenses	3.604,47	2.161,71	1.442,76	3.604,47	1.440,81	2.163,66
4. Other formation expenses	1.007.464,64	974.811,84	32.652,80	1.007.464,64	774.284,62	233.180,02
	1.011.069,11	976.973,55	34.095,56	1.011.069,11	775.725,43	235.343,68
<b>C. FIXED ASSETS</b>						
<b>I. Intangible Assets</b>						
5. Other intangible assets	1.494.408,15	1.252.513,90	241.894,25	1.489.364,48	1.004.926,82	484.437,66
<b>II. Tangible Assets</b>						
1. Land	1.810.250,73	216.380,72	1.593.869,01	1.705.697,47	0,00	1.705.697,47
3. Buildings & technical works	7.401.462,12	2.953.603,29	4.447.858,83	4.447.858,83	2.392.574,77	4.572.635,16
4. Machine - technical installations and other mechanical equipment	193.757,45	109.153,74	84.603,71	183.294,63	109.244,50	74.050,13
5. Transportation	466.612,43	216.380,72	250.231,71	481.436,22	212.324,66	269.111,56
6. Furniture & fixtures	4.081.269,24	3.464.971,58	616.297,66	4.003.342,96	3.241.596,04	761.746,92
	13.983.351,97	6.744.109,33	7.239.242,64	13.338.981,23	5.955.739,97	7.383.241,26
<b>Total Intangible &amp; Tangible Assets (C+II)</b>	<b>15.447.760,12</b>	<b>7.996.623,23</b>	<b>7.451.136,89</b>	<b>14.828.345,71</b>	<b>6.960.666,79</b>	<b>7.867.678,92</b>
<b>III. Financial Assets</b>						
1. Participations in affiliated undertakings			360.941,53			353.019,42
2. Participations in other undertakings			586,94			586,94
7. Other long-term receivables			187.881,42			183.356,97
			549.409,89			536.963,33
<b>Total Fixed Assets (C+II+CIII)</b>			<b>8.000.546,78</b>			<b>8.404.642,25</b>
<b>D. CURRENT ASSETS</b>						
<b>I. Inventories</b>						
1. Merchandise			9.892.089,19			11.109.740,00
5. Payments on account			90.038,48			118.559,02
			9.982.127,67			11.228.299,02
<b>II. Receivables</b>						
1. Trade debtors		2.419.761,97			2.580.641,10	
2. Notes receivable:						
- in portfolio		0,00	2.419.761,97		216.372,30	2.364.268,80
3. Notes overdue		0,00			28.856,91	4.028,40
<b>Less: Provisions</b>					28.856,91	0,00
3a. Cheques receivable			3.590.893,28			3.759.562,06
3b. Cheques overdue		164.925,65			126.653,23	
<b>Less: Provisions</b>			74.925,65		126.653,23	0,00
11. Sundry debtors			553.213,81			739.007,30
11a. Credit cards			2.569.450,81			2.281.947,37
12. Advances to account for			4.193,21			10.294,95
			9.218.063,73			9.159.018,88
<b>III. Marketable securities</b>						
1. Stocks			68.235,84			53.922,00
<b>IV. Cash &amp; cash equivalents</b>						
1. Cash on hand			123.234,31			192.596,23
3. Current and time deposits			369.929,58			618.227,05
			493.163,89			810.823,28
<b>Total Current Assets (D+II+DIII+DIV)</b>			<b>19.761.591,13</b>			<b>21.252.063,18</b>
<b>E. PREPAYMENTS &amp; ACCRUED INCOME</b>						
1. Prepaid expenses			31.717,28			38.082,62
<b>GRAND TOTAL ASSETS (B+C+D+E)</b>			<b>27.827.950,75</b>			<b>29.930.131,73</b>
<b>DEBIT MEMO ACCOUNTS</b>						
1. Third party asset items			381,27			364,78
2. Guarantees and real securities			42.556,27			471.318,37
			42.937,54			471.683,15

**COMPANY NOTES TO BALANCE SHEET AT 30.6.2005**

- There are no real liens on the property assets.
- The company has undergone an audit from the tax authorities up to the year ended 30.6.2002 and therefore its tax liabilities have not been made final as yet.
- The last value adjustment of property assets was computed at 31.12.2004 based on the provisions of L. 2065/92.
- The income of the company is classified under STAKOD 91: (a) CODE 514.9 (Wholesale trade of house appliances and music instruments) € 16.166.773,39 (b) CODE 524.5 (Retail trade of house appliances and music instruments) € 12.411.321,55 (c) CODE 804.4 (Musical and artistic education) € 2.204.101,13 and (d) CODE 323.0 (Repair services to TV and radio receivers, recorders or sound and picture reproduction and similar parts and fixtures) € 97.318,75.
- The investments in fixed assets in the period amounted to € 626.736,57.
- The personnel employed by the company amounts to 401 persons at an average.
- In "Other receivables" is included amount € 72.185,31 that concerns participation in the capital increase of NAKAS MUSIC CYPRUS, which till today has not been concluded.
- There are no contested or under arbitration disputes nor any decisions of national or arbitral courts that may have a material effect on the financial position or operation of the company.
- In the Assets items of the previous year Balance Sheet has been made the following restatement: Acquisition cost of software programs, of € 169.302,73 and their proportional amortisation, of € 179.556,14 were transferred from account "B.4 Other formation expenses" to account "C.I.5 Other intangible assets", according to opinion 310/2004 of the N.C.O.A.
- In the closing year was transferred to Income Statement amount of unused provisions of prior years, € 195.799,97, according to article 9 of L. 3296/2004, which was taxed at 25%, where arose a tax liability of € 48.950,00 and the difference of € 146.849,97 was distributed to the shareholders.
- In the preceding year was sold the property asset of the company sited in Athens at 147, Skatrou Street, yielding gain of approximately € 522.000,00, which is included in the account "Extraordinary gain" of the Income Statement for the preceding year.

**LIABILITIES**

	Closing period 30.6.2005		Previous period 30.6.2004	
<b>A. SHAREHOLDERS' EQUITY</b>				
<b>I. Share capital (6.340.000 shares of 0.60 EUR/CO)</b>				
1. Paid-up capital	3.804.000,00		3.804.000,00	
<b>II. Share premium account</b>	13.443.634,20		13.443.634,20	
<b>III. Revaluation differences and investment subsidies</b>				
2. Differences from revaluation of other assets	140.658,14		0,00	
<b>IV. Reserves</b>				
1. Statutory reserve	897.918,56		817.918,56	
Less: Loss (write off) from sales or devaluation of securities	44.476,10	853.442,46	49.012,65	768.905,91
5. Tax-exempt reserves pursuant to special statutory regulations		236.666,33		236.666,33
		1.090.106,79		1.056.572,24
<b>V. Retained earnings</b>				
Earnings brought forward	45.807,82		66.184,28	
Total equity capital	18.524.208,95		18.319.390,72	
<b>B. PROVISIONS FOR RISKS &amp; EXPENSES</b>				
2. Other provisions	9.915,18		7.636,16	
<b>C. LIABILITIES</b>				
<b>II. Short-term liabilities</b>				
1. Suppliers	2.087.519,03		2.972.728,00	
2. Cheques payable	6.831,70		263.906,22	
2a. Cheques payable (time drafts)	472.474,60		475.905,57	
3. Banks - short-term liabilities	2.800.600,00		2.851.218,83	
4. Advance payments by clients	544.840,32		484.362,50	
5. Tax & duties liabilities	636.380,36		1.600.706,27	
6. Pension & social security	174.887,57		144.286,81	
10. Dividends payable	1.435.415,20		1.863.468,75	
11. Various creditors	876.131,96		890.800,77	
Total Liabilities (CII)	9.237.080,74		11.547.263,72	
<b>D. TRANSITORY ACCOUNTS</b>				
1. Earnings of forthcoming years	1.987,00		1.511,00	
2. Incurred expenses	53.573,42		54.310,13	
3. Other transitory accounts	1.185,46		0,00	
	56.745,88		56.821,13	
<b>GRAND TOTAL LIABILITIES (A+B+C+D)</b>	<b>27.827.950,75</b>		<b>29.930.131,73</b>	
<b>MEMO ACCOUNTS</b>				
1. Beneficiaries of third party assets		381,27		364,78
2. Credit accounts of guarantees and collaterals		42.556,27		471.318,37
		42.937,54		471.683,15

**INCOME STATEMENT**

AS AT 30TH JUNE 2005 (1ST JULY 2004 - 30TH JUNE 2005)

	Closing period 30.6.2005		Previous period 30.6.2004	
<b>I. Operating earnings</b>				
Turnover (sales)		30.879.514,82		29.823.512,00
Less: Cost of sales		19.702.949,85		18.899.996,36
Gross operating results (profit)		11.176.564,97		10.923.516,64
Plus:				
1. Other operating income		390.969,14		302.793,02
Total		11.567.534,11		11.226.309,66
Less:				
1. Administrative expenses		1.150.804,05		1.138.248,97
3. Selling expenses		7.880.266,32		7.617.569,43
Subtotal (profit)		2.536.463,74		2.470.491,26
PLUS (or less):				
4. Credit interest and related income		27.252,13		11.079,06
Less:				
3. Debt interest and related expenses		210.196,24		186.771,58
Total operating earnings		2.353.519,63		2.294.796,74
<b>II. PLUS (or LESS): Extraordinary earnings</b>				
1. Extraordinary & non-operating income		34.280,56		73.365,01
2. Extraordinary profit		23.823,73		828.019,97
3. Income from previous years		22.579,07		5.504,24
4. Income from previous years provisions		195.799,97		0,00
Less				
1. Extraordinary & non-operating expenses		186.591,37		47.248,91
2. Extraordinary loss		17.695,01		0,00
3. Previous years' expenses		80.129,63		17.152,83
4. Provisions for extraordinary risks		90.000,00		0,00
Operating and extraordinary earnings		374.416,01		64.401,74
Less: Total depreciation fixed assets		1.301.356,58		1.482.695,98
Less: Depreciation included				
- in operating cost		0,00		0,00
<b>NET EARNINGS (PROFIT) BEFORE TAX</b>		<b>2.255.586,95</b>		<b>3.137.286,22</b>

**APPROPRIATION TABLE**

	Closing period 30.6.2005		Previous period 30.6.2004	
Net earnings (profit)	2.255.586,95		3.137.286,22	
(+) Previous years retained earnings (profit)	66.184,28		241.822,92	
(+) Reserves for Appropriation	4.512,74		79.192,20	
(-) Loss from merger of daughter company	0,00		104.534,13	
Total	2.326.283,97		3.353.767,21	
Less:				
1. Income tax	753.526,88	1.133.858,64		
1a. Tax 25% article 9 L.3296/2004	48.950,00	0,00		
2. Other taxes not included in operating cost	3.399,27	805.876,15	10.124,29	1.143.982,93
Profits to share	1.520.407,82		2.209.784,28	
Appropriation of earnings:				
1. Statutory reserve	80.000,00		115.000,00	
2. Dividends	1.204.600,00		1.838.600,00	
7. Remuneration to the members of the B.O.D.	190.000,00		190.000,00	
8. Profit carried forward	45.807,82		66.184,28	
	1.520.407,82		2.209.784,28	

Peania, 31st October 2005

The President of the B.O.D.

The Vice-President of the B.O.D.

The Financial Director

KONSTANTINOS PH. NAKAS

GEORGE PH. NAKAS

STYLIANOS D. VASILAKIS

**AUDITORS' REPORT  
To the Shareholders of "PH. NAKAS MUSIC HOUSE S.A."**

We have audited the above Financial Statements as well as the related Notes to the Financial Statements and the Cash Flow Statement of "PH. NAKAS MUSIC HOUSE S.A." for the year ended 30 June 2005. We conducted our audit, within the scope of which we obtained also a full accounting report of the Company's Branch operations, in accordance with the provisions of art. 37 of the Companies Act of Greece (codified Law 2190/1920) and the auditing procedures we considered appropriate based on the auditing standards followed by the Institute of Certified Public Accountants of Greece, which comply with the basic principles of the International Standards on Auditing. We have examined the accounting books and records kept by the Company and we obtained all the information and explanations we needed for the purpose of our audit. The Company has applied properly the Greek General Chart of Accounts. No change in the inventory valuation method was made compared with the previous year. We have verified that the Board of Directors' Report to the Annual General Meeting of Shareholders is consistent with the related Financial Statements. The Notes to the Financial Statements include the information required by par. 1, art. 43a c.L. 2190/1920 (Companies Act of Greece), while the Cash Flow Statement has been compiled based on the Financial Statements and the books and records maintained by the Company. As a result of our audit arose the following matters: 1) At 31 December 2004, was adjusted, based on the provisions of L. 2065/1992, the acquisition cost of land as well as of the buildings and their accumulated depreciation, owing to which the acquisition cost of land increased by € 104.553,27 of the buildings by € 151.166,64 and their accumulated depreciation by € 115.061,76 while the arisen revaluation surplus of € 140.658,15 was recorded in the Liabilities account "Reserves from revaluation of other assets". 2) The company, based on opinion No. 205/1988 of the Administration Legal Advisors Plenary Session and article 10 of L. 2065/1992 did not set up a provision for staff retirement benefits. Had the company provided such a reserve for all of its personnel, irrespective of when it is eligible to retire, as in our view it should have, this would have cumulatively amounted at 30.6.2005 to approx. € 504.000,00 out of which approx. € 70.000,00 would be charged to the present year. 3) In the Assets item C.III.1 "Participating interests in affiliated undertakings" is included also the acquisition cost of: a) company shares of a LTD company with registered office abroad that is not audited by a Certified Auditor Accountant, of € 360.941,53. The intrinsic book value of the above company shares according to the balance sheet at 30.6.2005 amounted to € 128.892,80. Had the company measured the above participation according to the provisions of c.L. 2190/1920 the results for the year would be decreased by approximately € 232.000,00 and the Equity equally in amount decreased by the company shares of a company, which is not audited by Certified Auditors Accountants, of € 586,94. The intrinsic book value of the above company shares, according to the last legally drawn up Balance Sheet at 31.12.2002 was negative. Had the company measured the above participation according to the provisions of c.L. 2190/1920 the results for the year would be reduced by € 586,94 and the Shareholders' Equity equally in amount decreased. In our opinion, the above Financial Statements, which are in agreement with the books and records of the Company, together with the Notes to the Financial Statements and the Cash Flow Statement, after taking into consideration the above notes as well as the company's notes under the Balance Sheet, give a true and fair view of the net assets and financial position of the Company as of 30 June 2005 and of the results of its operations for the year then ended as well as the Cash Flows of the company's operations during the year, in conformity with legal requirements and generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Athens, 28 November 2005  
The Certified Public Accountant Auditor



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