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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

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"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

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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.

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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 |
|---------------------|------------------------|
|---------------------|------------------------|

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- 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

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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 |
| | | ----- | ----- |

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| | | | |
|------------------------------|------|------------|------------|
| 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

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

4. Finance income - net

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

5. Taxation

| | 2004 | 2003 |
|--|------|------|
| | US\$ | US\$ |

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| | | |
|------------------|--------|--------|
| 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 | 2003 |
| | | US\$ | 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 | 2003 |
| | | US\$ | 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

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to the subsidiary company bears interest at the rate of 18% per annum.

| 8. Share capital | 2003 | 2002 |
|---|-------|-------|
| | US\$ | 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 | 2003 |
|-------------------------|-----------|---------|
| | US\$ | 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 | 2003 |
|--|-----------|-----------|
| | US\$ | 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 | 2002 |
|------|------|
| US\$ | US\$ |

ADMINISTRATION EXPENSES

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| | | |
|---------------------------|-------|-------|
| 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

| | Page |
|--|--------|
| Directors and advisers | 1 |
| Directors report | 2 |
| Auditors report | 3 - 4 |
| Income statement and statement of recognised gains and losses | 5 |
| Balance sheet | 6 |
| Cash flow statement | 7 |
| Notes to the financial statements | 8 - 12 |

NARISMA HOLDINGS LIMITED

DIRECTORS AND ADVISERS

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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 recommend 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

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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.

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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.

Andreas Mavromatis
Director

Georgia Georgiou
Director

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

NARISMA HOLDINGS LIMITED

CASH FLOW STATEMENT

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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

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- (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.

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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 | 2002 |
| | | US\$ | US\$ |
| | The following items have been charged in arriving at operating loss: | | |
| | Auditors' remuneration | 2,000 | 1,150 |
| | | | |
| 4. | Finance income - net | 2003 | 2002 |
| | | US\$ | US\$ |
| | Interest income on loans receivable | 363,600 | 363,600 |
| | | ===== | ===== |

NARISMA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

| | | | |
|----|---|---------|---------|
| 5. | Taxation | 2003 | 2002 |
| | | US\$ | 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.

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| | | | |
|----|--|-----------|-----------|
| 6. | Investment in subsidiary company | 2003 | 2002 |
| | | US\$ | 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 | 2002 |
| | | US\$ | 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.

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| | | | |
|----|---|-------|-------|
| 8. | Share capital | | |
| | | 2003 | 2002 |
| | | US\$ | 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 | 2002 |
| | | US\$ | 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 | 2002 |
| | | US\$ | 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.

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- (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.

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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.

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- 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

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| Contents | Page |
|--|------|
| Directors and advisers | 1 |
| Directors report | 2 |
| Auditors report | 3 |
| Profit and loss account and statement of recognised gains and losses | 4 |
| Balance sheet | 5 |
| Cash flow statement | 6 |
| Notes to the financial statements | 7-11 |
| Additional information to the profit and loss account | 12 |

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 Stassinou Avenue
Nicosia
P.O.Box 22545
Nicosia 1522
CYPRUS

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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 extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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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 International 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

| | | 2002 US\$ | 2001 US\$ |
|-------------------------|------|--------------|--------------|
| Administration expenses | Note | (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

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| | 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 |

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| | | |
|------------------------------|------------|-----------|
| 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 | -- | -- |
| | ===== | ===== |

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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.

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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

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| | 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 |

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| | | |
|--|-----------|-----------|
| | ----- | ----- |
| 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 | 2001 |
| | US\$ | 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 | 2001 |
| | US\$ | 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 transactions

The following transactions were carried out with related parties:

| | | |
|---------------------------------|------|------|
| (a) Amounts due to Shareholders | | |
| | 2002 | 2001 |
| | US\$ | US\$ |

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| | | |
|--|-----------|-----------|
| 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 | 2001 |
|---------------------------|-------|-------|
| | US\$ | US\$ |
| ADMINISTRATION EXPENSES | | |
| Accounting and audit fees | 1,150 | 1,150 |
| Administration expenses | 460 | 576 |
| | ----- | ----- |
| | 1,610 | 1,726 |
| | ===== | ===== |

CABLETEL AD

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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) |
| Impairment 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

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| Note | Nine Months Ended 30 September 2004 BGN '000 | Year Ended 31 December 2003 BGN '000 |
|-------------------------------|--|--|
| | ----- | ----- |
| ASSETS | | |
| Fixed (non-current) assets | | |
| Property, 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 |
| | ===== | ===== |

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"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 |
|------------------|-------------------------|-------------------|------------------------|-------|
| ----- | ----- | ----- | ----- | ----- |

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| | | | | | |
|------------------------------|--------|-------|-------|---------|-------|
| Balance at 31 December 2003 | 12,254 | 90 | 46 | (5,457) | 6, |
| | ===== | ===== | ===== | ===== | ===== |
| Dividends 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 December 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 |
|------------------------------------|-----------------------------------|
|------------------------------------|-----------------------------------|

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| | | |
|--|-------|-------|
| 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 At 30 September 2004 | 701 | 6,694 | 697 | 11,843 | 19,935 |
| 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 |

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CABLE BULGARIA AD

REPORT AND AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

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Bulgaria
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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

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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) |
| Impairment charge | | (240) | -- |

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| | | |
|----------------------------------|-------|---------|
| 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 | | | |
| Property, 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 |
| | | ----- | ----- |

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| | | |
|------------------------------|--------|--------|
| 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) |

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| | | |
|--|-------|-------|
| | ----- | ----- |
| 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) |
| Dividends | - | - | - | (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 |
| | ===== | ===== | ===== | ===== | ===== |
| Dividends paid to minority | - | - | - | (80) | (80) |
| Other movements | - | - | 1 | 13 | 14 |
| Revaluation of property | - | 90 | - | - | 90 |
| Net loss | - | - | - | (266) | (266) |

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| | | | | | |
|-----------------------------|--------|----|----|---------|-------|
| 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

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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

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

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%

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of the voting rights, and over which the Group exercises significant influence, but which it does not control. Provisions are recognised 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 investment 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

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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

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

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.

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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

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
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

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

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

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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

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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 | |

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| | |
|---|--------|
| 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 | Year |
|--|------------------|------------|
| | 31 December 2003 | 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
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. Finance costs

| | Year ended | Year ended |
|--|------------------|------------------|
| | 31 December 2003 | 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) |
| | ----- | ----- |

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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 ended 31 December 2002 |
|--|--------------------------------|--------------------------------|
| 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 tax 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

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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 | -- | -- | -- | |
| <hr style="border-top: 1px dashed black;"/> | | | | | |
| Closing carrying value | 699 | 5,643 | 623 | 5,975 | |
| Cost or valuation | 848 | 10,617 | 884 | 5,975 | |
| Accumulated depreciation | (149) | (4,974) | (261) | -- | |
| <hr style="border-top: 1px dashed black;"/> | | | | | |
| Closing carrying value | 699 | 5,643 | 623 | 5,975 | |
| <hr style="border-top: 1px dashed black;"/> | | | | | |

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 valued 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

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

6. Property, Plant and Equipment (Continued)

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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

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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

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

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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 |
| | ===== | ===== |

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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 (Continued)

| | 31 December 2003 | 31 December 2002 |
|---|------------------|------------------|
| Lease liability - minimum lease payments: | | |
| 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:

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| | 31 December 2002 | (Charge)/credit | 31 December 2002 |
|---|------------------|-----------------|------------------|
| 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
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

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 December 2002 |
|---------------------------------------|------------------|------------------|
| Loss before tax and minority interest | (833) | |
| Adjustments for: | | |
| Depreciation | 2,411 | |
| Amortisation | 1,447 | |

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| | | |
|---|---------|--|
| 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 | |
| | 2,405 | |
| Cash generated from operations | 2,405 | |

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

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) | |
| | (1) | |
| Goodwill (Note 7) | (1) | |
| | (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:

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

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=====

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.

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

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

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.

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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

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

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.

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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

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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

Contents

| | Page |
|---|-------|
| Consolidated income statement | 3 |
| Consolidated balance sheet | 4 |
| Consolidated statement of changes in shareholders' equity | 5 |
| Consolidated cash flow statement | 6 |
| Accounting policies | 7-11 |
| Notes to the consolidated financial statements | 12-20 |

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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 | |
| 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) |

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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 |
| | | ----- | ----- |

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| | | |
|------------------------------|--------|--------|
| 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 |
| | | ===== | ===== | ===== | ===== |

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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 | | 2001 |
|---|-------|----------------|----------------|-------------|--------------|----------------|
| | | 2002 | 2001 | 2002 | 2001 | |
| Operating activities | | | | | | |
| Cash generated from operations | 17 | 1,920 | 3,330 | 26 | (594) | 1,920 |
| Interest received | | 4 | 6 | -- | -- | 4 |
| Interest paid | | (31) | (24) | (4) | (32) | (31) |
| Sponsorship paid | | (12) | -- | (12) | -- | (12) |
| Tax paid | | (142) | (163) | -- | -- | (142) |
| Net cash from operating activities | | 1,739 | 3,149 | 22 | (626) | 1,739 |
| Investing activities | | | | | | |
| Acquisition of subsidiary, net of cash acquired | | (17) | (1,545) | -- | -- | (1,562) |
| Purchase of property, plant and equipment | | (1,462) | (4,309) | -- | (68) | (1,470) |
| Net cash used in investing activities | | (1,479) | (5,854) | -- | (68) | (1,479) |
| Financing activities | | | | | | |
| Repaid short-term borrowings | | (209) | 203 | (245) | 245 | (209) |
| Received long-term borrowings | | 40 | 2,824 | 200 | 477 | 2,541 |
| Decrease in restricted cash | | 100 | -- | -- | (100) | 100 |
| Dividend paid to minority shareholders | | (124) | -- | -- | -- | (124) |
| Net cash from financing activities | | (193) | 3,027 | (45) | 622 | (209) |
| Increase/(Decrease) in cash and cash equivalents | | 67 | 322 | (23) | (72) | 67 |
| Movement in cash and cash equivalents | | | | | | |
| As at 1 January in the corresponding year | | 703 | 410 | 46 | 89 | 703 |
| Increase/(Decrease) | | 67 | 322 | (23) | (72) | 67 |

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| | | | | | |
|------------------|-------|-------|-------|-------|-------|
| | ----- | ----- | ----- | ----- | ----- |
| 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

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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 from the reporting currency. The exposures involved are closely monitored to ensure effective risk management.

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

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.

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(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.

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

Notes to the consolidated financial statements (Continued)

1 Accounting policies (Continued)

9 Other investments

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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

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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.

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

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

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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.

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

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.

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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 December 2001 |
|--|------------------|------------------|
| 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

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| | | |
|--|-------|-------|
| 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) | -- |
| | | ----- | ----- | ----- | ----- |

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| | | | | |
|-----------------|-------|-------|-------|-------|
| 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

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| | 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 |
| | ===== | ===== |

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)

| 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 | -- |

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| | | |
|-----------------------------|-------|-------|
| 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:

- o 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.
- o 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.
- o 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.

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

Notes to the consolidated financial statements (Continued)

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(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.

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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)

| | | | |
|----|---------------------------------------|------------------|------------------|
| 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 |
| | | ===== |

Cable Bulgaria AD

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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 |
| | ----- | ----- |

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| | | |
|-----------------------------|----|-----|
| | 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

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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%.

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

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.

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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 | | |

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| | 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 |
|--|--------------------|------|-----------------|
|--|--------------------|------|-----------------|

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| | 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 |

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| | 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 |
|--|---|----------------------------------|-----------------------------------|
| ----- | ----- | ----- | ----- |

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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

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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) |

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| | | | | |
|--|-----|-----|---------|---------|
| 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 |

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| | 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 the conversion 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 |

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| | | | | |
|---|-------|-----|---------|---------|
| | 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

| | | | |
|------------------------|------|------|------|
| Historical Tacaruna | US\$ | US\$ | US\$ |
|------------------------|------|------|------|

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| | 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 |
| | 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

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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 the conversion 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