INTERNATIONAL FINANCIAL REPORTING STANDARDS IN GREECE REAL ESTATE SECTOR

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Abstract

The present paper compares the financial statements of all listed companies of the Real Estate Sector of Athens Stock Exchange for the year ended 31/12/2004, which were prepared both with Greek Accounting Standards and International Accounting Standards. More specifically, it analyses the financial figures from Balance-Sheets and Income Statement, which were published in the annual reports of the specific companies for the year 2005.
The different accounting practices, which enforced by International Accounting Standards create remarkable differences, which have been investigated poorly. The paper tries to detect and to distinguish these differences.
The data are presented via vertical analysis (common size statements) and financial statements analysis (ratios).

Key words: Accounting; Greece; International; Standards; Harmonization; Real Estate.

1. Introduction

The Accounting Directives of the European Union which constitute its own Accounting Standards and which they have been adopted by all the countries – members differ from International Accounting Standards (www.pwcglobal.com). The Directives aim mainly in the protection of enterprises as source of the social economy (producing goods and offering jobs), while International Accounting Standards aim mainly in the information of investors and in the functionality of stocks exchange (Grigorakos, 2004).
European Union in order to increase the comparability of the accounting practices not only on communal, but also on international level, it imposes the adoption of International Accounting Standards in its countries – members with the regulation 1606/2002.
As regards Greece, the Corporate Law 2190/1920 "Disclosures about Societe Anonyme", which was modified with Law 3229/2004, forced all the listed companies to publish their financing statements from 1/1/2005 according to the International Accounting Standards.
The obligation of listed companies to publish for the first year of adoption comparative financial figures both with Greek Accounting Standards and International Accounting Standards forced with International Financial Reporting Standards 1. This fact provides a direct comparison of the adoption (Papadeas, 2005).
More specifically, listed companies were forced to publish information about reconciliation in Equity and reconciliation in Net Profit/(Loss) accounts. Fortunately, many of the companies presented also comparative figures for Balance-Sheet and for Income Statement. As a result there are adequate data to detect the implications.
In 2004 and 2005 the sector of Real Estate included nine companies. The effort to analyze all the listed companies of the specific sector conducted with the rationale to avoid as many errors as it was possible from predictions and estimations. Six of them published comparatives figures for Balance-Sheet and Income Statement, while the other three published only comparatives figures for reconciliation in Equity and in Net Profit/(Loss) accounts.
In this paper, the Greek Accounting Standards and the International Accounting Standards will be referred to as GAS and IAS respectively.
The remainder of the paper is organized as follows: the second section analyzes data which are referred to Total Assets, to Liabilities, to Equity and to Net Profit/(Loss) with the use of vertical analysis. The third section presents the financial statement analysis with the use of three ratios (dept ratio, dept-to-equity ratio and return on equity). Both techniques indentify quite successful any irregularities, anomalies and areas of significant change (Elliott, 2006). The forth section referred to the conclusion.

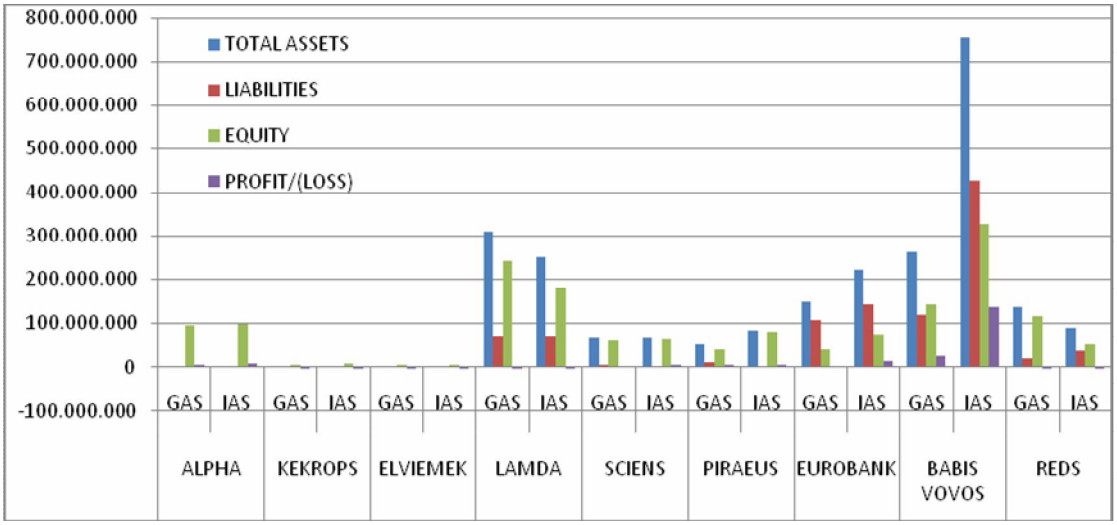
2. Results of the published Financial Statements

Table 1 presents all the financial figures (www.ase.gr), from the nine companies, both with GAS and IAS for the year ended 31/12/2004, which analyzed from the article.
It should be pointed out that three companies ("Alpha", "Kekrops" and "Elviemek") did not publish comparatives figures for Total Assets and Total Liabilities.
A quick observation distinguishes essential differences. For example six companies ("Alpha", "Elviemek", "Lamda", "Sciens", "Eurobank" and "Babis Vovos",) presents substantial increases in Net Profit/(Loss) with IAS as regards GAS, while two companies ("Kekrops" and "Reds") shows significant decrease. Moreover, substantial changes are revealed also in Total Assets such as in three companies ("Piraeus", "Eurobank" and "Babis Vovos"), where figures increased with IAS, while in two other companies ("Lamda" and "Reds") figures decrease with IAS.
These changes are presented diagrammatically in Table 2 (Frangos, 2002).

Table 1

PUBLISHED FINANCIAL FIGURES IN € - 31/12/2004 - REAL ESTATE SECTOR					
LISTED COMPANIES		TOTAL ASSETS	LIABILITIES	EQUITY	NET PROFIT/(LOSS)
ALPHA ASTIKA AKINITA S.A.	GAS			95.460.215	6.671.171
	IAS			99.109.118	7.217.280
KEKROPS S.A.	GAS			4.862.000	53.000
	IAS			8.662.000	1.000
ELVIEMEK S.A.	GAS			6.890.740	357.502
	IAS			6.492.029	422.941
LAMDA DEVELOPMENT S.A.	GAS	311.875.376	69.729.888	242.145.488	-584.813
	IAS	250.855.955	69.729.888	181.126.067	34.361
SCIENS INTERNATIONAL INVESTMENT AND HOLDINGS S.A.	GAS	65.942.000	4.376.000	61.566.000	2.421.000
	IAS	65.658.000	2.517.000	63.140.000	5.227.000
PIRAEUS REAL ESTATE INVESMENT COMPANY	GAS	51.794.000	11.155.000	40.639.000	6.805.000
	IAS	83.620.000	1.282.000	82.338.000	6.688.000
EUROBANK PROPERTIES REIC	GAS	149.259.000	108.278.000	40.981.000	3.765.000
	IAS	221.374.000	144.402.000	76.972.000	14.000.000
BABIS VOVOS INTERNATIONAL TECHNICAL S.A.	GAS	264.554.000	120.704.000	143.850.000	24.739.000
	IAS	757.084.000	428.864.000	328.220.000	137.786.000
REDS S.A.	GAS	136.397.728	18.921.624	117.476.104	277.603
	IAS	90.988.061	38.119.140	52.868.921	-511.210

Table 2

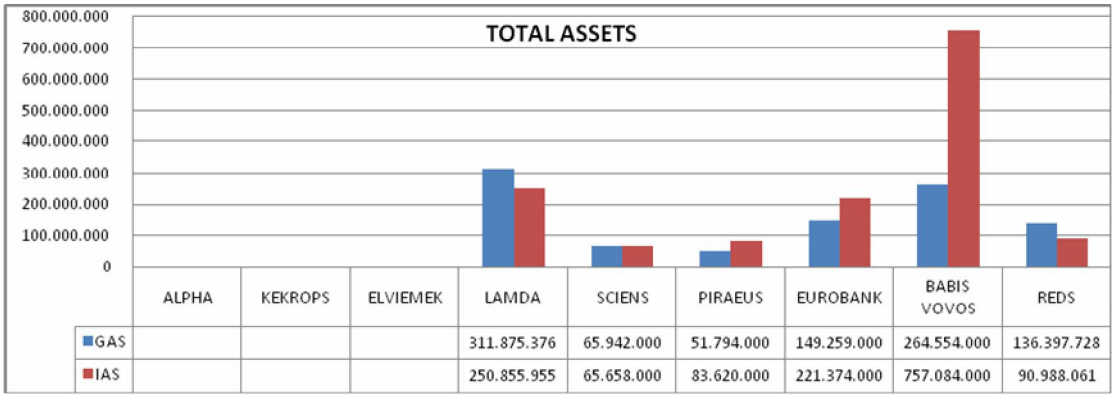


For better and more direct comparison the analysis involves separately reports to the changes according the four important categories of financial figures (Papailias, 2006):

- Total Assets, where derive also the changes in the Total Equity and Liabilities (Table 3 and 4)
- Liabilities (Table 5 and 6)
- Equity (Table 7 and 8)
- Net Profits/(Loss) (Table 9 and 10)

Table 3 reflects the figures of Total Assets with the two accounting frameworks (GAS and IAS), as they were published in 31/12/2004.

Table 3



	ALPHA	KEKROPS	ELVIEMEK	LAMDA	SCIENS	PIRAEUS	EUROBANK	BABIS VOVOS	REDS
GAS				311.875.376	65.942.000	51.794.000	149.259.000	264.554.000	136.397.728
IAS				250.855.955	65.658.000	83.620.000	221.374.000	757.084.000	90.988.061

For better presentation table 4 was created. It shows the analogy of Total of Assets with IAS as regards GAS (figures of Total Assets with IAS divided by figures of Total Assets with GAS). The followings are observed:

- one ("Babis Vovos") of the six companies present almost two times increase on Total Assets with IAS. This is owed mainly to the increase in "investments property"[1] and "tangible assets[2]" accounts, where

[1] Under IAS 40 property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property comprises freehold land, freehold buildings and property held under finance leases. Investment property is measured initially at its cost, including related transaction costs. Valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee at periodic intervals not exceeding six months. According to GAS companies classified investment properties under fixed assets that were recorded at cost, adjusted by depreciation, so with GAS there is no discrimination for investment property

[2] Tangible assets according to GAS are evaluated with their acquisition value, while with IAS 16 they are evaluated either with their fair value (value of sale), which is determined by independent professionally valuers or with the revaluation method. Revaluation according to GAS is becoming in current value and if the difference with the

according to IAS 40 their values are revaluated with base the value which determined by independent professionally qualified valuers (Filios, 2003)

- "Sciens" did not present any changes
- two companies ("Piraeus" and "Eurobank") presented an increase of almost half time with IAS, due to the increase in the value of "investments property" account
- while two enterprises ("Lamda" and "Reds") presented reduction with IAS almost 0,3 times, because of the small increase in the "investments property" and greater reduction in the "tangible assets" and in the "investments in subsidiaries or affiliated entities"[3] account

Table 4

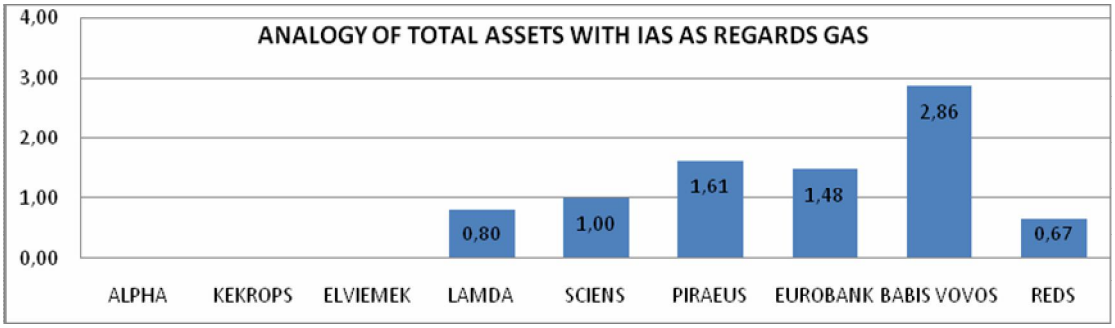


Table 5 presents Liabilities both with the two accounting framework (GAS and IAS), as they were published in 31/12/2004. Table 6 shows the analogy of Liabilities with IAS as regards GAS (figures of Liabilities with IAS divided by figures of Liabilities with GAS). It is worth mentioning that:

- figures of "Babis Vovos" increased more than two and a half times with IAS. This explained mainly from (IAS 17) recognition of 250.000.000€ "debts of finance leases" and from (IAS12) deferred tax liabilities" 58.000.000€, (Arthur Andersen, 2002)
- Liabilities of "Reds" increased one time, something that is explained mainly from 18.326.836€ "Provision-Liabilities"[4] (IAS 37) about for the cover of obligation of repurchase of action of subsidiary company (www.iasb.org/standards/summaries.asp)
- figures of "Sciens" reduced half time of Liabilities with IAS due to appearance of "dividends payable"[5], 1.874.000€ in the retained profits

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accounting value is positive, it is registered in the revaluations, while if it is negative in retained earnings. Revaluation is allowed only every four years with specific percentages (law 2065/1992) and is limited only in land and buildings, while IAS 16 forecasts that revaluation could be conducted by the company in all the tangible assets when the company consider changes in the fair value and with base the value which determined by independent professionally qualified valuers

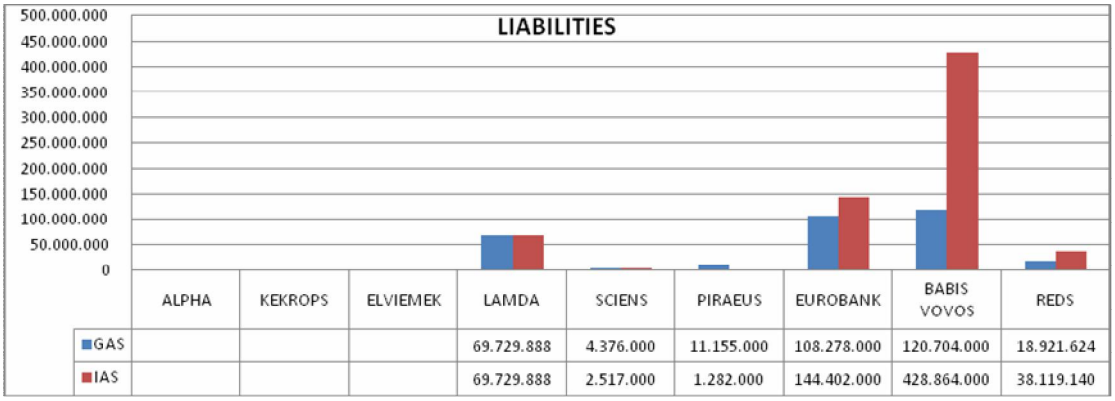
[3] Subsidiaries companies according to IAS 27 and IAS 28 are companies over which the Group, directly or indirectly, controls their financial policies, while associated (affiliated) companies are companies over which the Group exercises significant influence, but not control, that is holding percentage between 20% and 50% of the voting rights. GAS do not allow the total consolidation of subsidiaries with different objective of the parent company

[4] According to IAS 37 provisions for legal claims are recognized when: 1) the Group has a present legal or constructive obligation as a result of past events, 2) it is more likely than not that an outflow of resources will be acquired to settle the obligation 3) and the amount has been reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Where the Group, as a lessee, is contractual required to restore a leased in property to an agreed condition, prior to release by a lessor, provision is made for such costs as they are identified. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. GAS specify that provisions must be recognized for every risk that should be located, except income and if the amount cannot be allocated, then it must be disclosed in the explanatory notes

[5] According to IAS 10 a provision is made for the estimated minimum statutory dividend expected to be payable to the Company's shareholders for each period. Any dividends in excess of the minimum statutory dividend are recognized as a liability by the Company in the period when such dividends are approved for distribution by either the board of directors or the shareholders. With GAS dividends were recognized and registered as obligation without the final approval of board of directors or approvers

- and the reduction almost one time of Liabilities with IAS of "Piraeus" company, because deletion of "forecasts of - obligations" by 3.131.000€, which had become in previous uses for depreciation of real estates and because appearance of "dividends payable" by 6.736.000€, in the retained profit, that is to say in Total Equity and Liabilities

Table 5



	ALPHA	KEKROPS	ELVIEMEK	LAMDA	SCIENS	PIRAEUS	EUROBANK	BABIS VOVOS	REDS
GAS				69.729.888	4.376.000	11.155.000	108.278.000	120.704.000	18.921.624
IAS				69.729.888	2.517.000	1.282.000	144.402.000	428.864.000	38.119.140

Table 6

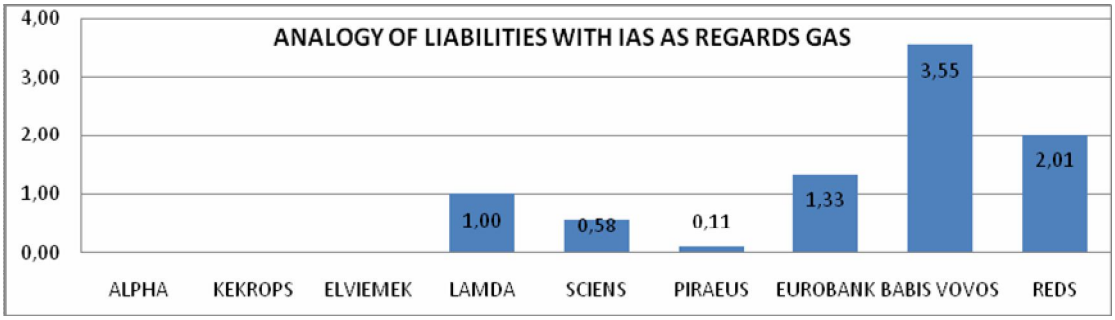
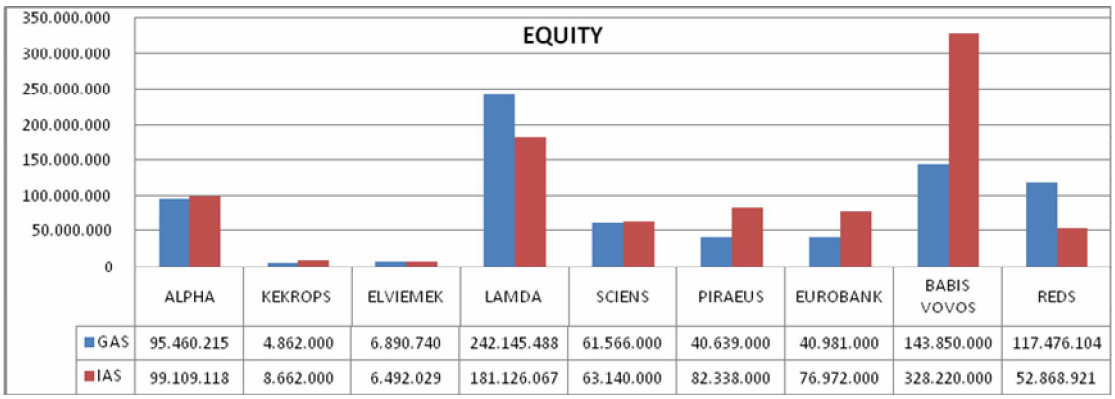


Table 7 describes figures of Equity both with two accountant framework (GAS and IAS), as they were published in 31/12/2004. Changes are presented more clearly in table 8, where is portrayed the analogy of Equity with IAS as regards GAS (figures of Equity with IAS divided by figures of Equity with GAS). The table shows that:

- three ("Alpha", "Elviemek" and "Sciens") out of six companies they do not present significantly changes (least from 0,04 times fluctuation)
- four companies present important increase of Equity with the IAS, from 0,8 until 1,3 times. More important reason was the increase by 5.165.000€ because of revaluation in the "restatement of participations" to their fair values as regards "Kekrops", the increase (by 34.963.000€ and 37.315.000€) in figure "investments property" ("Piraeus" and "Eurobank"), as well as the increase of "tangible assets" for "Mpampis Vovos" (173.109.000€)
- two listed entities ("Lamda" and "Reds") presented diminish (0,25 and 0,55 times respectively), because of reduction in "restatement of participations" to their fair value by 59.881.859€ as regards "Lamda" and reduction of "reserves" from previous restatement in the "recognition of fair value for bonus shares at the cost of acquisition" by 57.422.453€ as regards "Reds"

Table 7



	ALPHA	KEKROPS	ELVIEMEK	LAMDA	SCIENS	PIRAEUS	EUROBANK	BABIS VOVOS	REDS
GAS	95.460.215	4.862.000	6.890.740	242.145.488	61.566.000	40.639.000	40.981.000	143.850.000	117.476.104
IAS	99.109.118	8.662.000	6.492.029	181.126.067	63.140.000	82.338.000	76.972.000	328.220.000	52.868.921

Table 8

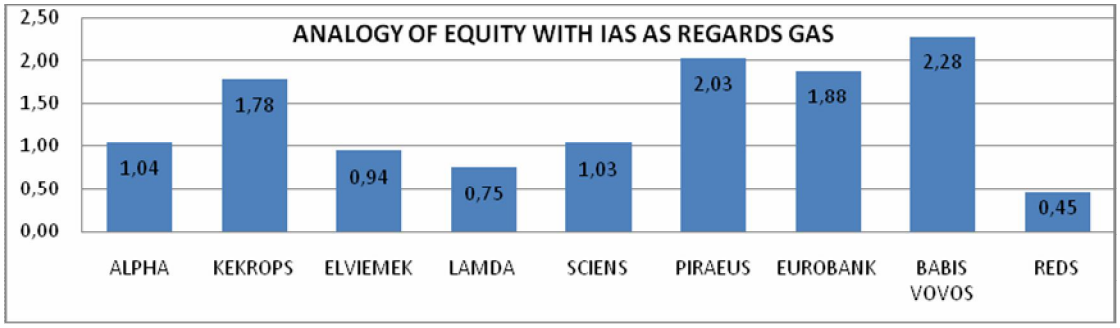
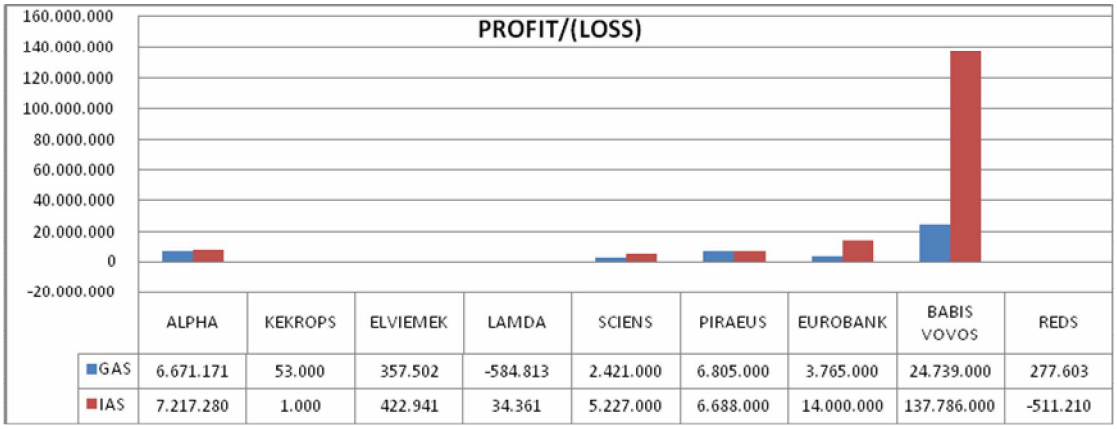


Table 9 portrays the total Net Profit/(Loss) both with IAS and GAS, as they were published in 31/12/2004 for all listed entities of the sector. Because of the reason that the companies have different size (share in the market) implications are not so clear.

Table 9



	ALPHA	KEKROPS	ELVIEMEK	LAMDA	SCIENS	PIRAEUS	EUROBANK	BABIS VOVOS	REDS
GAS	6.671.171	53.000	357.502	-584.813	2.421.000	6.805.000	3.765.000	24.739.000	277.603
IAS	7.217.280	1.000	422.941	34.361	5.227.000	6.688.000	14.000.000	137.786.000	-511.210

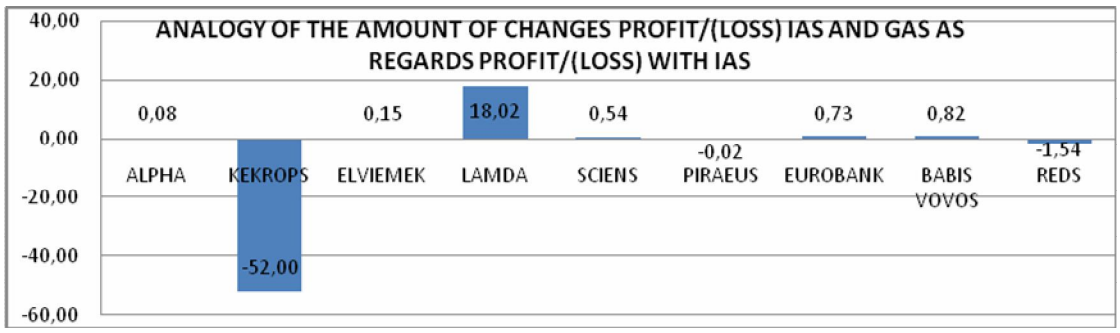
Table 10 presents the analogy of total amount of Net Profits/(Loss) with IAS minus the figure with GAS divided by the total amount of Net Profit/(Loss) with IAS, therefore:

- as regard companies with big "turnover", three of them ("Babis Vovos", "Eurobank" and "Sciens") present important increases. The amount of the increase is more than the half amount of Net Profit/(Loss) with GAS of each company (0,54, 0,73 and 0,82 times respectively). More important causes were the "profits from restatements of tangible assets in the fair value", "deferred tax adjustments" and from "depreciations"[6]. On the other hand, two companies ("Alpha" and "Piraeus") do not present remarkable changes

[6] According to GAS depreciation of tangible assets is conducted by percentages which determined with Law, while with IAS 36 and IAS 40 there are not fixed percentage and depreciation is conducted with base their expected life. Depreciation of intangible assets with GAS is carried out in five years, while with IAS expenses of acquisition and construction are not depreciated

- as regard enterprises with low figures in their accounts, "Kekrops presents a total reduction of Net Profits/(Loss) by 52 times, while "Lamda" presents an increase of 18 times concerning the Profits/(Loss) that presents with IAS due to readjustments of "deferred tax"

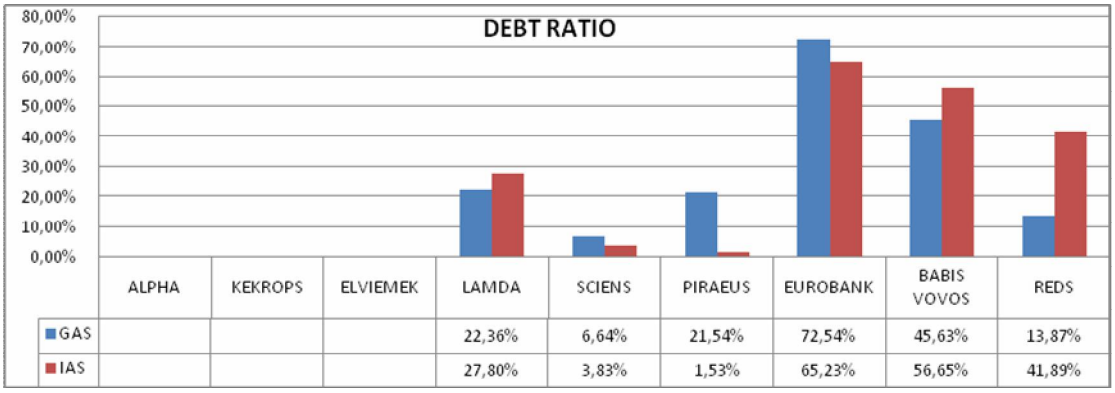
Table 10



3. Results of research for important financial ratios

This section presents the financial ratio analysis. More specifically, is analyzed three significant ratios (Kioxos, 2003).
The table 11 portrays the debt ratio, which shows the percentage of Liabilities divided by the total Liabilities and Equity. It impresses the extent of dependence of the enterprise from foreign capitals. It is evident that a high ratio warns creditors for potential dangers from excessive financing of enterprise with foreign capitals. From the all changes it worth mentioning that from the adoption of IAS the debt ratio of "Piraeus" decreases from 21,54% to 1,53% (reduction of 14 times), while on the contrary the debt ratio for "Reds" increases by 3 times with the IAS (from 13,87% to 41,89%). Moreover, it should also be stated that the debt ratio with GAS of "Piraeus" was higher than Reds, while with the adoption of IAS led to be approximately 27,4 times lower. Furthermore, all the other companies distinguish notably changes. How much the adoption of IAS changes the financial image of the companies;

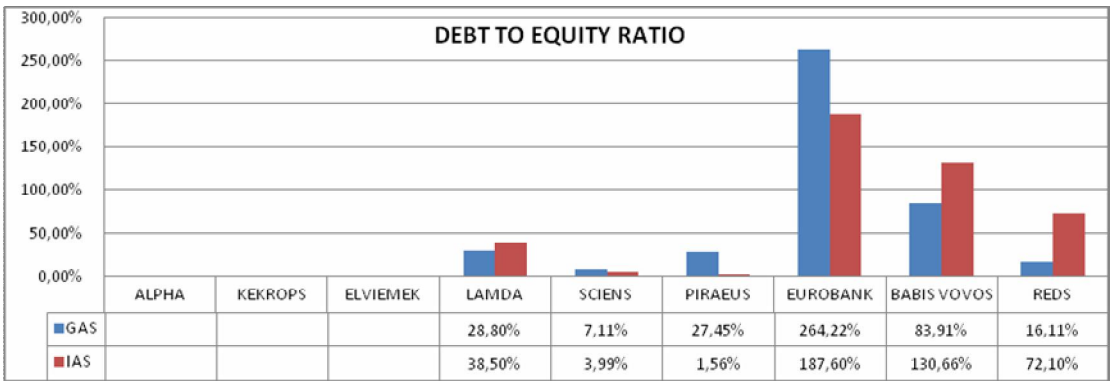
Table 11



	ALPHA	KEKROPS	ELVIEMEK	LAMDA	SCIENS	PIRAEUS	EUROBANK	BABIS VOVOS	REDS
GAS				22,36%	6,64%	21,54%	72,54%	45,63%	13,87%
IAS				27,80%	3,83%	1,53%	65,23%	56,65%	41,89%

Table 12 presents the changes of the debt to equity ratio, where is examined the percentage of Liabilities concerning Equity (Liabilities divided by Equity). The specific ratio shows in which capitals the company is support its existence. It is evident that a lower ratio is more seductive to the investors, because it means that the company supports itself in "its own" money.
Great differences are observed. For example the debt to equity ratio of "Piraeus" was decreased with IAS by 18 times approximately (from 27,45% to 1,56%), while "Reds" ratio was increased 4,5 times approximately (from 16,11% to 72,10%). In addition, it should be also stated that the debt to equity ratio with GAS of "Reds" was two times lower as regards "Piraeus" (16,11% and 27,45% respectively), while with IAS ratio of "Reds" increased 46,3 times as regards "Piraeus" (72,10% and 1,56% respectively). To sum up also "Lamda", "Sciens", Eurobank" and "Babis Vovos" present significant changes.

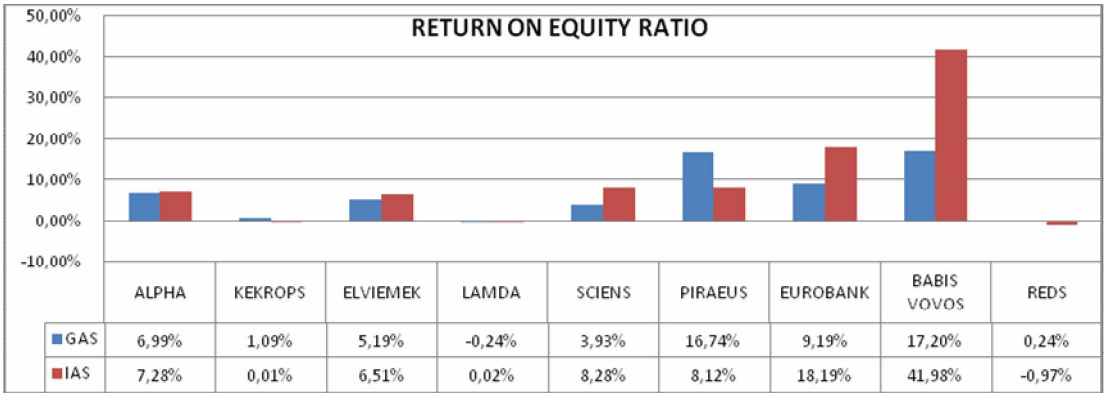
Table 12



	ALPHA	KEKROPS	ELVIEMEK	LAMDA	SCIENS	PIRAEUS	EUROBANK	BABIS VOVOS	REDS
GAS				28,80%	7,11%	27,45%	264,22%	83,91%	16,11%
IAS				38,50%	3,99%	1,56%	187,60%	130,66%	72,10%

Table 13 presents the return on Equity ratio (Net Profit/(Loss) divided by Equity). It analyzes the degree of utilization of Equity and the efficiency of the businessman to achieve higher profit with specific financial elements. As bigger is the ratio so better for the owners and the picture of the company. Return on assets is also a very famous ratio for measuring the profitability, but not all companies published figures for assets.
It is worth mentioning that the "Piraeus" and "Babis Vovos" had approximately the same ratio with GAS (16,74% and 17,20% respectively), while with the adoption of IAS ratio of "Piraeus" reduced by two times, but the ratio of "Babis Vovos" increased by 2,5 times. So their difference exceed the 5 times (8,12% and 41,98% respectively).
In addition is should be mentioned that with the GAS "Piraeus" presented almost twice the percentage of "Eurobank" (16,74% and 9,19% respectively), while with the adoption of IAS they presented the inverse percentages (8,12% and 18,19% respectively). To sum up, it should be also stated that "Elviemek", "Sciens" and "Piraeus" presented approximately the same percentages with IAS, while figures with GAS are quite different and do not present any similar trends.

Table 13



	ALPHA	KEKROPS	ELVIEMEK	LAMDA	SCIENS	PIRAEUS	EUROBANK	BABIS VOVOS	REDS
GAS	6,99%	1,09%	5,19%	-0,24%	3,93%	16,74%	9,19%	17,20%	0,24%
IAS	7,28%	0,01%	6,51%	0,02%	8,28%	8,12%	18,19%	41,98%	-0,97%

4. Conclusion

This paper tried to present the differences in the financial statements of all the listed companies in the Real Estate sector of Athens Stock Exchange from the adoption of International Accounting Standards as regards as Greek Accounting Standards. The paper argued the findings via vertical analysis and financial ratio analysis.
It should be pointed out again that figures of each company are reported for the same period (year ended 31/12/2004), therefore it is evident that any difference appeared could justified only by the adoption of the accounting framework (International Accounting Standards instead of Greek Accounting Standards) and from no one other external reason.
From the above analysis the paper led to the conclusion that the adoption of IAS has different effects even in companies which are listed in the same sector of Athens Stock Exchange. Normally, it might be expected that the specific companies should have shown similar trends in the implications, but the fact that entities even of the same sector had different structure in Balance-Sheet led to these differences. Some significant reasons, which transform the image of the companies related to the different treatment that IAS adopt about

"investment property", "investments in subsidiaries and affiliated entities", "dividends payable" and "depreciations".

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