

OKTA CRUDE OIL REFINERY A.D. - SKOPJE

Financial Statements

for the year ended 31 December 2005

With the Report of the Auditors Thereon

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Report of the auditors

To the Board of Directors and Shareholders of OKTA Crude oil refinery A.D. – Skopje

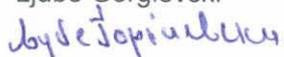
1. We have audited the accompanying balance sheet of OKTA Crude oil refinery A.D. - Skopje as of 31 December 2005, and related income statement, statement of changes in equity and cash flow statement for the year then ended. These financial statements set out on pages 3 to 20 are the responsibility of the Company's management. Our responsibility is to express an opinion, on these financial statements based on our audit.
2. 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the 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 audits provide a reasonable basis for our opinion.
3. Following the provisions of the Share Purchase and Concession Agreement dated 8 May 1999 and concluded between EL.P.ET Balkanike S.A. and the Government of the Republic of Macedonia, the company has posted receivables in the amount of approximately MKD 771,000,000 as escrow agent. EL.P.ET Balkanike S.A. has filed a legal action against the Government of the Republic of Macedonia to recover these expenses but there is still uncertainty about the ultimate outcome of this legal dispute. The previous auditor has qualified the Auditor's opinion in this respect, as at 31 December 2004.
4. In our opinion, except for effect of such adjustments, if any, which might have been necessary to reflect the matters described in the preceding paragraph, the accompanying financial statements present fairly in all material aspects the financial position of the Company as of 31 December 2005 and of the results of its operations and cash flows for the year then ended in accordance with the laws and regulations applicable in the Republic of Macedonia.

5. Without qualifying our opinion we draw your attention to the fact that in 2002 the company has commenced works for construction of an oil product pipeline, which will connect the refinery with Kosovo. However, due to land ownership issues and political uncertainties, the construction of this pipeline was never completed. Out of the total value of pipeline investment - MKD 452,716,460 company's management has decided to write-off MKD 214,122,650. Although the Company intends to restart this project there are still uncertainties about the timing of its completion.

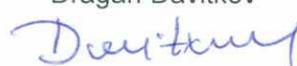
PRICEWATERHOUSECOOPERS 

Skopje
17 April 2006

General Manager

Ljube Gorgievski


Certified auditor

Dragan Davitkov


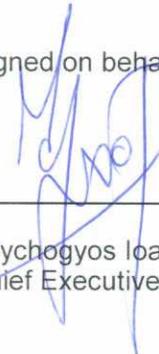
OKTA CRUDE OIL REFINERY A.D. – SKOPJE
Financial statements for the year ended 31 December 2005

(all amounts are in thousands of Denars unless otherwise stated)

Income statement

| | Note | Year ended 31 December | |
|---------------------------------|------|------------------------|-------------------|
| | | 2005 | 2004 unaudited |
| Sales | 3 | 23,704,979 | 14,925,601 |
| Cost of goods sold | 4 | (22,517,526) | (13,819,701) |
| GROSS PROFIT | | 1,187,453 | 1,105,900 |
| Administrative expenses | 5 | (224,342) | (268,480) |
| Selling expenses | 6 | (158,407) | (147,446) |
| Other income | 7 | 176,205 | 78,733 |
| Other expenses | 8 | (164,018) | (461,242) |
| OPERATING PROFIT | | 816,891 | 307,465 |
| Finance (income) costs | 9 | (92,459) | 107,636 |
| PROFIT BEFORE INCOME TAX | | 724,432 | 415,101 |
| Income taxes | 10 | (91,352) | (4,407) |
| PROFIT FOR THE YEAR | | 633,080 | 410,694 |

Signed on behalf of the Board of Directors of OKTA Crude oil refinery A.D. – Skopje:


 Psychogyos Ioannis
 Chief Executive Officer




 Srecko Surkov
 Director of Directorate of Finance
 and Administration

OKTA CRUDE OIL REFINERY A.D. – SKOPJE
Financial statements for the year ended 31 December 2005

(all amounts are in thousands of Denars unless otherwise stated)

Balance sheet

| | | Year ended 31 December | |
|-------------------------------------|-------------|-------------------------------|------------------|
| | Note | 2005 | 2004 |
| | | | unaudited |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 2,314,298 | 2,307,086 |
| Total non-current assets | | 2,314,298 | 2,307,086 |
| Inventory | 12 | 1,792,048 | 1,050,044 |
| Trade receivables | 13 | 2,480,595 | 1,430,624 |
| Other receivables | 14 | 787,374 | 888,865 |
| Available-for-sale financial assets | 15 | 64,011 | 23,216 |
| Cash and cash equivalents | 16 | 1,049,025 | 637,090 |
| Prepaid expenses | 17 | 8,037 | 8,516 |
| Total current assets | | 6,181,090 | 4,038,355 |
| TOTAL ASSETS | | 8,495,388 | 6,345,441 |
| EQUITY AND LIABILITIES | | | |
| Paid in share capital | | 2,472,820 | 2,472,820 |
| Revaluation and other reserves | | 114,826 | 114,419 |
| Retained earnings | | 2,158,981 | 1,548,739 |
| TOTAL EQUITY | | 4,746,627 | 4,135,978 |
| Trade payables | 18 | 3,327,593 | 1,554,848 |
| Accrued liabilities | 19 | 21,486 | 9,989 |
| Other current liabilities | 20 | 399,682 | 644,626 |
| TOTAL LIABILITIES | | 3,748,761 | 2,209,463 |
| TOTAL LIABILITIES AND EQUITY | | 8,495,388 | 6,345,441 |

OKTA CRUDE OIL REFINERY A.D. – SKOPJE
Financial statements for the year ended 31 December 2005

(all amounts are in thousands of Denars unless otherwise stated)

Statement of changes in equity

| | Capital | Revaluation and other reserves | Retained Earnings | Total |
|------------------------------------|------------------|---|------------------------------|------------------|
| Balance at 1 January 2004 | 2,472,820 | 114,419 | 1,138,045 | 3,725,284 |
| Net profit for 2004 | - | - | 410,694 | 410,694 |
| Balance at 31 December 2004 | 2,472,820 | 114,419 | 1,548,739 | 4,135,978 |
| Net profit for 2005 | - | - | 633,080 | 633,080 |
| Paid dividends | - | - | (1,352) | (1,352) |
| Retirement benefits obligations | - | - | (21,486) | (21,486) |
| Other movements | - | 407 | - | 407 |
| Balance at 31 December 2005 | 2,472,820 | 114,826 | 2,158,981 | 4,746,627 |

According to Macedonian regulations, the Company is required to have compulsory general reserve established through apportionment of a portion of its net profits. The annual contribution to the general reserve may not be less than fifteen percent (15%) of the profit, unless or until the company's reserves reach an amount equal to one-fifth of its basic capital.

OKTA CRUDE OIL REFINERY A.D. – SKOPJE
Financial statements for the year ended 31 December 2005

(all amounts are in thousands of Denars unless otherwise stated)

Cash flow statement

| | 2005 | 2004 unaudited |
|---|------------------|---------------------------|
| Operating activities | | |
| Profit for the year | 633,080 | 410,695 |
| <i>Adjustments for:</i> | | |
| Depreciation | 190,393 | 216,184 |
| Impairment losses on trade and other receivables | 68,304 | 5,378 |
| Impairment on fixed assets | - | 213,792 |
| Gain on available for sale financial assets | (40,795) | - |
| Interest income | (75,779) | (64,259) |
| Interest expense and bank charges | 18,218 | 32,787 |
| Foreign exchange gain | (327,916) | (431,440) |
| Foreign exchange loss | 520,333 | 357,032 |
| Dividend income | (1,602) | (1,756) |
| Gain on sale of equipment | (631) | - |
| Other non cash adjustments | - | 3,372 |
| Cash generated from operations before changes in working capital | 983,605 | 741,785 |
| Increase in inventories | (742,004) | (395,986) |
| Increase in receivables | (1,000,627) | (308,359) |
| Decrease in payables | 1,507,299 | (907,771) |
| Cash generated from operations | 748,273 | (870,331) |
| Interest and bank charges paid | (18,218) | (32,787) |
| Income taxes paid | (4,798) | - |
| Cash flows from operating activities | 725,257 | (903,118) |
| Investing activities | | |
| Acquisition of property, plant and equipment | (198,175) | (111,634) |
| Proceeds from sale of property, plant and equipment | 1,241 | - |
| Interest received | 75,779 | 64,259 |
| Dividends received | 1,602 | 1,756 |
| Foreign exchange gain | 327,916 | 431,440 |
| Foreign exchange loss | (520,333) | (357,032) |
| Cash flows from investing activities | (311,970) | 28,789 |
| Financing activities | | |
| Cash from new issued shares | - | 1,046,927 |
| Dividends paid | (1,352) | (1,352) |
| Net cash used in financing activities | (1,352) | 1,045,575 |
| Net increase in cash and cash equivalents | 411,935 | 171,246 |
| Cash and cash equivalents at 1 January | 637,090 | 465,844 |
| Cash and cash equivalents at 31 December | 1,049,025 | 637,090 |

OKTA CRUDE OIL REFINERY A.D. – SKOPJE
Notes to the financial statements for the year ended 31 December 2005

(all amounts are in thousands of Denars unless otherwise stated)

1. General information

OKTA Crude oil refinery A.D. Skopje (hereinafter “the Company”) is a joint stock company established on 26 March 1980. The Company is owned 81.51% by EL.P.ET Balkanike, a company jointly controlled - 63% by Hellenic Petroleum S.A. and 37% by Etep S.A. & Meton S.A. The parent company is incorporated in Greece.

The Company’s main activities involve refining of crude oil and distribution of oil derivatives. The company is of hydroskimming type with a nominal capacity of 2.5 million tons a storage capacity of 250,000 mC. The following products are part of the production range: oil, liquid gas, regular and unleaded petrol, diesel fuels, heating fuel, oils and other derivatives.

In 2005, the Company employs 946 people (2004: 976 employees).

The address of the Company is as follows:

s. Miladinovci,
P.O. Box 66,
1000 Skopje
Republic of Macedonia

2. Accounting policies

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

2.1 Basis of preparation

These financial statements are prepared, in all material respects, in accordance with Trade Law (Official Gazette No. 28/2004) and Rule Book for Accounting (Official Gazette No. 94/2004 and 11/2005 and No. 40/1997 and 73/99). The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets and depreciation.

2.2 Foreign currencies

Transaction denominated in foreign currencies has been translated into Macedonian Denars at the middle exchange rate at the date of transaction. Assets and liabilities denominated in foreign currencies are translated into Macedonian Denars (“Denars”) at the National Bank of the Republic of Macedonia middle exchange rate on the reporting period. All gains and losses resulting from foreign currency translation or exchange are included in the Statement of Income as other financial income or expenses in the period in which they arose.

2.3 Property, plant and equipment

Property, plant and equipment are recorded at cost and they are revaluated at the year-end by applying official revaluation coefficients based on the general manufactured goods price index. Such coefficients have been applied to historical cost or later valuation and to accumulated depreciation. The effect of the revaluation of property, plant and equipment has been credited to the revaluation reserve.

OKTA CRUDE OIL REFINERY A.D. – SKOPJE
Notes to the financial statements for the year ended 31 December 2005

(all amounts are in thousands of Denars unless otherwise stated)

2. Accounting policies (continued)

Additions of the property, plant and equipment are revaluated using by the official indexes of revaluation, which are accumulative, calculated since their acquisition, or construction till the end of the current year. The next year depreciation is based on revalued value of property, plant and equipment stated at year-end.

Additions are recorded at cost. Cost represents the prices by suppliers together with all costs incurred in bringing new property, plant and equipment into use.

Disposal of property, plant and equipment represents expense or technology obsolescence or other type of elimination of property, plant and equipment, including the accumulated provision. Gains and losses on disposal of property, plant and equipment are recognised in the income statement.

Depreciation of property, plant and equipment is provided at rates not lower than those prescribed by law and is designed to write off the cost or valuation of property, plant and equipment on the straight-line basis over their estimated useful lives.

The depreciation of property, plant and equipment shall start after expiration of the months of the start-up in the year in which the utilization of the property, plant and equipment has started.

The principal useful lives in use are:

| | |
|------------------------------|--------------|
| Buildings | 40 years |
| Computers | 4 years |
| Equipment | 20 years |
| Other equipment and vehicles | 5 - 10 years |

The costs of regular maintenance and repairs are charged to operating cost as incurred.

Improvements to existing fixed assets are capitalized as incurred.

2.4 Inventories

Inventories are stated at cost. Cost represent purchase price, customs duties, and other purchase costs. The cost of crude oil inventory is determined by using FIFO method, whereas the cost of spare parts is determined on a weighted average cost basis. The cost of finished goods and work in progress comprises the costs of direct materials and labor and a proportion of manufacturing overheads, however excluding borrowing costs.

2.5 Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the trade receivable is impaired.

(all amounts are in thousands of Denars unless otherwise stated)

2. Accounting policies (continued)

The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

2.6 Available-for-sale financial assets

Available-for-sale financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Gains and losses arising from the changes in the fair value of available-for-sale financial assets are presented in the income statement as income (losses) in the period which they arise. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques such as use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

2.7 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, bank balances in denar and foreign currency, and deposits in banks with original maturity with less than 3 months.

2.8 Share capital

Ordinary shares are classified as equity.

2.9 Income taxes

Taxes currently due are calculated and paid in accordance with the Macedonian Income Tax Law. The estimated tax on monthly profit is paid in advance as determined by the tax authorities. Final taxes on profit of 15% are payable based on the annual profit shown in the statutory Income Statement.

2.10 Employees Benefits

a) Pension

The Company, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax which are calculated according to the statutory rates in force during the year, based on gross salaries and wages. Food allowances travel expenses and holiday allowances are also calculated according to the local legislation. The Company makes these contributions to the Government's health and retirement funds. The cost of these payments is charged to the income statement in the same period as the related salary cost.

The Company does not operate any other pension scheme or post retirement benefits plan and consequently, has no obligation in respect of pensions.

(all amounts are in thousands of Denars unless otherwise stated)

2. Accounting policies (continued)

b) Termination and retirement benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Pursuant to the Labor law prevailing in the Republic of Macedonia, the Company is obliged to pay retirement benefits in an amount equal to three average republic salaries. According to the Collective bargaining agreement, the Company is obliged to pay up to one average republic salary for jubilee anniversary award. The number of average republic salaries for jubilee anniversary awards corresponds to the total number of years of service of the employee as presented in the table below:

| Total number of Service Years | Percentage from one republic salary |
|--------------------------------------|--|
| 10 | 50% from one republic salary |
| 20 | 70% from one republic salary |
| 30 | 100% from one republic salary |

Long-term liabilities arising on severance pay and jubilee employment anniversary awards are stated at the present value of expected future cash payments towards the qualifying employees.

2.11 Revenue

Sales are recognised upon delivery of products and customer acceptance, net of sales taxes and discounts.

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

Interest income - as it accrues unless collectibility is in doubt.

Dividend income – it is recognised when the right to receive payment is established.

2.12 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.13 Financial risk management

The Company's activities expose it to a variety of financial risks. The company's risk management approach is focused on unpredictability of the financial market and seeks to minimise potential adverse effects. Risk management is carried out under policies approved by the Board of Directors.

OKTA CRUDE OIL REFINERY A.D. – SKOPJE
Notes to the financial statements for the year ended 31 December 2005

(all amounts are in thousands of Denars unless otherwise stated)

2. Accounting policies (continued)

a) Credit risk

The Company has no significant concentrations of credit risk. The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any one customer. In addition, to reduce this risk the Company has required as collateral: bank guaranties and deposits.

Recognisable risks are accounted for by adequate provisions on receivables.

2.14 Comparative information

In order to maintain consistency with the current year presentation, where appropriate certain items have been reclassified for comparative purpose. Such reclassifications, however, have not resulted in significant changes of the content and format of the financial information as presented in the financial statements.

3. Analysis of sales

| | 2005 | 2004 unaudited |
|--------------------------|--------------------------|---------------------------|
| Sales on domestic market | 15,487,135 | 11,028,229 |
| Sales on foreign market | 8,217,844 | 3,897,372 |
| | <u>23,704,979</u> | <u>14,925,601</u> |

The sales on domestic and foreign market represent sale of oil derivatives.

OKTA CRUDE OIL REFINERY A.D. – SKOPJE**Notes to the financial statements for the year ended 31 December 2005**

(all amounts are in thousands of Denars unless otherwise stated)

4. Cost of Sales

| | 2005 | 2004 unaudited |
|-------------------------------------|--------------------------|---------------------------|
| Consumed crude oil | 20,624,433 | 12,463,604 |
| Cost of traded goods | 1,483,594 | 952,995 |
| Wages and salaries | 170,291 | 170,619 |
| Depreciation | 153,741 | 162,733 |
| State contributions | 118,491 | 118,524 |
| Electricity | 107,427 | 108,312 |
| Maintenance expenses | 51,099 | 53,469 |
| Insurance expenses | 40,750 | 54,971 |
| Expenses for chemicals | 34,684 | 30,479 |
| Other benefits | 34,611 | 29,363 |
| Personnel transportation expenses | 20,694 | 21,516 |
| Consumed food products | 16,332 | 16,545 |
| Miscellaneous expenses | 8,426 | 7,772 |
| Own consumption | 4,459 | 5,062 |
| Telecommunication expenses | 1,348 | 989 |
| Other variable expenses | 1,383 | 1,584 |
| Office supplies expenses | 1,316 | 1,573 |
| Overitme | 849 | 55 |
| Rental expenses | 574 | 497 |
| Public relation and advert expenses | 243 | 746 |
| Dues and subscriptions | 128 | 195 |
| Business travel | 39 | 233 |
| Provision for retirement | 37 | 73 |
| Other fixed cost | 820 | 453 |
| Inventory movements | (358,243) | (382,661) |
| | <u>22,517,526</u> | <u>13,819,701</u> |

OKTA CRUDE OIL REFINERY A.D. – SKOPJE
Notes to the financial statements for the year ended 31 December 2005

(all amounts are in thousands of Denars unless otherwise stated)

5. Administrative expenses

| | 2005 | 2004 unaudited |
|-------------------------------------|----------------|---------------------------------|
| Miscellaneous expenses | 61,466 | 65,707 |
| Salaries, wages, benefits | 41,220 | 41,315 |
| Contribution (social security etc.) | 29,834 | 29,975 |
| Depreciation | 21,534 | 37,014 |
| Public relation and advert expenses | 20,154 | 23,119 |
| Other benefits | 10,697 | 8,949 |
| Personnel transportation expenses | 5,752 | 5,625 |
| Insurance expenses | 5,206 | 7,706 |
| Rental expenses | 4,819 | 6,693 |
| Consumed food products | 4,241 | 4,388 |
| Telecommunication expenses | 4,135 | 5,116 |
| Redundancy expenses | 3,664 | 15,829 |
| Own consumption | 2,845 | 2,255 |
| Maintenance expenses | 2,168 | 3,837 |
| Management and allocated expenses | 2,015 | 3,839 |
| Office supplies expenses | 1,985 | 2,450 |
| Business travel | 1,237 | 2,457 |
| Other variable expenses | 533 | 640 |
| Dues and subscriptions | 334 | 545 |
| Electricity | 321 | 744 |
| Provision for retirement | 37 | - |
| Other fixed cost | 145 | 277 |
| | 224,342 | 268,480 |

OKTA CRUDE OIL REFINERY A.D. – SKOPJE**Notes to the financial statements for the year ended 31 December 2005**

(all amounts are in thousands of Denars unless otherwise stated)

6. Sales and Distribution Expenses

| | 2005 | 2004 unaudited |
|-------------------------------------|----------------|---------------------------------|
| Miscellaneous expenses | 45,874 | 33,860 |
| Other variable expenses | 41,661 | 38,706 |
| Salaries, wages, benefits | 19,520 | 20,726 |
| Depreciation | 15,118 | 16,438 |
| Contribution (social security etc.) | 13,681 | 14,439 |
| Other benefits | 6,098 | 5,028 |
| Insurance expenses | 2,835 | 3,828 |
| Dues and subscriptions | 1,989 | 1,990 |
| Telecommunication expenses | 1,749 | 1,653 |
| Personnel transportaiton expenses | 1,582 | 2,224 |
| Public relation and advert expenses | 1,538 | 313 |
| Maintenance expenses | 1,485 | 1,446 |
| Consumed food products | 1,436 | 1,680 |
| Office supplies expenses | 1,219 | 1,353 |
| Own consumption | 965 | 1,552 |
| Electricity | 829 | 976 |
| Business travel | 466 | 275 |
| Rental expenses | 207 | 783 |
| Provision for retirement | 37 | - |
| Other fixed cost | 118 | 176 |
| | 158,407 | 147,446 |

7. Other income

| | 2005 | 2004 unaudited |
|---|----------------|---------------------------------|
| Capital gain from sale of catalyst | 165,458 | 67,959 |
| Income from collected bad and doubtful debt | 6,198 | 5,378 |
| Income from sale of fixed assets | 1,211 | - |
| Insurance reimbursements | 1,165 | 110 |
| Other income | 2,173 | 5,286 |
| | 176,205 | 78,733 |

8. Other expenses

| | 2005 | 2004 unaudited |
|--------------------------------------|------------------|---------------------------------|
| Pipeline charges | (62,016) | (219,441) |
| Prior year expenses | (29,231) | (19,288) |
| Provision for bad and doubtful debts | (68,304) | (5,378) |
| Net book value of fixed assets sold | (580) | (213,792) |
| Other expenses | (3,887) | (3,343) |
| | (164,018) | (461,242) |

OKTA CRUDE OIL REFINERY A.D. – SKOPJE
Notes to the financial statements for the year ended 31 December 2005

(all amounts are in thousands of Denars unless otherwise stated)

9. Finance (income) costs

| | 2005 | 2004 unaudited |
|--------------------------------|-----------------|---------------------------------|
| Foreign exchange gain | 327,916 | 431,397 |
| Foreign exchange loss | (520,333) | (357,032) |
| Interest income | 75,779 | 64,302 |
| Interest expenses | (546) | (16,968) |
| Income from dividends received | 42,397 | 1,756 |
| Bank charges | (17,672) | (15,819) |
| | (92,459) | 107,636 |

10. Tax and contribution

| | 2005 | 2004 unaudited |
|--|-----------------|---------------------------------|
| Income before tax | 724,432 | 415,101 |
| Tax calculated at a tax rate of 15% | 108,665 | 62,265 |
| Expenses non tax deductible according to local regulations | 12,682 | 5,618 |
| Income not subject to tax | (269) | (51,195) |
| Tax allowance | (29,726) | (12,281) |
| Tax charge | (91,352) | (4,407) |

The tax authorities are authorised to carry out a full-scope tax audit at the Company for the year ended 31 December 2005 .

The tax authorities may at any time inspect the books and records within 5 to 10 years subsequent to the reported tax year, and may impose additional tax assessments and penalties.

The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

OKTA CRUDE OIL REFINERY A.D. – SKOPJE**Notes to the financial statements for the year ended 31 December 2005**

(all amounts are in thousands of Denars unless otherwise stated)

11. Property Plant and Equipment

| | Land | Buildings | Machinery and equipment | Construction in progress | Total |
|---|----------------|------------------|-------------------------------|-----------------------------|------------------|
| Cost or valuation | | | | | |
| At 1 January 2005 | 126,876 | 3,215,921 | 4,413,723 | 78,340 | 7,834,860 |
| Additions | - | - | - | 198,176 | 198,176 |
| Transfer from construction in progress | - | 10,701 | 175,698 | (186,399) | - |
| Disposal | - | - | (6,566) | - | (6,566) |
| At 31 December 2005 | 126,876 | 3,226,622 | 4,582,855 | 90,117 | 8,026,470 |
| Depreciation | | | | | |
| At 1 January 2005 | - | 2,378,456 | 3,149,318 | - | 5,527,774 |
| Charge for the year | - | 31,608 | 158,785 | - | 190,393 |
| Disposal | - | - | (5,995) | - | (5,995) |
| At 31 December 2005 | - | 2,410,064 | 3,302,108 | - | 5,712,172 |
| Net book value at 31 December 2005 | 126,876 | 816,558 | 1,280,747 | 90,117 | 2,314,298 |
| 31 December 2004 | 126,876 | 837,465 | 1,264,405 | 78,340 | 2,307,086 |

12. Inventory

| | 2005 | 2004 unaudited |
|--|------------------|-------------------|
| Finished goods | 1,039,968 | 674,594 |
| Raw materials - crude oil | 521,375 | 145,320 |
| Work in progress | 141,723 | 148,853 |
| Raw materials - other | 35,730 | 21,901 |
| Trade goods | 34,651 | 41,620 |
| Spare parts in storage | 18,175 | 17,216 |
| Tools and consumables stores - inventory | 426 | 540 |
| | 1,792,048 | 1,050,044 |

13. Trade Receivables

| | 2005 | 2004 unaudited |
|---------------------------------|------------------|-------------------|
| Trade receivables domestic | 2,314,287 | 1,320,353 |
| Trade receivables foreign | 192,014 | 74,794 |
| Allowance for doubtful accounts | (102,495) | (41,312) |
| Other trade receivables | 76,789 | 76,789 |
| | 2,480,595 | 1,430,624 |

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(all amounts are in thousands of Denars unless otherwise stated)

14. Other receivables

| | 2005 | 2004 unaudited |
|--|----------------|---------------------------|
| Receivable from Escrow account | 769,497 | 768,527 |
| Advance payments | 3,997 | 13,532 |
| Input VAT taxes | 773 | - |
| Receivable from workers | 833 | 662 |
| Receivables from state and state organizations | - | 27,201 |
| Other receivables | 12,274 | 78,943 |
| | 787,374 | 888,865 |

15. Available-for-sale financial assets

| | 2005 | 2004 unaudited |
|--------------------------|---------------|---------------------------|
| Investments in companies | 57,712 | 18,365 |
| Investments in banks | 6,299 | 4,851 |
| | 64,011 | 23,216 |

16. Cash and cash equivalents

| | 2005 | 2004 unaudited |
|--------------------------------------|------------------|---------------------------|
| Bank accounts in domestic currency | 111,838 | 49,966 |
| Foreign accounts | 71,103 | 46,363 |
| Cash on hand | 485 | 387 |
| Letter of credit in foreign currency | 734 | 956 |
| Other money assets | 3,815 | 2,885 |
| Checks | 1,896 | 2,163 |
| Bank deposits | 859,154 | 534,370 |
| | 1,049,025 | 637,090 |

Short-term bank deposits relate to time deposits up to one month in domestic and foreign currency. Deposits in domestic and foreign currency are placed in Stopanska banka, Komercijalna banka and Alfa Banka with one month maturity and interest rate 6.5 - 9% for domestic deposits and 2.5 – 3% for foreign deposits.

17. Prepaid expenses

| | 2005 | 2004 unaudited |
|---------------------------------|--------------|---------------------------|
| Prepaid expenses | 8,037 | 8,310 |
| Prepaid excise duties on border | - | 206 |
| | 8,037 | 8,516 |

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(all amounts are in thousands of Denars unless otherwise stated)

18. Trade payables

| | 2005 | 2004 unaudited |
|---------------------------------|-------------------------|---------------------------------|
| Domestic trade payables | 41,224 | 45,223 |
| Foreign trade payables | 3,284,042 | 1,507,349 |
| Payables for non-invoiced goods | 2,327 | 2,276 |
| | <u>3,327,593</u> | <u>1,554,848</u> |

19. Accrued expenses

| | 2005 | 2004 unaudited |
|--------------------------------|----------------------|---------------------------------|
| Retirement obligation benefits | 21,486 | - |
| Other | - | 9,989 |
| | <u>21,486</u> | <u>9,989</u> |

20. Other current liabilities

| | 2005 | 2004 unaudited |
|--|-----------------------|---------------------------------|
| Advances received | 24,289 | 27,234 |
| Excise taxes payable | 276,506 | 517,455 |
| Other acc. payable - Chamber of commerce fee | 151 | 254 |
| Income taxes payable | 83,205 | 31,663 |
| Wages payable | 21,694 | 21,173 |
| Employee illness fund | 661 | 515 |
| VAT taxes payables | (6,824) | 46,332 |
| | <u>399,682</u> | <u>644,626</u> |

21. Related party transactions

The Company is controlled by E.L.P.ET Balkanike, which owns 81.51% of the Company's shares. The remaining 7.50% of the shares are held by the employees and 10.99% of shares are held by the Pension and Disability Fund.

The following transactions were carried out with related parties:

i) Sales of goods and services

| | 2005 | 2004 unaudited |
|-----------------------|----------------------|---------------------------------|
| Sales of goods | | |
| Eko Yu A.D. Beograd | 50,862 | 3,221 |
| | <u>50,862</u> | <u>3,221</u> |

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Notes to the financial statements for the year ended 31 December 2005

(all amounts are in thousands of Denars unless otherwise stated)

21. Related party transactions (continued)

| | 2005 | 2004 unaudited |
|---|-------------------|---------------------------------|
| <i>Sales of services</i> | | |
| EL.P.ET Balkanike S.A. | 2,824 | - |
| Vardax S.A. | 2,151 | - |
| Hellenic Petroleum S.A. | - | 501 |
| ETEP S.A. | - | 4 |
| | 4,975 | 505 |
| ii) Purchases of raw material, goods and services | | |
| | 2005 | 2004 unaudited |
| <i>Purchases of raw material and goods</i> | | |
| Hellenic Petroleum S.A. | 21,030,582 | 12,152,705 |
| Hellenic Petroleum Chemicals S.A. | 4,235 | 4,825 |
| Eko Elda S.A. | 1,396 | 1,831 |
| Asprofos S.A. | - | 17,909 |
| ELPE Services Ltd | - | 846 |
| | 21,036,213 | 12,178,116 |
| | 2005 | 2004 unaudited |
| <i>Purchases of services</i> | | |
| Vardax S.A. | 968,799 | - |
| EL.P.ET Balkanike S.A. | 334,343 | 1,187,522 |
| ELPE Services Ltd | 30,639 | 30,662 |
| | 1,333,781 | 1,218,184 |
| iii) Outstanding balances arising from sale/purchase of goods/services | | |
| | 2005 | 2004 unaudited |
| <i>Receivables arising from sale of goods</i> | | |
| Eko Yu A.D. Beograd | 15 | 3,189 |
| | 15 | 3,189 |
| | 2005 | 2004 unaudited |
| <i>Receivables arising from sale of services</i> | | |
| ETEP SA | - | 1,200 |
| Hellenic Petroleum S.A. | - | 464 |
| | - | 1,664 |
| | 2005 | 2004 unaudited |
| <i>Payments in advance</i> | | |
| Hellenic Petroleum Chemicals S.A. | 87 | - |
| | 87 | - |

(all amounts are in thousands of Denars unless otherwise stated)

22. Contingencies

a) Contingencies with respect to bank guarantees

The Group has contingent liabilities in respect of bank guarantees arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities. The company has bank guarantees in the amount of approximately MKD 260,000,000 (2004: MKD 309,000,000). No additional payments are anticipated at the date of the financial statements.