EKO YU A.D. BELGRADE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

C O N T E N T S **Page(s)**

Report of the auditor	1-2
Income statement	
Balance sheet	
Cash flow statement	
Statement of changes in shareholders' equity	
Statement of changes in shareholders' equity (for statistical purposes)	
Statistical annex	
Notes to the financial statements	1-22

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Report of the auditors

To the Management of EKO YU a.d. Belgrade

1. We have audited the accompanying balance sheet of EKO YU a.d. Belgrade ("the Company") as of 31 December 2005 and the related statements of income, cash flow and changes in shareholders equity for the year then ended (the statistical annex and notes are an integral part of these financial statements). These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based upon our audit.

2. We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements. 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 management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

3. During 2005 the Company reclassified CSD 892,943 thousand of buildings and CSD 141,834 thousand of Property, plant & equipment under construction to land. Furthermore, accumulated depreciation was reduced by CSD 124,324 thousand and credited to other income. We were unable to obtain sufficient audit evidence regarding Property, plant & equipment ownership and valuation that would enable us to assess the appropriateness of these reclassifications and adjustments.

4. In our opinion, except for the effect of the matter disclosed in paragraph 3 above, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2005 and results of its operations and cash flows for the year then ended, in accordance with the accounting regulations of the Republic of Serbia.

5. Without further qualifying our opinion, we draw your attention to:

   (a) Note 2 to the financial statements, which describes the fact that the financial statements do not comply with all of the requirements of International Financial Reporting Standards. Accordingly, the financial statements do not present the financial position and results of operations and cash flows of the Company in accordance with accounting principles generally accepted in jurisdictions outside the Republic of Serbia.

   (b) the fact that the Company originally filed financial statements for the year ended 31 December 2005 with the relevant State Authorities on 28 February 2006. Our auditor's report on the original financial statements of the Company issued on 12 April 2006 was qualified in respect of:

      (i) omitting certain disclosures in the financial statements as required by International Financial Reporting Standards.

      (ii) inability to obtain sufficient audit evidence that would support the adequacy of the performed adjustments to Property, plant & equipment accounts;

      (iii) not calculating and recording bad debt provision for trade receivables as at 31 December 2005.

   The Company has adjusted the matters disclosed in paragraphs 5(b) (i) and (iii) in their amended financial statements.

Marica Aleksic
Certified Auditor

PricewaterhouseCoopers d.o.o, Beograd

Belgrade, 19 April 2006

Identification number: 17413333
Business code: 51510
Tax identification number: 100118236

INCOME STATEMENT

Code of accounts		ITEM	EDP	Note no.	Amount: Current year	Amount: Previous year
1		2	3	4	5	6
	A.	**OPERATING INCOME AND EXPENSES**				
	I.	**OPERATING INCOME** (202+203+204-205+206)	201	5.1.	2,224,461	1,706,799
60 & 61	1.	Sales	202	5.1.	2,224,461	1,706,799
62	2.	Revenue from undertaking of output and merchandise	203		-	-
630	3.	Inventories-Value increase	204		-	-
631	4.	Inventories-Value decrease	205		-	-
64 & 65	5.	Other operating revenues	206		-	-
	II.	**OPERATING COSTS** (208 do 212)	207	6	2,402,746	1,936,135
50	1.	Purchase costs of merchandise sold	208	6	2,031,991	1,589,100
51	2.	Cost of materials	209	6	27,447	16,563
52	3.	Cost of salaries, fringe benefits and other personal expenses	210	6	137,424	89,096
54	4.	Depreciation and provisions	211	6	67,981	105,296
53 & 55	5.	Other operating costs	212	6	137,903	136,080
	III.	**OPERATING INCOME** (201-207)	213		-	-
	IV.	**OPERATING LOSS** (207-201)	214		178,285	229,336
66	**V.**	**FINANCIAL REVENUES**	215	7	9,601	4,357
56	**VI.**	**FINANCIAL EXPENSES**	216	7	160,678	119,520
67 & 68	**VII.**	**OTHER REVENUES**	217	8	127,481	516
57 & 58	**VIII**	**OTHER EXPENSES**	218	9	12,642	15,713
	IX.	**PROFIT FROM OPERATIONS** (213-214+215-216+217-218)	219		-	-
	X.	**LOSS FROM OPERATIONS** (214-213-215+216-217+218)	220		214,523	359,696
69 except 699	**B.**	**EXTRAORDINARY ITEMS**				
	I.	**EXTRAORDINARY REVENUES**	221		-	-
69 except 599	**II.**	**EXTRAORDINARY EXPENSES**	222		-	-
	III.	**PROFIT FROM EXTRAORDINARY ITEMS** (221-222)	223		-	-
	IV.	**LOSS FROM EXTRAORDINARY ITEMS** (222-221)	224		-	-
	C.	**PROFIT BEFORE INCOME TAX** (219+223-220-224)	225		-	-
	D.	**LOSS BEFORE INCOME TAX** (220+224-219-223)	226		214,523	359,696
	E.	**INCOME TAX**	227		-	-
	F.	**NET PROFIT** (225-227)	228		-	-
	G.	**NET LOSS** (227-225) or (226+227)	229		214,523	359,696

In ____________________ Responsible person for the preparation of accounts Director

Date____________________ ______________________________ ______________________

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Business code: 51510
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BALANCE SHEET

Code of accounts	ITEM		EDP	Note no.	Amount	
					Current year	Previous year
1	2		3	4	5	6
	ASSETS					
	A.	**NON CURRENT ASSETS** (002+003+004+007)	001	11	3,005,472	2,244,463
00	I.	UNPAID SUBSCRIBED CAPITAL	002		-	-
01	II.	INTANGIBLE ASSETS	003	10	-	39,015
	III.	PROPERTY, PLANT & EQUIPMENT and BIOLOGICAL ASSETS	004	11	3,005,472	2,205,448
020, 022, 023, 024, 026, 027 (part) & 028 (part)	1.	Property, plant &equipment	005	11	3,005,472	2,205,448
021, 025, 027 (part) & 028 (part)	2.	Biological assets	006		-	-
	IV.	LONG TERM FINANCIAL INVESTMENTS (008+009)	007		-	-
030 to 032	1.	Investments	008		-	-
033 to 039 minus 037	2.	Other long term investments	009		-	-
	B.	**CURRENT ASSETS** (011+012+017)	010		365,116	243,771
10 to 15	I.	INVENTORIES	011	12	169,126	176,195
	II.	SHORT TERM RECEIVABLES, INVESTMENTS & CASH (013+014+015+016)	012		195,990	67,576
20, 21, 22	1.	Receivables	013	13	118,934	21,695
23 minus 237	2.	Short term investments	014		-	-
24	3.	Cash and cash equivalents	015	14	50,529	45,204
27 & 28 excl. 228	4.	Value added tax and prepayments & deferred expenditures	016	15	26,527	677
288	III.	DEFERRED TAX ASSETS	017		-	-
	C.	**BUSINESS ASSETS** (001+010)	018		3,370,588	2,488,234
29	**D.**	**LOSS EXCEEDING CAPITAL**	019		-	-
	E.	**TOTAL ASSETS** (018+019)	020		3,370,588	2,488,234
88	**F.**	**OFF-BALANCE SHEET ASSETS**	021		-	-

Identification number: 17413333
Business code: 51510
Tax identification number: 100118236

BALANCE SHEET (CONTINUED)

Code of accounts		ITEM	EDP	Note no.	Amount	
					Current year	Previous year
1		2	3	4	5	6
	LIABILITIES					
	A.	**CAPITAL** (102+104+105+106-107-108)	101		1,334,162	1,548,684
30	I.	INITIAL CAPITAL AND OTHER CAPITAL	102	16	2,044,025	1,999,172
31	II.	UNPAID SUBSCRIBED CAPITAL	103		-	-
32	III.	RESERVES	104		-	-
33	IV.	REVALUATION RESERVE	105	16	-	44,853
34	V.	RETAINED EARNINGS	106		-	-
35	VI.	LOSS (008+009)	107		709,863	495,341
037 & 237	VII.	REPURCHASED STOCK	108		-	-
	B.	**NON CURRENT PROVISIONS & LIABILITIES** (110+111+114+119)	109		2,036,426	939,550
40	I.	LONG TERM PROVISIONS	110		-	-
41	II.	LONG TERM LIABILITIES (112+113)	111	17	1,336,450	542,105
	1.	Long term borrowings	112	17	1,336,450	542,105
	2.	Other long term liabilities	113		-	-
	III.	SHORT TERM LIABILITIES (115+116+117+118)	114		699,976	397,445
42	1.	Short term investments	115	19	643,500	296,608
43 & 44	2.	Trade payables	116	20	47,660	95,598
47 & 48	3.	Liabilities for VAT and other public revenues	117		-	-
45, 46 & 49 excl. 498	4.	Other short term liabilities and accruals	118	21	8,816	5,239
498	IV.	DEFERRED TAX LIABILITIES	119		-	-
	C.	**TOTAL LIABILITIES** (101+109)	120		3,370,588	2,488,234
89	**D.**	**OFF-BALANCE SHEET LIABILITIES**	121		-	-

In ____________________ Responsible person for the preparation of accounts Director

Date____________________ ______________________________ ____________________________

Identification number: 17413333
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CASH FLOW STATEMENT

ITEM		EDP	Amount	
			Current year	Previous year
1		2	3	4
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
I.	**Cash generated from operations** (1-3)	301	2,197,442	1,776,533
1.	Sales and advances received	302	2,069,901	1,773,221
2.	Other inflow from operating activities	303	60	2,796
3.	Extraordinary items	304	127,481	516
II.	**Cash outflows from operating activities** (1-6)	305	2,467,334	1,970,074
1.	Payments and prepayments to suppliers	306	2,191,347	1,746,962
2.	Salaries, fringe benefits and other personal expenses	307	137,424	89,096
3.	Interest paid	308	41,678	16,110
4.	Income tax paid	309	-	-
5.	Payments for other public revenues	310	20,651	91,284
6.	Extraordinary items	311	76,234	26,622
III.	**Net cash inflow from operating activities** (I-III)	312	-	-
IV.	**Net cash outflow from operating activities** (II –I)	313	269,892	193,541
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
I.	**Proceeds from financing activities** (1- 5)	314	382	270
1.	Stock and share sales (net inflows)	315	-	-
2.	Proceeds from sale of intangible assets, PPE and biological assets	316	-	-
3.	Other financial investments (net inflow)	317	-	-
4.	Interest received	318	382	270
5.	Dividends received	319	-	-
II.	**Cash outflows from investing activities** (1-4)	320	547,217	1,024,100
1.	Purchase of stock and shares (net outflow)	321	-	-
2.	Purchase of intangible assets, property, plant and equipment and biological assets	322	547,217	1,024,100
3.	Other financial investments (net outflow)	323	-	-
4.	Interest paid	324	-	-
III.	**Net proceeds from investing activities** (I-II)	325	-	-
IV.	**Net outflow from investing activities** (II - I)	326	546,835	1,023,830

Identification number: 17413333
Business code: 51510
Tax identification number: 100118236

CASH FLOW STATEMENT (CONTINUED)

ITEM		EDP	Amount	
			Current year	Previous year
1		2	3	4
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
I.	**Proceeds from financing activities** (1-5)	327	812,833	1,178,032
1.	Capital stock increase	328	-	620,756
2.	Proceeds from long term and short term borrowings (Net)	329	812,833	557,276
3.	Other long term and short term liabilities	330	-	-
II.	**Cash outflows from financing activities** (1-4)	331	-	-
1.	Purchase of treasury stock	332	-	-
2.	Long term and short term borrowings (net outflow)	333	-	-
3.	Financial Lease	334	-	-
4.	Dividends paid	335	-	-
III.	**Net proceeds from financing activities** (I-II)	336	812,833	1,178,032
IV.	**Net outflow from financing activities** (II - I)	337	-	-
D.	**TOTAL PROCEEDS** (301+314+327)	338	3,010,657	2,954,835
E.	**TOTAL OUTFLOW** (305+320+331)	339	3,014,551	2,994,174
F.	**PROCEEDS NET** (338-339)	340	-	-
G.	**OUTFLOW NET** (339-338)	341	3,894	39,339
H.	**CASH AT THE BEGINNING OF ACCOUNTING PERIOD**	342	45,204	179,439
I.	**FOREIGN CURRENCY GAINS ON TRANSLATION OF CASH**	343	9,219	4,086
J.	**FOREIGN CURRENCY LOSSES ON TRANSLATION OF CASH**	344	-	98,982
K.	**CASH AT THE END OF ACCOUNTING PERIOD** (340-341+342+343-344)	345	50,529	45,204

In ____________________ Responsible person for the preparation of accounts Director

Date _________________ ________________________________ ________________________________

(All amounts are in CSD thousands)

Identification number: 17413333
Business code: 51510
Tax identification number: 100118236

STATEMENT OF CHANGES IN EQUITY

DESCRIPTION	Share capital	Purchased treasury shares	Other capital	Unpaid subscribed capital	Share premium	Reserves from profit	Revalua-tion reserves	Profit	Loss	Total	Loss exceeding capital
1	2	3	4	5	6	7	8	9	10	11	12
Balance as at 31.12.2003.	1,378,416						44,853		135,644	1,287,625	
Adjustment of fundamental errors and changes in accounting policy											
Restated opening balance											
Increase/decrease of revaluation reserves											
Net profit/Net loss for the period									359,697	359,697	
Sale/(purchase) of treasury shares											
Transfer to another type of capital											
Distribution of dividends											
Capital paid in/ (payment to owners)	620,756									620,756	
Balance as at 31.12.2004.	1,999,172						44,853		495,341	1,548,684	
Adjustment of fundamental errors and changes in accounting policy											

Identification number: 17413333
Business code: 51510
Tax identification number: 100118236

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

DESCRIPTION	Share capital	Purchased treasury shares	Other capital	Unpaid subscribed capital	Share premium	Reserves from profit	Revaluation reserves	Profit	Loss	Total	Loss exceeding capital
1	2	3	4	5	6	7	8	9	10	11	12
Restated opening balance 01.01.2005.	1,999,172						44,853		495,341	1,548,684	
Increase/decrease of revaluation reserves	44,853						44,853				
Net profit/Net loss for the period									214,522	214,522	
Sale/(purchase) of treasury shares											
Transfer to another type of capital											
Distribution of dividends											
Capital paid in/ (payment to owners)											
Balance as at 31.12.2005.	2,044,025								709,863	1,334,162	

In ____________________ Responsible person for the preparation of accounts Director

Date __________________ ______________________________ ______________________________

Identification number: 17413333
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Tax identification number: 100118236

STATEMENT OF CHANGES IN EQUITY
(for statistical purposes)

Group of accounts	DESCRIPTION	EDP	Opening balance	EDP	Increase in the period	EDP	Decrease in the period	EDP	Closing balance
1	2	3	4	5	6	7	8	9	10 (4+6-8)
30 excl.309	1. Share capital	401	1,999,172	402	44,853	403	-	404	2,044,025
309	2. Other capital	405	-	406	-	407	-	408	-
31	3. Unpaid subscribed capital	409	-	410	-	411	-	412	-
037 & 237	4. Purchased treasury shares	413	-	414	-	415	-	416	-
	5. TOTAL FIXED STOCK AND OTHER CAPITAL (1+2+3-4)	417	1,999,172	418	44,853	419	-	420	2,044,025
320	6. Share premium	421	-	422	-	423	-	424	-
321& 322	7. Reserves from profit	425	-	426	-	427	-	428	-
330	8. Revaluation reserves	429	44,853	430	-	431	44,853	432	-
	9. TOTAL RESERVES (6+7+8)	433	44,853	434	-	435	44,853	436	-
34	10. Profit	437	-	438	-	439	-	440	-
35	11. Loss	441	495,341	442	214,522	443	-	444	709,863
	12. TOTAL EQUITY (5+9+10-11)	445	1,548,684	446	-	447	44,853	448	1,334,162
29	13. LOSS EXCEEDING CAPITAL	449	-	450	-	451	-	452	-

In ____________________ Responsible person for the preparation of accounts Director

Date_____________________ _________________________________ ________________________

Identification number: 17413333
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Tax identification number: 100118236

STATISTICAL ANNEX

Code of accounts	ITEM	EDP	Current year	Previous year
1	2	3	4	5
01	Intangible assets (acquisitions during the year)	501	-	17,714
01	Provisions of intangible assets value (during the year)	502	-	11,360
02	Property, plant, equipment and biological assets (acquisitions during the year)	503	761,009	1,006,386
02	Depreciation of property, plant, equipment and biological assets (during the year)	504	67,981	93,936
02	Property, plant &equipment and biological assets (total)	505	3,123,853	2,380,398
02	Accumulated depreciation of property, plant &equipment and biological assets (total)	506	118,381	174,950
20	Trade receivables	507	118,934	21,695
27	VAT	508	26,527	-
282	Advance payment of VAT	509	-	677
431,432,433,434	Trade payables (during the year)	510	-	17,937
431,432,433,434	Trade payables	511	47,660	95,598
450	Liabilities for wages and salaries	512	89,014	48,945
451	Liabilities for tax on wages and salaries paid by employee	513	18,318	12,279
452	Liabilities for contributions on wages and salaries paid by employee	514	13,835	-
47	Liabilities for VAT	515	-	-
480	Liabilities for sales tax and excise duties	516	2,909	811
482	Liabilities for taxes and customs duties	517	-	-
513	Fuel and energy expenses	518	12,476	7,771
521	Taxes and contributions on wages and salaries paid by employer	519	16,257	27,872
536	Research expenses	520	-	-
540	Depreciation	521	67,981	105,296
550	Non operating expenses	522	32,909	9,171
551	Entertainment costs	523	6,186	5,545
552	Insurance premium expenses	524	593	32
553	Banking operations expenses	525	5,817	4,083
554	Membership expenses	526	398	1,163
555	Tax expenses	527	12,336	17,897
556	Contributions expenses	528	1,258	14,469
559	Other non material expenses	529	3,414	3,342

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STATISTICAL ANNEX (CONTINUED)

Code of accounts	ITEM	EDP	Current year	Previous year
1	2	3	4	5
560	Financial expenses from operations with the parent company and related parties	530	-	-
561	Financial expenses from operations with other related parties	531	-	-
562	Interest expenses	532	46,066	20,538
640	Income from premiums, grant, subsidy, recourse, compensations and tax returns	533	-	-
641	Income from donations	534	-	-
660	Financial income from the parent company and related parties	535	-	-
661	Financial income from other related parties	536	-	-
662	Interest income	537	382	270
	Average number of employees based on month end balance (whole number)	538	180	185
	Number of common shares	539	-	-
	Number of priority shares	540	-	-
	Nominal value of common shares (total)	541	-	-
	Nominal value of priority shares (total)	542	-	-

In ____________________ Responsible person for the preparation of accounts Director

Date____________________ ________________________________ ________________________

1. General Information

EKO YU a.d. Belgrade is engaged in retail sale of motor fuels. The Company was established on 12 September 2002 as a wholly-owned subsidiary of EKO-ELDA ABEE, a company organized and existing under the laws of Greece.

The registered office is in Belgrade at 17B Teodora Drajzera St.

These financial statements have been approved for issue by the Board of Directors on 28 February 2006.

The Company has internal stock and its shares are not available on the Belgrade Stock Exchange, since the Company is registered as a closed society.

Number of employees as of 31 December 2005 was 180.

2. Summary of significant accounting policies

2.1 Basis of preparation and going concern concept

(a) *Basis of preparation*

These financial statements are the financial statements of EKO YU a.d. Belgrade which are required under Serbian Law on Accounting and Auditing as set out in Official Gazette No. 71 dated 27 December 2002. The Law requires financial statements for the year ended 31 December 2004 to be prepared in accordance with International Financial Reporting Standards (IFRS).

Based on the Law on Accounting and Auditing, in 2004 the Ministry of Finance issued the Regulation on the Prescribed Form and Content of the Financial Statements of Companies, Cooperatives and Entrepreneurs and the Regulation on the Content of Chart of Accounts for Companies, Cooperatives and Entrepreneurs, as the basis for the preparation of financial statements for the year ending 31 December 2004. These regulations were the basis for the preparation of the financial statements for the year ending 31 December 2005.

The Company prepared these financial statements in accordance with the requirements of both the Law on Accounting and Auditing and the regulations issued by the Ministry of Finance. Due to both this, and ambiguities in the expectations of the authorities regarding the implementation of IFRS, the financial statements were prepared in compliance with the International Financial Reporting Standards:

The Company did not apply IFRS or improvements to IAS, which became effective on 1 January 2005. Therefore, the following were not applied by the Company :

(i) IFRS

- IFRS Share-based Payment
- IFRS Insurance Contracts
- IFRS Non-current Assets Held for Sale and Discontinued Operations

2. Summary of significant accounting policies (continued)

(ii) Improvements to IAS

- IAS 1 Presentation of Financial Statements
- IAS 2 Inventories
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10 Events after the Balance Sheet Date
- IAS 16 Property, Plant and Equipment
- IAS 17 Leases
- IAS 21 The Effects in Changes in Foreign Exchange Rates
- IAS 24 Related Party Disclosures
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investments in Associates
- IAS 31 Interest in Joint Ventures
- IAS 32 Financial Instruments: Disclosures and Presentation
- IAS 33 Earning per Share
- IAS 39 Financial Instruments: Recognition and Measurement
- IAS 40 Investments Property

Due to the above differences, the Company did not include an explicit statement of full compliance with IFRS.

(b) *Going concern concept*

The financial statements are prepared in accordance with the going concern concept, which assumes that the Company will continue its operations for the foreseeable future.

In the current business year, the Company incurred operational losses of CSD 214,523 thousand, cumulated operational losses as at 31 December 2005 were CSD 709,863 thousand, while floating liabilities exceeded the Company's current assets by CSD 334,860 thousand. The management reviewed these figures and concluded as follows:

1 The invested capital of CSD 2,044,025 thousand substantially surpasses the reported cumulative loss, by which the capital fully covers the loss.

2 Total loan commitment (short-term and long-term) is guaranteed by EKO ELDA Corporation. Current obligations due are settled on maturing.

3 EKO ELDA Corporation submitted a corporate declaration by which it undertook to offer financial support to EKO YU in the long term.

4 Since only three years have passed since the establishment of EKO YU, the reported business results are according to plan, particularly in light of: dynamic investment development through construction of petrol stations, market positioning, increase of market share, importing and price formation policies that have still not been liberalized. Pursuant to long-term plans for the year 2010, positive financial results are expected in the coming years.

2. Summary of significant accounting policies (continued)

2.2 Comparative figures

Comparative figures represent the financial statements of the Company as of 31 December 2004.

2.3 Foreign currency translations

(a) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). These financial statements are presented in Serbian Dinars ("CSD") as the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions in foreign currency and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.4 Intangible assets

The characteristics of the economic environment of the Republic of Serbia indicate that hyperinflation has ceased, effective from 1 January 2004 and accordingly the provisions of IAS 29 "Financial reporting in Hyperinflationary Economies" need not be applied from that time. Intangible assets existent at 31 December 2003 have therefore been recorded at historic cost or valuation restated to the equivalent purchasing power of the CSD as of that date. Additions to intangible assets subsequent to that date are recorded at cost.

The cost of intangible assets that existed at transition date to IFRS (1 January 2004) was taken as a revaluation of the value shown in the Company's balance sheet on 31 December 2003, calculated according to the previously applicable accounting regulations. Management believes that these revalued figures are generally comparable to the cost value or current value based on IFRS and the purchasing power of the CSD as at 31 December 2003. Subsequent increases in intangible investment accounts are recorded at cost.

(a) *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

2. Summary of significant accounting policies (continued)

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and will probably generate economic benefits exceeding costs beyond one year are recognised as assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure, which enhances or extends the performance of computer software programme beyond its original specification is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 3 years.

(b) *Research and development*

Research and development expenditures are recognized as an expense as incurred. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding five years.

(c) *Other intangible assets*

Expenditure to acquire patents, trademarks, licenses and operating leases are capitalized and amortized using the straight-line method over their useful lives, but not exceeding 3 years.

(d) *Impairment*

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and, when impaired, the asset is written down immediately to its recoverable amount. Impairment losses are charged against income statement or against previously formed revaluation reserve.

2.5 Property, plant and equipment

The cost of property, plant and equipment at the transition date to IFRS (1 January 2004) is deemed to be its fair value as determined by an independent valuation performed with an effective date of 1 January 2004. Purchases of fixed assets subsequent to that date are recorded at cost. Cost includes the invoiced value of purchased assets increased by all costs incurred in bringing new fixed assets into use.

2. Summary of significant accounting policies (continued)

Property, plant and equipment have different useful lives. Depreciation is calculated based on each individual part's life. In case of replacement of one part, the new part is capitalized (to the extent that they meet the recognition criteria of an asset). The carrying amount of the parts replaced is derecognized appropriately. Depreciation of fixed assets purchased during the year is charged commencing in the month following purchase of the fixed asset *or* upon bringing new fixed assets into use, on the purchase value of the asset.

The applied depreciation rates were:

Buildings	4%
Vehicles	10%
Other equipment	10-30%

Gain and losses on disposals are determined by comparing proceeds with carrying amount, these are included in the income statement.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major 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 Company. Major renovations are depreciated over the remaining useful life of the related asset.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare assets to its intended use. Other borrowing costs are expensed.

All property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses except for land which is stated at cost less impairment losses. Cost includes expenditures that are directly attributable to the acquisition of items. Cost may also include gains/ (losses) on qualifying cash flow hedges transferred from equity. Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity; all other decreases are charged to the income statement.

2.6 Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Company. Investment property is treated as a long-term investment and carried at fair value, representing open-market value determined annually by external valuers. Changes in fair values are recorded in the income statement as part of other income.

The cost of a self-constructed investment property is its cost at the date when construction or development is complete. The investment property is classified and measured as PPE until that date.

2. Summary of significant accounting policies (continued)

Changes in the fair value should be recognised in the income statement in the period in which they arise.

2.7 Construction contracts

Contract costs are recognised when incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

The Company uses the ‘percentage of completion method’ to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Company presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. Progress billings not yet paid by customers and retention are included within ‘trade and other receivables’.

Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to suppliers on construction contracts, under commitments to suppliers.

2.8 Inventories

According to accounting regulations inventories are measured by cost value. The cost value includes all purchase costs, i.e. the invoiced price by the supplier, import duties, transport costs and other handling charges. Discounts, rebates and other similar items shown in supplier accounts are deducted in calculating the cost price. Products in retail outlets are recorded at sales price with value-added tax and price difference calculated in the price. The average price method is applied to sold products.

Inventories are stated at the lower of cost or net realizable value. The purchase value, i.e. the cost, comprises all purchase and manufacturing costs attributable to bringing the asset to the location and condition necessary for it to be ready for its intended use.

The cost of inventories is determined using the weighted average method.

2. Summary of significant accounting policies (continued)

2.9 Trade receivables

Trade receivables are recognised at the initial invoiced price, less provision for impairment. 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 or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within 'other expenses'.

Since the Company has not taken a decision on the non-recoverability of specific trade receivables, no adjustments were made as no debts were seen as potentially unrecoverable and none were assessed as unrecoverable in court.

2.10 Cash equivalents and cash

Cash equivalents and cash include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.11 Equity

(a) *Share capital*

Money capital was authorized and paid-in in the sum of EUR 30 million, in the total Dinar equivalent of CSD 2,044,025 thousand. Based on the mentioned capital, EKO YU issued only internal shares as it is registered as a closed society.

Incremental external costs directly attributable to the issue of new shares, other than in connection with a business combination, are shown as a deduction in equity from the proceeds, before tax. Any excess of the fair value of consideration received over the nominal value of issued shares is recognised as a share premium.

(b) *Revaluation reserves*

Revaluation reserves are initially formed when there is a significant increase in the fair value of an asset compared to its book value. On the revaluation reserves account, the effects of changes in fair values of property, plant and equipment; intangible assets, share in the capital in foreign currency and other financial instruments are carried. This also relates to other financial instruments whose changes can be carried within these reserves.

The impairment loss of the revaluation assets is treated as the impairment of the revaluation reserve which was previously formed for this asset. If the impairment loss is bigger than the revaluation reserve, the difference is recognized as the expense of the period.

2. Summary of significant accounting policies (continued)

When assets are depreciated or disposed, the revaluation reserve formed for the particular asset is considered to be realized and is transferred, as a whole, to the unallocated current year's profit, through the balance sheet.

Part of the realized revaluation reserve is also transferred to the unallocated current's year profit to the amount that is determined as a difference between the depreciation calculated on the revaluation amount of the asset and the depreciation calculated on the original purchase value or cost price of the asset.

2.12 Borrowings

Borrowings are recognised initially at the fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest model.

Preference shares, which are mandatory redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.13 Current income taxes

Income tax is calculated and paid at the rate of 10% (2004: 12.33%) on taxable profit determined in accordance with applicable tax regulations.

2.14 Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, then it is not accounted for. Deferred income tax is determined using tax rates (and laws) that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (continued)

2.15 Employee benefits

(a) *Pension obligations*

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company pays contributions to public administered pension insurance plans on a mandatory basis. Once the contributions have been paid, the Company has no further legal or implied payment obligations if the fund does not have sufficient funds to pay all employee benefits pertaining to services rendered by the employees during the current and previous periods. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Termination benefits*

When terminating employment EKO YU pays termination benefits according to Article 7 of the Law on Changes and Amendments to the Labour Act (Official Gazette dated 18 July 2005). In 2005, a total of CSD 1,506 thousand was paid in termination benefits.

Termination benefits are payable when 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: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminated sales within the Company. Revenue is recognised as follows:

(a) *Sales of goods – wholesale*

Sales of goods are recognised when a Company has delivered products to the customer; the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Company products are often sold with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

(b) *Sales of goods – retail*

Sales of goods are recognised when a Company sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in other costs.

2. Summary of significant accounting policies (continued)

It is the Company's policy to sell its products to the end customer with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

(c) *Sales of services*

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(d) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(e) *Royalty income*

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

(f) *Dividend income*

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

2.17 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2.18 Leases

(a) *The Company is the lessee*

Leases of property, plant and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum 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 cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment, acquired under finance leases, is depreciated over the shorter of the useful life of the asset and the lease term.

2. Summary of significant accounting policies (continued)

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(b) *The Company is the lessor*

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.19 Trade and other payables

Liabilities for trade and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

2.20 Dividend distribution

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

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Financial Department of the Company under policies approved by the Board of Directors. The Financial Department identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) *Market risk*

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to EUROS. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage its foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Company uses forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency. The Financial Department is responsible for managing the net position in each foreign currency by using external forward currency contracts.

(ii) Price risk

The Company is exposed to equity securities price risk because of investments held by the Company and classified on the balance sheet either as available-for-sale or at fair value as financial assets. The Company is not exposed to commodity price risk.

(b) *Credit risk*

The Company has no significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via credit cards. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The Company has policies that limit the amount of credit exposure to any financial institution.

3. Financial risk management (continued)

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, as well as the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Financial Department aims to maintain flexibility in funding by keeping committed credit lines available.

3.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, often equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) *Useful technological lives of plant and equipment*

The Company's management determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on projected product lifecycles for its products. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4. Critical accounting estimates and judgements (continued)

The Company generally offers three-year warranties for its products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims.

Factors that could impact the estimated claim information include the success of the Company's productivity initiatives, as well as quality of products and parts.

(b) *Revenue recognition*

Nature of the Company's core business does not allow suffering any loss if the sale is cancelled, i.e. can not have costs connected with returning the stock to the warehouse. The fuel is pored into vehicles and paid at that moment or, in case when a customer is a company that pays semi-monthly goods and services used by its employees, the bill confirmed by the entitled person.

Revenue is recognized based on sales reports received daily from each gas station.

5. Sales

5.1 Analysis of sales by category

	2005	2004
Sales of goods	2,213,267	1,702,046
Revenue from services	11,194	4,753
	2,224,461	**1,706,799**

Sales of goods mostly relate to sales of motor fuels (96%), and the rest relates to sales of merchandise goods sold in shops existing within complex of gas stations.

Revenue from services relates to carwash services rendered also at the gas stations.

6. Operating expenses

	2005	2004
Cost of goods sold	2,031,991	1,589,100
Material cost	27,447	16,563
Gross wages and salaries and other personal receipts	137,424	89,096
Depreciation and provision	67,981	105,296
Other operating expenses (see below)	137,903	136,080
	2,402,746	**1,936,135**

6. Operating expenses (continued)

Other operating expenses

	2005	2004
Rent of premises	18,459	9,925
Marketing and representation expenses	18,483	21,292
Consulting services	5,751	8,864
Bank charges	5,817	4,083
Taxes and contributions	29,927	32,371
Phone and transportation expenses	28,857	25,854
Maintenance	11,097	19,094
Manager's fees for petrol stations	9,976	-
Utility expenses	3,866	2,012
Other	5,670	12,585
	137,903	**136,080**

Employee benefit expenses

	2005	2004
Wages and salaries, net	78,319	61,216
Restructuring costs	-	-
Termination benefits	1,506	
Social security costs	47,042	27,872
Pension costs	-	-
Other benefits	10,557	8
	137,424	89,096

7. Financial income/ (expenses)

	2005	2004
Financial income from related parties	-	-
Interest income	382	270
Foreign exchange gains	9,219	4,086
Other financial income	-	-
Financial expenses from related parties	-	-
Interest expense	(46,066)	(20,538)
Foreign exchange loss	(114,612)	(98,982)
Other financial expenses	-	-
	(151,077)	**(115,164)**

Borrowing costs in total amount of CSD 46,066 thousand relate to loans with favourable interest rate (around 3% p.a.) from National Bank of Greece (EUR 11,631,000) and from Alpha bank (EUR 5,000,000). The rest of loans amount to EUR 6,526,000 as at 31 December 2005. This is the reason why interest costs and fx loss which is also connected with loans are high.

8. Other income

	2005	2004
Surpluses	117	516
Reversal of postings based on decision by the BD (Note 11)	124,323	-
Reversal of postings – supplier commitments write-off	3,042	-
	127,482	**516**

9. Other expenses

	2005	2004
Shortages	2,253	3
Sales of property, plant and equipment and intangibles	1,672	-
Writing off receivables	184	3
Writing off intangible investments (Note 10)	4,061	-
Other expenses	4,472	15,707
	12,642	**15,713**

10. Intangible investments

In 2005, the sum of CSD 39,015 thousand was closed, representing the current value of intangible investments as at 31 December 2004, by carrying CSD 34,954 thousand to land and by writing off CSD 4,061 thousand in intangible investments and debiting this sum to expenses.

11. Fixed assets

	Land	Buildings	Plants & Equipment	PP&E in progress	Total
Cost or valuation					
At 1 January 2004	-	1,101,844	48,687	256,878	1,407,409
Additions	-	17,715	-	1,015,054	1,032,769
Transfers from investments in progress	-	224,833	96,746	(321,579)	-
At 31 December 2004	**-**	**1,344,392**	**145,433**	**950,353**	**2,440,178**
Value adjustment					
At 1 January 2004	-	66,997	2,797	-	69,794
Posting based on decision of the BD – corrections for accel. amort. from previous period	-	95,581	9,715	-	105,296
At 31 December 2004	**-**	**162,578**	**12,512**	**-**	**175,090**
Current value at 31 December 2003	**-**	**1,034,847**	**45,890**	**256,878**	**1,337,615**
Net current value at 31 December 2004	**-**	**1,181,814**	**132,921**	**950,353**	**2,265,088**

11. Fixed assets (continued)

	Land	Buildings	Plants & Equipment	PP&E in progress	Total
Cost or valuation					
At 1 January 2005	-	1,344,392	145,433	950,353	2,440,178
Additions	26,991	32,563	105,284	382,379	547,217
Transfers of intangible investments (Note 10)	34,954	-	-	-	34,954
Transfers to/from	141,834	-	-	(141,834)	-
Reallocation based on FCE study	892,943	(892,943)	-	-	-
Repostings during year	-	422,347	87,086	(509,433)	-
Disposals	-	-	(2,500)	-	(2,500)
At 31 December 2005	**1,096,722**	**906,359**	**335,303**	**681,465**	**3,019,849**
Value adjustment					
At 1 January 2005	-	162,578	12,512	-	175,090
Posting based on decision of the BD – corrections for accel. amort. from previous period	-	(124,324)		-	(124,324)
Charges for the year	-	12,604	55,377	-	67,981
Disposals	-		(366)	-	(366)
At 31 December 2005	**-**	**50,858**	**67,523**	**-**	**118,380**
Current value at 31 December 2005	**1,096,722**	**855,501**	**267,780**	**681,465**	**2,901,469**
Current value at 31 December 2004	**-**	**1,142,799**	**132,922**	**901,023**	**2,205,449**

The current value of 3,005,472 at 31 December 2005 shown in the balance sheet also includes 104,003 in advance payments to suppliers of fixed assets. The most significant developments in 2005 are:

(a) Based on a study made by the Faculty of Civil Engineering: CSD 892,943 thousand was reposted from buildings to land and correction was made at the same time, i.e. cumulated adjustment decrease of CSD 124,324 thousand. Other revenue was increased by this amount on the same basis.

(b) 141,834 thousand was reposted from investments in progress to land.

(c) Correction of postings CSD 34,954 thousand from intangible investments to land.

12. Inventories

	2005	2004
Tools and inventory	-	2,583
	-	**2,583**
Goods	113,370	52,403
Value adjustment	-	-
	113,370	**52,403**
Advances for inventories and services	55,756	121,209
Advance - value correction	-	-
	55,756	**121,209**
At 31 December	**169,126**	**176,195**

13. Trade receivables

	2005	2004
Domestic trade receivables	118,874	21,695
Receivables from employees	60	-
	60	**-**
At 31 December	**118,934**	**21,695**

The Company has not used provision for impaired receivables of CSD 5,905 for the impairment of its trade receivables due to the fact that those customers are sued at law or overdue more than 60 days as expected to be collected.

14. Cash equivalents and cash

	2005	2004
Securities – cash equivalents	1,999	-
Current accounts	41,866	13,614
Cash in hand	64	42
Foreign currency account	6,600	31,548
	50,529	**45,204**

Securities include cash equivalents of cheques and cards.

Average weighted interest rate on short-term deposits with banks was 3% on 31 December 2005, while deposits matured in 600 days on average.

15. VAT and prepaid expenses

	2005	2004
Overpaid VAT	26,526	677
	26,526	**677**

16. Share capital

The total share capital is wholly owned by EKO-ELDA ABEE. The whole paid in capital CSD 2,044,025 thousand (EUR 30,000,000) is registered. In 2005, revaluation reserves CSD 44,853 thousand were reposted and debited to capital.

300 internal shares were issued, based on the paid in capital, at the nominal value of EUR 100 thousand each, according to date of payment.

17. Long-term liabilities

	2005	**2004**
Domestic long-term borrowings	575,501	313,338
Foreign long-term borrowings	760,950	228,767
	1,336,451	**542,105**

At 31 December 2005 long-term borrowings, by bank, were as follows:

National Bank of Greece 54,199 thousand CSD (EUR 634), Alfa bank 342,000 thousand CSD (EUR 4,000), NBG 179,302 thousand CSD (EUR 2,097), NBG London 247,950 thousand CSD (EUR 2,900), NBG London 513,000 thousand CSD (EUR 6,000).

18. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2005	**2004**
Deferred tax assets		
- to be recovered after more than 12 months	451,824	315,969
- to be recovered within 12 months	-	-
	451,824	**315,969**

18.1 Deferred income tax

	Provisions	**Total**
At 1 January 2004	111,149	111,149
Charged/ (credited) to the income statement	-	-
At 31 December 2004	**315,969**	**315,969**
Charged/ (credited) to the income statement	-	-
At 31 December 2005	**451,824**	**451,824**

The shown amount of CSD 451,824 represents tax credit for investment in fixed assets.

19. Short-term liabilities

All short-term liabilities relate to short-term loans:

	Interest rate %	2005 CSD
Alfa bank	3.5	85,500
Jubanka	3.5	342,000
Eurobank	18	216,000
		643,500

20. Trade and other payables

	2005	2004
Domestic trade payables	41,465	19,335
Foreign trade payables	5,494	11,580
Advances received for contract work	700	64,683
	47,659	**95,598**

Trade payables amounting to CSD 5,494 thousand are denominated in foreign currency, mainly in EUROS at 31 December 2005.

21. Other current liabilities and accrued expenses

	2005	2004
Accrued interest expenses	8,816	4,428
	8,816	**4,428**

Accrued interest expenses relate to interest on loans.

22. Related party transactions

The Company is controlled by EKO ELDA, which owns 100% of the Company's shares.

The following transactions were carried out with related parties:

Services are usually negotiated with related parties on a cost-plus basis, allowing a margin ranging from 20% to 50%. Goods are sold on the basis of the price lists in force with non-related parties.

(a) *Purchases of goods and services*

	2005	2004
Purchase of goods	102,649	13,414
	102,649	**13,414**

Services are usually negotiated with related parties on a cost-plus basis, allowing a margin ranging from 5% to 30% Goods are bought on the basis of the price lists in force with non-related parties.

22. Related party transactions (continued)

(b) *Year end balances arising from sales/purchases of goods/services*

	2005	2004
Payables to related parties		
- Parent company	-	-
- Other related parties	5,344	4,460
	5,344	**4,460**

23. Earnings per share

(a) Basic earnings per share

The basic earnings per share is calculated by dividing the profit/(loss) of the Company's shareholders (shareholders of the parent company) by the weighted average number of ordinary shares in circulation for the period, excluding ordinary shares repurchased and held as own shares by the Company.

	2005	2004
Losses attributable to shareholders of the Company	(709,863)	(495,341)
Weighted average number of ordinary shares in circulation (in thousands)	300	300
Losses per share (CSD per share)	(2,366)	(1,651)

(b) Reduced earnings per share

For purposes of calculating reduced earnings per share, the Company should correct its profit/(loss) that belongs to shareholders of the parent entity who own ordinary shares and the weighted average number of shares in circulation, for the effects of all impairing potential ordinary shares.

The Company has two categories of potential impairing ordinary shares: convertible debt options and share options. Convertible debt is presumed to be converted into ordinary shares while the net earnings are corrected to eliminate interest expenses less the tax effect. For call share option of employees, a calculation was made to determine the number of shares that could have been purchased at fair value (representing the average market price of the Company's shares for the year), based on the monetary value of the right to register added to the call share option for employees, which are in circulation. The calculated number of shares, according to this method, is compared to the number of shares that would have been issued under the presumption that call share options of employees are used.

24. Contingencies

(a) *Bank and other guarantees*

The Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

24. Contingencies (continued)

(b) *Taxation*

The taxation system of the Republic of Serbia is undergoing a continual revision and amendment. However, there are still different interpretations of the fiscal legislation. In various circumstances, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties. In Serbia, tax periods remain open for 5 years. The Company's management considers that the tax liabilities included in these financial statements are fairly stated.

(c) *Transfer pricing*

The fiscal legislation of the Republic of Serbia includes regulations regarding transfer pricing between related parties. The current legislative framework defines the "arm's length" principle for transactions between related parties, as well as the methods for determining the transfer prices. Thus, it is expected that the tax authorities may initiate in depth inspections of the transfer prices, in order to ensure that the taxable profit and/or the customs value of imported goods are not misstated by the effects of transfer prices between related parties. The Company cannot assess the outcome of any such inspection.

(d) *Insurance policies*

The Company holds insurance policies in relation to its assets, but not in relation to its operations or other insurable risks.

(e) *Environmental matters*

Environmental regulations are developing in the Republic of Serbia and the Company has not recorded any liability at 31 December 2005 for any anticipated costs, including legal and consulting fees, site studies, the design and implementation of remediation plans, related to environmental matters. Management do not consider the costs associated with environmental issues to be significant.

(f) *Legal proceedings*

During the year, the Company was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding which could have a material effect on the result of operations or financial position of the Company and which have not been accrued or disclosed in these financial statements.

25. Post balance sheet events

The whole amount of share capital was registered in January 2006 under the dates when, and in the currency in which, the capital was historically paid.

Financial Director	Managing Director
Dragan Dvornik	Vasilis Panagopoulos