

EKO Petroleum Albania Sh p k
Financial Statements
for the year ended 31 December 2008
(with independent auditors' report thereon)

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Auditor's Report

To the shareholders of
"EKO Petroleum Albania Sh a" sh p k

Tirana, Albania

We have audited the accompanying financial statements of "EKO Petroleum" Albania sh p k ("the company"), which comprise the balance sheet as at 31 December 2008 and the statements of income and expenditures, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to preparation of financial statements that are free from material misstatement, whether due to fraud and error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. These procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of the expressing an opinion on the effectiveness of the entity's internal control. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



"Inter BBK Auditing" sh p k

Opinion

In our opinion, the financial statements give a true and fair view, in all materials respects, the financial position of "EKO Petroleum Albania" sh p k, as of 31 December 2008, and of its financial performance and its cash flows for the year than ended in accordance with Law 9228 dated 29.04.2004 "On Accounting and Financial Statements" and International Financial Reporting Standards.

"Inter BBK Auditing" sh p k

Tirana April 22nd, 2009

Esmeralda BALLUKU

Partner

"EKO PETROLEUM ALBANIA" sh p k

Balance sheet as at 31 December 2008

(amounts in Leke)

	Notes	December 31, 2008	December 31, 2007
ASSETS			
Non - Current Assets			
Property, Plant & Equipment	6	380,913,395.82	400,074,970.91
Other Intangible Assets		-	70,000.00
Trade and Other Receivables	7	-	-
		<u>380,913,395.82</u>	<u>400,144,970.91</u>
Current Assets			
Inventories	8	22,371,859.16	23,195,336.26
Trade Receivables	9	22,279,865.85	46,516,259.61
Other Current Assets	10	53,010,449.93	58,616,240.43
Cash and cash equivalents	11	18,512,039.00	48,098,521.10
		<u>116,174,213.94</u>	<u>176,426,357.40</u>
Total Assets		<u>497,087,609.76</u>	<u>576,571,328.31</u>
EQUITY & LIABILITIES			
Equity			
Share Capital	12	617,472,990.00	617,472,990.00
Translation Reserve		1,485,551.60	1,485,551.60
Other reserves		2,700,303.05	2,846,431.60
Profit/Loss from the previous Year		(137,997,384.39)	(126,073,176.91)
Profit/Loss from the Year	21	(4,822,299.09)	(11,924,207.48)
Total Equity		<u>478,839,161.17</u>	<u>483,807,588.81</u>
Non-Current Liabilities			
Long-term borrowings		-	-
Total Non-current liabilities		<u>0.00</u>	<u>0.00</u>
Current Liabilities			
Trade and other payables	13	18,248,448.58	92,763,739.49
Short-term borrowings		-	-
Total Current liabilities		<u>18,248,448.58</u>	<u>92,763,739.49</u>
Total Equity & Liabilities		<u>497,087,609.75</u>	<u>576,571,328.30</u>

Chief of Finance

Esmeralda KOVAÇI

General Manager

Nikolaos KARACHALIOS

The Balance sheet is to be read in conjunction with the notes set out on pages ___ to ___ and forming part of the financial statements.

"EKO PETROLEUM ALBANIA" sh p k

Income statement for the year ended 31 December 2008

(amounts in Leke)

	Notes	December 31, 2008	December 31, 2007
Revenue	14	597,709,826.69	523,279,993.31
Cost of sales	15	(576,779,087.68)	(470,025,003.84)
Gross profit		20,930,739.01	53,254,989.47
Other income	16	41,567,213.86	17,649,216.56
Selling and Distribution costs	17	(29,597,912.13)	(28,912,722.00)
Administrative expenses	18	(34,294,825.44)	(33,814,010.41)
Other operating expenses	19	(3,467,317.68)	(19,893,208.80)
Operating profit		(4,862,102.38)	(11,715,735.18)
Finance income	20	347,878.75	148,626.19
Finance expense	20	(308,075.46)	(357,098.49)
Profit before tax	21	(4,822,299.09)	(11,924,207.48)
Income tax expense	21	-	-
Profit for the period	21	(4,822,299.09)	(11,924,207.48)

Chief of Finance

Esmeralda KOVAÇI

General Manager

Nikolaos KARACHALIOS

The Balance sheet is to be read in conjunction with the notes set out on pages ___ to ___ and forming part of the financial statements.

"EKO PETROLEUM ALBANIA" sh p k

Statement of cash flows for the years ended 31 December 2008

(amounts in Lek)

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Operating activities		
Profit (Loss) before taxation	(4,822,299.09)	(11,924,207.48)
Adjustments for:		
Depreciation	22,049,545.00	23,702,202.00
Investments Income		-
Foreign exchange (gain)/loss		-
Interest expenses		-
Working capital changes:		
Decrease/(Increase) of inventories	823,477.10	2,970,677.21
Decrease/(Increase) of trade receivables	24,236,393.76	(26,260,832.01)
Decrease/(Increase) of other receivables	5,605,790.50	9,558,236.93
Increase/(Decrease) of trade payables	(74,515,290.91)	(224,112,791.99)
Increase/(Decrease) of other payables		-
Cash generated from operations	<u>(26,622,383.64)</u>	<u>(226,066,715.34)</u>
Interest paid		-
Income tax paid		-
Net cash from operating activities	<u>(26,622,383.64)</u>	<u>(226,066,715.34)</u>
Investment activities		
Acquisition of property, plant and equipment	(2,887,969.91)	6,677,673.17
Increase/(Decrease) of Investments		-
Increase/(Decrease) of Intangible assets	70,000.00	-
Net cash used in investing activities	<u>(2,817,969.91)</u>	<u>6,677,673.17</u>
Financing activities		
Proceeds from borrowings		-
Proceeds from issue of share capital	(146,128.55)	257,315,503.60
Decrease/(Increase) of due to partners	-	-
Decrease/(Increase) of the provisions	-	-
Dividends paid	-	-
Net cash used in financing activities	<u>(146,128.55)</u>	<u>257,315,503.60</u>
Net increase/(decrease) in cash during the year	<u>(29,586,482.10)</u>	<u>37,926,461.43</u>
Cash on hand and at banks, beginning of the year	<u>48,098,521.10</u>	<u>10,172,059.63</u>
Cash on hand and at banks, end of the year	<u>18,512,039.00</u>	<u>48,098,521.10</u>

Chief of Finance

Esmeralda KOVAÇI

General Manager

Nikolaos KARACHALIOS

The Balance sheet is to be read in conjunction with the notes set out on pages ___ to ___ and forming part of the financial statements.

"EKO PETROLEUM ALBANIA" sh p k

Statement of shareholders' equity for the year than ended 31 December 2007 & 2006

(amounts in Lek)

	Share Capital	Share premium	Other Reserves	Transition Reserve	Retained Earnings	Total equity
Balance at 31 December 2006	363,003,918.00	0.00	0.00	1,485,551.60	-126,073,176.91	238,416,292.69
Changes in accounting policy				2,846,431.60		2,846,431.60
Restated balance	363,003,918.00	0.00	0.00	4,331,983.20	-126,073,176.91	241,262,724.29
Changes in equity for 2007						
Increase/Decrease of Share Capital	254,469,072.00					254,469,072.00
Profit/Loss for the year 2007	0.00	0.00	0.00		-11,924,207.48	-11,924,207.48
Balance at 31 December 2007	617,472,990.00	0.00	0.00	4,331,983.20	-137,997,384.39	483,807,588.81
Changes in accounting policy				-146,128.55		-146,128.55
Restated balance	617,472,990.00	0.00	0.00	4,185,854.65	-137,997,384.39	483,661,460.26
Changes in equity for 2008						
Profit/Loss for the year 2008					-4,822,299.09	-4,822,299.09
Balance at 31 December 2008	617,472,990.00	0.00	0.00	4,185,854.65	-142,819,683.48	478,839,161.17

Chief of Finance

Esmeralda KOVAÇI

General Manager

Nikolaos KARACHALIOS

The Balance sheet is to be read in conjunction with the notes set out on pages ___ to ___ and forming part of the financial statements.

EKO Petroleum Albania Sh p k
Notes to the financial statements for the year ended 31 December 2008
(amounts in Lek)

1. Background information

EKO Petroleum Albania Ltd. (the Company) is established in December 15, 1999, as a limited company owned by Global Petroleum Albania s.a.

The Company is engaged in the commerce of fuels, lubricant oils and others, with the purpose of fuel retail etc.

The Company's shareholders and their respective share quotas are as follows:

	Shareholders	Capital value	In %
1	Global Petroleum Albania Sh a	617,472,990	100.00
		<u>617,472,990</u>	<u>100.00</u>

The Company is domiciled in Rruga Kavajes, Tirana Tower, No. 59, Tirana, (Albania) and has 4 employees as at 31 December 2008 (2007: 4 employees).

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Albanian Accounting Standards which are the International Financial Reporting Standards (IFRSs) as translated from the National Accounting Council of the Republic of Albania and announced from the Minister of Finance. Starting from 1 January 2008 the application of International Financial Reporting Standards became the statutory requirement for the Company. The Company is an IFRS first time adopter. An explanation of how the transition to IFRS as translated from the National Accounting Council of the Republic of Albania has effected the reported financial position as at the opening balance sheet on 1 January 2007, and the financial performance of the Company for the year ended 31 December 2007 is provided in Note 32.

(b) Basis of measurements

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Albanian Lek, which is the Company's functional currency. All information presented in Lek has been rounded to the nearest thousand.

EKO Petroleum Albania Sh p k

Notes to the financial statements for the year ended 31 December 2008

(amounts in Lek)

2. Basis of preparation

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following paragraphs:

(i) Impairment losses on financial assets

The Company reviews its financial assets to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets before the decrease can be identified with an individual exposure in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of the customer in the Company, or national or local economic conditions that correlate with defaults on assets in the Company.

(ii) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in note 4 to the financial statements.

(iii) Calculation of corporate income tax

Starting from 1 January 2008 the Company has applied as its statutory accounting framework the International Financial Reporting Standards. Accordingly, the application of International Financial Reporting Standards as translated from the National Accounting Council of the Republic of Albania provide the basis for the underlying records when an entity is subject to corporate tax. However, at the date of release of these financial statements there are limited guidelines on the calculation of tax on profit following the introduction of the International Financial Reporting Standards as a statutory framework.

Management believes that the tax on profit provision calculation is prudent given the uncertainty of the Albanian tax environment and existing legislation in force and results of any future tax audit will not have a significant effect on the Company's financial position, results of operations, or cash flows.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Eko Petroleum Albania Sh p k
Notes to the financial statements for the year ended 31 December 2008
(amounts in Lek)

3. Significant accounting policies

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments (if any).

(b) Financial instruments

Non-derivative financial instruments of the Company comprise accounts receivable, cash and cash equivalents, and accounts payable. During the reporting periods there are no investments in equity and debt securities in the course of the activities.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognized if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Normal purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and current bank accounts. For the purposes of the cash flow statement, cash and cash equivalents comprise unrestricted deposits with maturity of three months or less from the origination date.

(b) Financial instruments (continued)

Accounts receivable

Accounts receivable are initially recognized at fair value and subsequently measured at their amortized cost less impairment losses.

EKO Petroleum Albania Sh p k
Notes to the financial statements for the year ended 31 December 2008
(amounts in Lek)

3. Significant accounting policies (continued)

Accounts of payable obligations

Accounts of payable obligations are stated at their fair value and subsequently measured at their amortized cost.

Borrowings and loans

Subsequent to initial recognition, borrowings and loans are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

Share capital

The share capital of the Company is recognized at par value.

Other

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.
Accounting for finance income and expense is discussed in note 3(k).

(c) Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor (if involved), any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Capital expenditure on assets in the course of construction is carried forward under "Construction works in progress" and is capitalized and transferred to the appropriate asset category once completed, from which time depreciation is applied at the rate applicable to the category concerned.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

EKO Petroleum Albania Sh a
Notes to the financial statements for the year ended 31 December 2008
(amounts in Lek)

3. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

The depreciation for lease-hold land, buildings and technical installations is calculated on a straight-line basis, while the depreciation of other plant and equipment is calculated by using the declining balance method, at rates, which approximate average economic useful lives. Free-hold land and assets under construction are not depreciated. The respective depreciation rates for the current and comparative periods are as follows:

	2008
Building	5%
Machineries and equipment	7%
Transport vehicles	12.5%
Office supplies	12.5%
Office equipment	20%

The useful lives, depreciation methods and residual values, if not insignificant, of property, plant and equipment are reassessed at the reporting date.

(d) Leased assets

Leased assets are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

(e) Inventories

Finished goods are stated at lower of cost or net realizable value. Costs comprise direct materials and, where applicable, direct labor cost and those overheads that have been incurred in bringing the inventories to their present location and conditions. Net realizable value represents the estimated selling price in the ordinary course of business, less the estimated cost to be incurred in marketing, selling and distribution.

The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Appropriate allowance for impairment is recognized in the income statement when there is objective evidence that the asset is impaired.

EKO Petroleum Albania Sh p k
Notes to the financial statements for the year ended 31 December 2008
(amounts in Lek)

3. Significant accounting policies (continued)

(f) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. The reversal is recognized in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Employee benefits

Mandatory pensions

The Company, in the normal course of its business, makes payments on its own behalf and on behalf of its employees to contribute for the mandatory pensions according to the local legislation. The costs incurred on behalf of the Company are charged to the income statement as incurred.

Paid annual leave

The Company recognizes as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange for the employee's service for the period completed.

EKO Petroleum Albania Sh p k

Notes to the financial statements for the year ended 31 December 2008

(amounts in Lek)

3. Significant accounting policies (continued)

(h) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at each balance sheet date and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed. Provisions are used only for the purpose for which they were originally recognized. Provisions are not recognized for future operating losses. Contingent assets and liabilities are not recognized.

(i) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognized when goods are delivered and title has passed. Revenue from services rendered is recognized in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed.

(j) Reimbursement of marketing and sales costs

Reimbursements for marketing programs to promote the sale of licensed products are recognized as revenue in the year in which the related expenses are incurred.

Reimbursement of sales costs is recognized as revenues at the same time of the sales of the products to which it refers.

(k) Expenses

Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance income and expenses

Finance income comprises interest income on funds invested in bank deposits and foreign currency gains recognized in profit or loss. Interest income is recognized as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, and impairment losses recognized on financial assets. All borrowing costs are recognized in profit or loss using the effective interest method.

EKO Petroleum Albania Sh p k
Notes to the financial statements for the year ended 31 December 2008
(amounts in Lek)

3. Significant accounting policies (continued)

(l) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) New standards and interpretations not yet adopted

As previously explained in note 2.a the Company has applied IFRSs as translated from the National Accounting Council of the Republic of Albania which enacts those standards as published from the International Accounting Standards Board (IASB) in issue at 1 January 2007.

The Company has voluntarily applied those standards, amendments and interpretation issued by the IASB but not translated from National Accounting Council which are in issue but not yet effective for the year ended 31 December 2008. The standards which were pronounced but not yet effective for the year ended 31 December 2007 have not been relevant to the Company operations.

Also at the date of release of these financial statements a number of new Standards, amendments to Standards and Interpretations that are published by the IASB, even not translated, are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these financial statements. Some of these pronouncements that may be relevant to the Company's operations are as follows:

- Amendment to IFRS 2 Share-based Payment (effective from 1 January 2009). The amendments to the Standard clarify the definition of vesting conditions and introduce the concept of non-vesting conditions. Non-vesting conditions are to be reflected in grant-date fair value and failure to meet non-vesting conditions will generally result in treatment as a cancellation. The amendments to IFRS 2 are not relevant to the Company's operations as the Company does not have any share-based compensation plans.

EKO Petroleum Albania Sh p k

Notes to the financial statements for the year ended 31 December 2008

(amounts in Lek)

3. Significant accounting policies (continued)

(I) New standards and interpretations not yet adopted (continued)

- Revised IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 July 2009) has reviewed the standard purpose and the business definition is widened. The revised standard includes as well several significant changes including:
 - All items of consideration transferred by the acquirer are recognized and measured at fair value as of the acquisition date, including contingent consideration.
 - Subsequent change in contingent consideration will be recognized in profit or loss.
 - Transaction costs, other than share and debt issuance costs, will be expensed as incurred.
 - The acquirer can elect to measure any non-controlling interest at fair value at the acquisition date (full goodwill), or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised IFRS 3 is not relevant to the Company's operations as the Company does not have any interests in subsidiaries that will be affected by the revisions to the Standard.

- IFRS 8 Operating Segments (effective from 1 January 2009). The Standard introduces the "management approach" to segment reporting and requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the Company's Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance.
Currently, the Company is planning to align with the Group policies and consider the management approach to be applied.
- Revised IAS 1 Presentation of Financial Statements (effective from 1 January 2009). The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income (effectively combining the income statement and all non-owner changes in equity in a single statement), or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Company plans to provide two separate statements for its 2009 financial statements.
- Revised IAS 23 Borrowing Costs (effective from 1 January 2009). The revised Standard removes the option to expense borrowing costs and requires the capitalization of borrowing costs that relate to qualifying assets (those that take a substantial period of time to get ready for use or sale). Revised IAS 23 is not relevant to the Company's operations as the Company does not have any qualifying assets for which borrowing costs would be capitalized.
- Amendments to IAS 27, Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 January 2009). The amendments remove the definition of "cost method" currently set out in IAS 27, and instead require all dividends from a subsidiary, jointly controlled entity or associate to be recognized as income in the separate financial statements of the investor when the right to receive the dividend is established. In addition, the amendments provide guidance when the receipt of dividend income is deemed to be an indicator of impairment. The amendments to IAS 27 are not expected to have any impact on these financial statements when adopted.

EKO Petroleum Albania Sh p k

Notes to the financial statements for the year ended 31 December 2008

(amounts in Lek)

3. Significant accounting policies (continued)

(I) New standards and interpretations not yet adopted (continued)

- Revised IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009). In the revised Standard the term minority interest has been replaced by non-controlling interest, and is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised Standard also amends the accounting for non controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest. Revised IAS 27 is not expected to be relevant to the Company's operations in the separate financial statements.
- Amendments to IAS 32 *Financial Instruments: Presentation*, and IAS 1, *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2009). The amendments introduce an exemption to the principle otherwise applied in IAS 32 for the classification of instruments as equity; the amendments allow certain puttable instruments issued by an entity that would normally be classified as liabilities to be classified as equity if, and only if, they meet certain conditions. The amendments are not relevant to the Company's financial statements as the Company did not issue puttable instruments in the past.
- Amendment to IAS 39, *Financial Instruments: Recognition and Measurement* (effective for annual periods beginning on or after 1 July 2009). The amended Standard clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation cannot be designated, except in limited circumstances. The amendments to IAS 39 are not relevant to the Company's operations as the Company does not apply hedge accounting.
- IFRIC 13 *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008). The Interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognize these proceeds as revenue only when they have fulfilled their obligations. The adoption of IFRIC 13 will not impact revenue, retained earnings and non-current liabilities of the Company as there have been no award credits granted to customers prior to the adoption of the Interpretation.
- IFRIC 15 *Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after 1 January 2009). IFRIC 15 clarifies that revenue arising from agreements for the construction of real estate is recognised by reference to the stage of completion of the contract activity in the following cases:
 - the agreement meets the definition of a construction contract in accordance with IAS 11.3;
 - the agreement is only for the rendering of services in accordance with IAS 18 (e.g., the entity is not required to supply construction materials); and
 - the agreement is for the sale of goods but the revenue recognition criteria of IAS 18.14 are met continuously as construction progresses.

In all other cases, revenue is recognized when all of the revenue recognition criteria of IAS 18.14 are satisfied (e.g., upon completion of construction or upon delivery). IFRIC 15 is not relevant to the Company's operations as the Company does not provide real estate construction services or develop real estate for sale.

EKO Petroleum Albania Sh p k

Notes to the financial statements for the year ended 31 December 2008

(amounts in Lek)

3. Significant accounting policies (continued)

(I) New standards and interpretations not yet adopted (continued)

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008). The Interpretation explains the type of exposure that may be hedged, where in the group the hedged item may be held, whether the method of consolidation affects hedge effectiveness, the form the hedged instrument may take and which amounts are reclassified from equity to profit or loss on disposal of the foreign operation. IFRIC 16 is not relevant to the Company's operations as the Company has not designated any hedges of a net investment in a foreign operation.
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective prospectively for annual periods beginning on or after 15 July 2009). The Interpretation applies to non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. In accordance with the Interpretation a liability to pay a dividend shall be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity and shall be measured at the fair value of the assets to be distributed. The carrying amount of the dividend payable shall be remeasured at each reporting date, with any changes in the carrying amount recognized in equity as adjustments to the amount of the distribution. When the dividend payable is settled the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable shall be recognized in profit or loss. As the Interpretation is applicable only from the date of application, it will not impact on the financial statements for periods prior to the date of adoption of the interpretation. Further, since it relates to future dividends that will be at the discretion of the board of directors/shareholders and it is not possible to determine the effects of application in advance.
- IAS 40, Investment Property (effective for annual periods beginning on or after 1 January 2009). IAS 40 is amended to include property under construction or development for future use as investment property in its definition of "investment property". This results in such property being within the scope of IAS 40; previously it was within the scope of IAS 16. As the Company does not deal with any investment property under construction it is not relevant to the Company's operation.

4. Determination of fair values

Some of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

EKO Petroleum Albania Sh p k

Notes to the financial statements for the year ended 31 December 2008

(amounts in Lek)

5. Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The management has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Head Quarter oversees how management monitors compliance with the Group and Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The principal financial instruments of the Company consist of cash on hand and at banks, bank overdraft, trade accounts receivable and payable, accrued and other current liabilities.

Volatility in global and Albania's financial markets

The ongoing global financial and economic crisis has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues throughout the world. The full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

Impact on liquidity

The volume of wholesale financing has significantly reduced recently. Such circumstances may affect the ability of the Company to obtain new borrowings, if needed, and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

Impact on customers/ borrowers

Debtors of the Company may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers may also impact management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their impairment assessments.

EKO Petroleum Albania Sh p k
Notes to the financial statements for the year ended 31 December 2008
(amounts in Lek)

5. Financial Risk Management (continued)

(a) Credit risk

Due to the large volume and diversity of the Company's customer base, concentrations of credit risk with respect to trade accounts receivable are limited. The allowance for doubtful accounts receivable is stated at the amount considered necessary to cover potential risks in the collection of accounts receivable balances.

(b) Liquidity risk

The Company generates significant cash flows from operating activities such that it believes that its liquidity risk is not significant. To further reduce this risk, the Company has available undrawn credit facilities available to fund short-term cash flows, if necessary.

Market risk

Interest risk

The Company faces interest rate cash flow risk related loans and overdrafts that Company can obtain which are at a variable rate. Management has not entered into any derivatives to hedge this risk.

Foreign exchange risk

The Company does not face significant foreign currency risk from its normal operations. However, it has significant Euro balances owing from its customers and owed toward its suppliers, which exposes the Company to foreign currency risk. Management has not entered into any derivatives to hedge this risk.

Sensitivity analysis

In managing interest rate and currency risks the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates might have an impact on profit. At 31 December 2008 it is estimated that a change in the percentage of interest rates and a change in the value of the Lek against other foreign currencies would not significantly impact the Company's profit before income tax.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Head Quarter monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity, excluding non-redeemable preference shares and minority interests. The management and Head Quarter also monitor the level of dividends to ordinary shareholders. The Company seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

EKO Petroleum Albania Sh p k
Notes to the financial statements for the year ended 31 December 2008
(amounts in Lek)

6. Property, plant and equipment

Property, plant and equipment as at 31 December 2008 and 2007 are comprised as follows:

<i>Historical Cost</i>	<i>At 31 December 2007</i>	<i>Additions</i>	<i>Disposals</i>	<i>At 31 December 2008</i>
Land	39,518,080.00			39,518,080.00
Buildings	313,677,811.50	975,436.00	-650,674.00	314,002,573.50
Technical Installation	50,060,110.94	397,333.00		50,457,443.94
Vehicles	4,544,078.00			4,544,078.00
Others in use Office Furniture's	6,981,328.56		-63,506.00	6,917,822.56
Office Equipments	244,878.00			244,878.00
In progress	39,509,102.00			39,509,102.00
Total	454,535,389.00	1,372,769.00	-714,180.00	455,193,978.00
<i>Accumulated Depreciation</i>	<i>At 31 December 2007</i>	<i>Additions</i>	<i>Disposals</i>	<i>At 31 December 2008</i>
Land	0.00			0.00
Buildings	35,978,612.84	15,680,474.31	-86,756.57	51,572,330.58
Technical Installation	12,391,297.06	2,775,883.84		15,167,180.90
Vehicles	3,446,516.61	565,134.38		4,011,650.98
Others in use Office Furniture's	2,549,630.53	864,727.82	-28,275.29	3,386,083.06
Office Equipments	94,361.07	48,975.60		143,336.67
In progress	0.00			0.00
Total	54,460,418.10	19,935,195.95	-115,031.86	74,280,582.19

EKO Petroleum Albania Sh p k

Notes to the financial statements for the year ended 31 December 2008

(amounts in Lek)

6. Property, plant and equipment (continued)

<i>Net book Value</i>	<i>At 31 December 2007</i>	<i>Additions</i>	<i>Disposals</i>	<i>At 31 December 2008</i>
Land	39,518,080.00			39,518,080.00
Buildings	277,699,198.66			262,430,242.92
Technical Installation	37,668,813.88			35,290,263.04
Vehicles	1,097,561.39			532,427.02
Others in use Office Furniture's	4,431,698.03			3,531,739.50
Office Equipments	150,516.93			101,541.33
In progress	39,509,102.00			39,509,102.00
Total	400,074,970.90			380,913,395.81

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Notes to the financial statements for the year ended 31 December 2008
(amounts in Lek)

6. Property, plant and equipment (continued)

Security

There are no items of Property, plant and equipment given as collateral for any line of credit as at 31 December 2008.

Depreciation

In the income statement depreciation is allocated as part of selling and distribution costs in amount of Lek 19,935,195.95 (2007: Lek 20,310,091.69 Lek).

Other matters

Due to IFRS implementation and appliance of IFRS 1, at the end of the year the Company has performed asset reclassification and recalculation of depreciation as at 1 January 2008.

The Company opinion is that there are no other matters to mention.

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Notes to the financial statements for the year ended 31 December 2008
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7. Trade and other receivables

Trade and other long term receivables as at 31 December 2008 are presented as below:

	<u>31 December 2008</u>	<u>31 December 2007</u>
Trade Receivables	5,163,958.80	5,163,958.80
Provision for Trade receivables	(5,163,958.80)	(5,163,958.80)
	<u>-</u>	<u>-</u>

In that account are classified long term debiting obligations, which relate to their classification as non receivable within 12 months period, as it is specified in the Company's accounting policies. As per these policies under IFRS appliance, the Company as at 1 January 2007 has calculated and booked the impairment of these rights, for a part of which legal claims related to their collection are in process.

8. Inventories

Inventories at 31 December 2008 and 2007 can be summarized as follows:

	<u>31 December 2008</u>	<u>31 December 2007</u>
Spare parts	6,087.07	6,087.07
Inventory and packaging	1,891,370.34	1,891,370.34
Finished goods	24,638,454.22	21,203,417.14
By- product and residual products	94,461.71	94,461.71
Provision of goods and lubricants for resale	-4,258,514.18	-
	<u>22,371,859.16</u>	<u>23,195,336.26</u>

EKO Petroleum Albania Sh p k
Notes to the financial statements for the year ended 31 December 2008
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9. Trade receivables

Trade receivables as at 31 December 2008 represent receivables from sales of products and those for resale. At year end no impairment of trade receivables was recognized.

	<u>31 December 2008</u>	<u>31 December 2007</u>
Trade receivables	21,909,670.63	25,319,600.01
Due from related parties	370,195.22	21,196,659.60
	<u>22,279,865.85</u>	<u>46,516,259.61</u>

9.a Trade receivables as at December 31, 2008, are presented as below:

	<u>31 December 2008</u>
FRYME DASHURIE' FOUNDATION	219,900.00
FARMA	112,000.00
ALBA SKELA	1,059,120.00
KRYEPESHKOPATA	735,700.00
MANASTIRI I ARDENICES	426,000.00
BRAPET ltd	745,000.00
Other trade debtors	18,611,950.63
	<u>21,909,670.63</u>

EKO Petroleum Albania Sh p k
Notes to the financial statements for the year ended 31 December 2008
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9. b. Due from related parties

The amount due from related parties represents the outstanding amount due from EKO Petroleum Sh p k for retail sale of fuel realized during 2008.

	<u>31 December 2008</u>	<u>31 December 2007</u>
Global Petroleum s a	370,195.22	21,196,659.60
	<u>370,195.22</u>	<u>21,196,659.60</u>

10. Other current assets

Other current assets at 31 December 2008 and 2007 can be summarized as follows:

	<u>31 December 2008</u>	<u>31 December 2007</u>
Prepaid income tax	9,623,289.00	8,423,289.00
VAT - to be reimbursed	19,597,462.55	26,299,503.11
VAT - receivable	21,619,425.00	21,619,425.00
Other debtors and creditors	2,170,273.38	2,274,023.32
	<u>53,010,449.93</u>	<u>58,616,240.43</u>

11. Cash and cash equivalents

The cash balances at 31 December 2008 and 2007 are composed as follows:

	<u>31 December 2008</u>	<u>31 December 2007</u>
Resident banks in ALL	18,451,809.76	47,996,169.89
Resident banks in Forex	10,372.24	10,061.21
Cash in safe	49,857.00	92,290.00
	<u>18,512,039.00</u>	<u>48,098,521.10</u>

EKO Petroleum Albania Sh p k

Notes to the financial statements for the year ended 31 December 2008

(amounts in Lek)

12. Share capital

As at 31 December 2008 the authorized, issued and paid-up share capital of the Company is 617,472 shares (2007: 617,472 shares) with a par value of Lek 1,000 per share. The following is the summary of share capital as at the end of each year:

Name of the shareholder	Capital Value	% of Capital
Global Petroleum Albania Sh a	617,472,990	100.00
	617,472,990	100.00

During the year there are no transactions with the capital, presented in the legal documents of the Company as well.

13. Trade and other payables

Trade and other payables at 31 December 2008 are composed as follows:

	31 December 2008	31 December 2007
Trade payables	a 4,563,940.98	5,000,016.66
Due to related parties – related to activity	b 13,521,556.06	83,662,799.75
Social Security	c 97,407.00	78,154.00
Personal income tax	c 65,544.00	53,997.00
Due to related parties – related to others	b 0.54	2,880,000.54
Sundry creditors	-	1,120,000.00
	18,248,448.58	92,794,967.95

EKO Petroleum Albania Sh p k

Notes to the financial statements for the year ended 31 December 2008

(amounts in Lek)

13.a Trade payables

Trade payables as at 31 December 2008 are composed as follows:

	<u>31 December 2008</u>	<u>31 December 2007</u>
DENIZI SH P K	443,857.20	534,543.60
SINI SH P K	431,809.40	593,369.40
BIRACI SH P K	180,637.00	392,345.60
ORTODOKS CHURCH	1,733,200.00	-
VALENTINI SH P K	617,656.20	612,846.20
DREJT PERGJ KALIBRIMIT	101,550.00	-
NIEM SH P K	280,102.40	314,006.40
KLEIDI SHPK	-	255,621.46
EURO RG SHPK	-	366,870.80
Others	775,128.78	1,930,413.20
	<u>4,563,940.98</u>	<u>5,000,016.66</u>

13.b Due to related parties

Due to related parties payable at 31 December 2008, are composed as follows:

	<u>31 December 2008</u>	<u>31 December 2007</u>
Global Petroleum Albania Sh a – related to the activity	13,521,556.06	83,662,799.75
Global Petroleum Albania Sh a – related to others	0.54	2,880,000.54
	<u>13,521,556.60</u>	<u>86,542,800.29</u>

13.c Other payables

Other payables at 31 December 2008, are composed as follows:

	<u>31 December 2008</u>	<u>31 December 2007</u>
Social contributions	97,407.00	78,154.00
Personal income tax	65,544.00	53,997.00
	<u>162,951.00</u>	<u>132,151.00</u>

EKO Petroleum Albania Sh p k
Notes to the financial statements for the year ended 31 December 2008
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14. Revenue

The operating revenue reflected in the accompanying statements of income is analyzed as follows:

	<u>2008</u>	<u>2007</u>
Sale of goods – fuel and lubricants	597,709,826.69	523,279,993.31
	<u>597,709,826.69</u>	<u>523,279,993.31</u>

15. Cost of goods sold

Cost of goods sold for the years 2008 and 2007 is composed as follows:

	<u>2008</u>	<u>2007</u>
Changes in inventories of finished goods	(3,435,037.06)	3,014,010.22
Energy, Steam, Water	-	6,916.00
Purchase of goods, services	577,052,829.74	464,438,885.48
Laboratory expenses	1,229,153.00	1,209,793.00
Other taxes	790,930.00	717,956.00
Other expenses	1,141,212.00	637,443.14
	<u>576,779,087.68</u>	<u>470,025,003.84</u>

EKO Petroleum Albania Sh p k
Notes to the financial statements for the year ended 31 December 2008
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16. Other income

Other income is composed as follows:

	<u>2008</u>	<u>2007</u>
Rent	3,540,000.00	4,159,000.00
Gross margin incomes	36,799,091.00	12,450,152.00
Incomes from tax revaluation	635,928.00	-
Incomes from sale of fixed assets	563,918.00	-
Other incomes	-	148,890.56
Reversal of depreciation	28,276.86	891,174.00
	<u>41,567,213.86</u>	<u>17,649,216.56</u>

17. Sales and distribution Costs

Sales and distribution costs of 2008 and 2007, are composed as follows:

	<u>2008</u>	<u>2007</u>
Other purchase expenses	-	68,776.00
Rent	3,623,517.00	3,896,750.00
Travel expenses and per diems	301,023.00	274,320.00
Communication and phone expenses	180,968.00	149,000.00
Salaries and rewards	1,116,718.00	987,675.00
Social security	181,976.00	169,148.00
Annual depreciation	19,935,195.95	23,367,053.00
Provision of goods and lubricants for resale	4,258,514.18	-
	<u>29,597,912.13</u>	<u>28,912,722.00</u>

EKO Petroleum Albania Sh p k
Notes to the financial statements for the year ended 31 December 2008
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18. Administrative expenses

Administrative expenses for the years 2008 and 2007 are composed as follows:

	<u>2008</u>	<u>2007</u>
Purchase of other materials	295,559.00	118,841.80
Extraordinary expenses	739,136.00	65,273.00
Services from third parties	875,040.00	-
Insurance expenses	818,749.94	1,265,102.61
Other expenses	13,000.00	-
Personnel outside the entity	27,862,931.50	28,996,535.00
Other taxes	203,000.00	218,700.00
Salaries	2,967,423.00	2,624,291.00
Social security	507,986.00	443,186.00
Other expenses related to personnel	-	4,100.00
Others	12,000.00	-
Annual depreciation	-	77,981.00
	<u>34,294,825.44</u>	<u>33,814,010.41</u>

19. Other operating expenses

Other operating expenses are composed as follows:

	<u>2008</u>	<u>2007</u>
Maintenance and repairs	2,493,249.68	2,512,027.80
Transport expenses	39,800.00	19,634.00
NBV of non current assets sold	563,918.00	12,450,152.00
Fines and penalties	306,843.00	2,205,249.00
Other expenses	-	103,020.00
Loss from obsolete of non current assets	63,507.00	2,345,958.00
Annual depreciation	-	257,168.00
	<u>3,467,317.68</u>	<u>19,893,208.80</u>

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Notes to the financial statements for the year ended 31 December 2008
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20. Finance income and expense

Finance income and expense are composed as follows:

	<u>2008</u>	<u>2007</u>
Bank charge	292,965.19	314,970.45
Interest expense	-	42,128.04
Net foreign exchange losses	15,110.27	-
	<u>308,075.46</u>	<u>357,098.49</u>
	<u>2008</u>	<u>2007</u>
Interest income	86,190.87	148,626.19
Net foreign exchange gains	261,687.88	-
	<u>347,878.75</u>	<u>148,626.19</u>

21. Income tax expense

The following is a reconciliation of income taxes calculated at the applicable tax rate to income tax expense.

Recognized in the income statement:

	<u>2008</u>	<u>2007</u>
Profit before tax	(4,822,299.09)	(11,924,207.48)
Non-deductible expenses	4,674,959.00	-
Profit before tax	<u>(147,340.09)</u>	<u>(11,924,207.48)</u>
Income tax expense for the year 10 %	-	-
	20%	-
Net result for the financial year	<u>(4,822,299.09)</u>	<u>(11,924,207.48)</u>

Income tax in Albania is assessed at the rate of 10% (2007: 20%) of taxable income.

In order to define the net result of the year 2008, the Company has done the necessary adjustments specified in the law on income tax, considering as non-deductible expenses with the purpose of fiscal result definition, in amount Lek 4,674,959.00.

EKO Petroleum Albania Sh p k
Notes to the financial statements for the year ended 31 December 2008
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22. Information for the employees

Average number of the employees (excluding executive directors) and the related expenses during the years are composed as follows:

	2007	2008
Number of employees:	4	4
	2008	2007
Salaries	2,967,423.00	2,624,291.00
Social Security	507,986.00	443,186.00
	3,475,409.00	3,067,477.00

23. Contingencies and commitments

Capital commitments

The company as at 31 December 2008 has no contractual commitments.

Legal proceedings

Dispute with tax authorities

No provision for tax risk is recognized as of 31 December 2008 and 2007 in the accompanying financial statements. Based on inquiries and analysis performed, the EKO Petroleum sh p k management believes that the existing accounting and fiscal guidelines applicable in Albania do not require a tax risk provision to be recognized.

24. Explanation of transition to IFRSs

As stated in note 2(a), these are the Company's first financial statements prepared in accordance with IFRS's translated from the National Accounting Council of the Republic of Albania. For the purpose of this note IFRS are meant to represent IFRS's translated from the National Accounting Council of the Republic of Albania. The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2008, the comparative information presented in these financial statements for the year ended 31 December 2007 and in the preparation of an opening IFRS balance sheet at 1 January 2007 (the Company's date of transition). In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

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Notes to the financial statements for the year ended 31 December 2008
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25. Subsequent events

(i) Tax Legislation

Effective from 1 January 2009 the Albanian Parliament approved Law No.10072 dated 09.02.2009 on Some Amendments to Law No.8438 dated 28.12.1998 on Income Tax which is expected to be published and enacted. With these amendments, the Republic of Albania will incorporate any impact due to the introduction of the International Financial Reporting Standards or the National Accounting Standards as the basis for the underlying records when an entity is subject to corporate income tax.

(ii) Other

The management of the Company is not aware of any other events after the balance sheet date that would require either adjustments or additional disclosures in the financial statements.