EKO YU A.D. BEOGRAD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

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PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT

To the Management of EKO YU a.d., Beograd

1. We have audited the accompanying financial statements of EKO YU a.d., Beograd (the "Company") which comprise the balance sheet as of 31 December 2006 and the income statement, 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. The statistical annex is an integral part of these financial statements.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Law on Accounting and Auditing of the Republic of Serbia. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. Our responsibility is to express an 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 from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks 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 expressing an opinion on the effectiveness of the entity's internal control. An audit also 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.

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

Basis for Qualified Opinion

6. The Company reclassified buildings of RSD 892,943 thousand and construction in progress of RSD 141,834 thousand to land as of 31 December 2005. Furthermore, accumulated depreciation at 31 December 2005 was reduced by RSD 124,324 thousand and other income was increased for 2005 by this amount. We were unable to obtain sufficient audit evidence regarding property, plant and equipment that would enable us to assess the appropriateness of these reclassifications and adjustments. Our auditors report on the financial statements for the year ended 31 December 2005 was modified accordingly.

Qualified Opinion

7. In our opinion, except for the effect on the corresponding figures for 2005 of the matter described in the Basis for Qualification Opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with the Law on Accounting and Auditing of the Republic of Serbia.

Emphasis of Matter

8. Without further qualifying our opinion, we draw attention to Note 2 to the financial statements which describe the fact that the financial statements do not comply with all of the requirements of International Financial Reporting Standards. Accordingly, the financial statements are not intended to 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.

Marica Aleksić
Certified Auditor

PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 19 March 2007

INCOME STATEMENT

For the period that ended 31.12.2006

Code of accounts	ITEM		EDP	Note no.	Amount	
					Current year	Previous year
1	2		3	4	5	6
	A.	**OPERATING INCOME AND EXPENSES**				
	I.	**OPERATING INCOME** (202+203+204-205+206)	201		4031067	2224461
60 & 61	1.	Sales	202	20	4031067	2224461
62	2.	Work performed by the entity and capitalized	203			
630	3.	Inventories-Value increase	204			
631	4.	Inventories-Value decrease	205			
64 & 65	5.	Other operating revenue	206			
	II.	**OPERATING COSTS** (208 do 212)	207		4141227	2402746
50	1.	Purchase costs of merchandise sold	208	22	3643327	2031991
51	2.	Cost of materials	209	22	36887	27447
52	3.	Cost of salaries, fringe benefits and other personal expenses	210	27	122812	137424
54	4.	Depreciation and provisions	211	22	99251	67981
53 & 55	5.	Other operating costs	212	23	238950	137903
	III.	**OPERATING INCOME** (201-207)	213			
	IV.	**OPERATING LOSS** (207-201)	214		110160	178285
66	**V.**	**FINANCE INCOME**	215	24	146591	9601
56	**VI.**	**FINANCE COSTS**	216	25	180030	160678
67 & 68	**VII.**	**OTHER INCOME**	217	21	15432	127481
57 & 58	**VIII.**	**OTHER EXPENSES**	218	26	22811	12642
	IX.	**OPERATING PROFIT BEFORE TAX** (213-214+215-216+217-218)	219			
	X.	**OPERATING LOSS BEFORE TAX** (214-213-215+216-217+218)	220		150978	214523
69 - 59	**XI.**	**NET PROFIT ATTRIBUTABLE TO DISCONTINUED OPERATIONS**	221			
59 - 69	**XII.**	**NET LOSS ATTRIBUTABLE TO DISCONTINUED OPERATIONS**	222			
	B.	**PROFIT BEFORE TAX** (219-220+221-222)	223			
	C.	**LOSS BEFORE TAX** (220-219+222-221)	224		150978	214523
	D.	**INCOME TAX**				
721	1.	Income tax expense for the period	225			
722	2.	Deferred income expense for the period	226			
722	3.	Deferred tax income for the period	227			
723	**E.**	**BENEFITS PAID TO EMPLOYER**	228			
	F.	**NET PROFIT** (223-224-225-226+227-228)	229			
	G.	**NET LOSS** (224-223+225+226-227+228)	230		150978	214523
	H.	**NET PROFIT ATTRIBUTABLE TO MINORITY INTEREST**	231			

INCOME STATEMENT (continued)

For the period that ended 31.12.2006

Code of accounts	ITEM		EDP	Note no.	Amount	
					Current year	Previous year
1	2		3	4	5	6
	I.	**NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT**	232			
	J.	**EARNINGS PER SHARE**				
	K.	**BASIC EARNINGS PER SHARE**				
	L.	**DILUTED EARNINGS PER SHARE**				

In Belgrade

Date 28.02.2007.

Responsible person for the preparation of accounts

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Legal representative

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BALANCE SHEET

As at 31.12.2006.

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+005+009)	001		3675358	3005472
00	I.	UNPAID SUBSCRIBED CAPITAL	002			
012	II.	GOODWILL	003			
01 less 012	III.	INTANGIBLE ASSETS	004	5	1000744	
01 less 012	IV.	PROPERTY, PLANT & EQUIPMENT and BIOLOGICAL ASSETS (006+007+008)	005		2674614	3005472
020, 022, 023, 026, 027 (part), 028 (part), 029	1.	Property, plant &equipment	006	6	2674614	3005472
024, 027 (part), 028 (part)	2.	Investment property	007			
021, 025, 027 (part), 028 (part)	3.	Biological assets	008			
	V.	LONG TERM FINANCIAL INVESTMENTS (010+011)	009			
030 to 032, 039 (part)	1.	Investments in Equity	010			
033 to 038, 039 (part) less 037	2.	Other long term investments	011			
	B.	**CURRENT ASSETS** (013+014+015+021)	012		409551	365116
10 to 13,15	I.	INVENTORIES	013	7	157205	169126
14	II.	NON CURRENT ASSETS HELD FOR SALE & ASSETS ATTRIBUTABLE TO DISCONTINUED OPERATIONS	014			
	III.	SHORT TERM RECEIVABLES, INVESTMENTS & CASH (016+017+018+019+020)	015		252346	195990
20, 21, 22 less 223	1.	Receivables	016	8	104605	118934
223	2.	Overpaid tax receivables	017			
23 minus 237	3.	Short term financial placements	018			
24	4.	Cash and cash equivalents	019	9	78554	50529
27 & 28 less 288	5.	Value added tax and accruals	020	10	69187	26527
288	III.	DEFERRED TAX ASSETS	021			
	C.	**BUSINESS ASSETS** (001+012)	022		4084909	3370588
29	**D.**	**LOSS EXCEEDING CAPITAL**	023			
	E.	**TOTAL ASSETS** (022+023)	024		4084909	3370588
88	**F.**	**OFF-BALANCE SHEET ASSETS**	025	11	158000	

BALANCE SHEET (continued)

As at 31.12.2006.

Code of accounts	ITEM		EDP	Note no.	Amount	
					Current year	Previous year
1	2		3	4	5	6
	LIABILITIES					
	A.	**CAPITAL** (102+103+104+105+106-107-108)	101		1183184	1334162
30	I.	INITIAL CAPITAL	102	12	2044025	2044025
31	II.	UNPAID SUBSCRIBED CAPITAL	103			
32	III.	RESERVES	104			
33	IV.	REVALUATION RESERVE	105			
34	V.	RETAINED EARNINGS	106			
35	VI.	LOSS	107	12	860841	709863
037 & 237	VII.	TREASURY SHARES	108			
	B.	**NON CURRENT PROVISIONS & LIABILITIES** (110+111+114+121)	109		2901725	2036426
40	I.	LONG TERM PROVISIONS	110	13	473	
41	II.	LONG TERM LIABILITIES (112+113)	111		692516	1336450
414, 415	1.	Long term borrowings	112	14	692516	1336450
41 LESS 414 & 415	2.	Other long term liabilities	113			
	III.	SHORT TERM LIABILITIES (115+116+117+118+119+120)	114		2208736	699976
42 less 427	1.	Short term financial liabilities	115	15	2005537	643500
427	2.	Liabilities attributable to assets held for sale and discontinued operations assets	116			
43 & 44	3.	Trade payables	117	16	178267	47660
45, 46 & 49 less 498	4.	Other short term liabilities and accruals	118	17	24689	8816
47 and 48 less 481	5.	Liabilities for VAT and other public revenues	119	17	243	
481	6.	Income tax payable	120			
498	IV.	DEFERRED TAX LIABILITIES	121			
	C.	**TOTAL LIABILITIES** (101+109)	122		4084909	3370588
89	**D.**	**OFF-BALANCE SHEET LIABILITIES**	123	11	158000	

In Belgrade	Responsible person for the preparation of accounts	Legal representative
Date 28.02.2007.	______________________	______________________

CASH FLOW STATEMENT

For the period that ended 31.12.2006

ITEM		EDP	Amount	
			Current year	Previous year
1		2	3	4
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
I.	**Cash generated from operations (1 to 3)**	301	4825482	2197442
1.	Sales and advances received	302	4050811	2069901
2.	Interest from operating activities	303		
3.	Other inflow from operating activities	304	774671	127541
II.	**Cash outflows from operating activities** (1 to 5)	305	4765620	2467334
1.	Payments and prepayments to suppliers	306	3787410	2191347
2.	Salaries, fringe benefits and other personal expenses	307	121170	137424
3.	Interest paid	308	106643	41678
4.	Income tax paid	309		
5.	Payments for other public revenues	310	750397	96885
III.	**Net cash inflow from operating activities** (I - III)	311	59862	
IV.	**Net cash outflow from operating activities** (II - I)	312		269892
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
I.	**Proceeds from financing activities (1 to 5)**	313	1080	382
1.	Sale of shares/stakes (net inflow)	314		
2.	Proceeds from sale of intangible assets, PPE and biological assets	315		
3.	Other financial investments (net inflow)	316		
4.	Interest received	317	1080	382
5.	Dividends received	318		
II.	**Cash outflows from investing activities** (1 to 3)	319	750617	547217
1.	Purchase of shares/stakes (net outflow)	320		
2.	Purchase of intangible assets, property, plant and equipment and biological assets	321	750617	547217
3.	Other financial investments (net outflow)	322		
III.	**Net proceeds from investing activities** (I - II)	323		
IV.	**Net outflow from investing activities** (II - I)	324	749537	546835
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
I.	**Proceeds from financing activities** (1 to 3)	325	718102	812833
1.	Capital stock increase	326		
2.	Proceeds from long term and short term borrowings (Net)	327	718102	812833
3.	Other long term and short term liabilities	328		
II.	**Cash outflows from financing activities** (1 to 4)	329		
1.	Purchase of treasury shares and stakes	330		
2.	Long term, short term and other liabilities(net outflow)	331		
3.	Financial Lease	332		
4.	Dividends paid	333		

CASH FLOW STATEMENT (continued)

For the period that ended 31.12.2006

ITEM		EDP	Amount	
			Current year	Previous year
1		2	3	4
III.	**Net proceeds from financing activities** (I - II)	334	718102	812833
IV.	**Net outflow from financing activities** (II - I)	335		
D.	**TOTAL PROCEEDS** (301+313+325)	336	5544664	3010657
E.	**TOTAL OUTFLOW** (305+319+329)	337	5516237	3014551
F.	**PROCEEDS NET** (336-337)	338	28427	
G.	**OUTFLOW NET** (337-336)	339		3894
H.	**CASH AT THE BEGINNING OF ACCOUNTING PERIOD**	340	50529	45204
I.	**FOREIGN CURRENCY GAINS ON TRANSLATION OF CASH AND CASH EQUIVALENTS**	341		9219
J.	**FOREIGN CURRENCY LOSSES ON TRANSLATION OF CASH AND CASH EQUIVALENTS**	342	402	
K.	**CASH AT THE END OF ACCOUNTING PERIOD** (338-339+340+341-342)	343	78554	50529

In Belgrade

Date 28.02.2007.

Responsible person for the preparation of accounts

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Legal representative

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STATEMENT OF CHANGES IN EQUITY

For the period that ended 31.12.2006

DESCRIPTION	Share capital (Group 30 less 309)	Other capital (Acc. 309)	Unpaid subscribed capital (Group 31)	Share premium	Reserves (Acc. 321, 322)	Revaluation reserves (Group 33)	Retained earnings (Group 34)	Loss not exceeding capital (Group 35)	Treasury shared and stakes (Acc. 037, 237)	Total (column 2+3+4+5+6+7 +8+9-10)	Loss exceeding capital (Group 29)
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
1. Balance as at 1 January of previous year	1999172					44853		495340		1548685	
2. Adjustments of material errors and changes in accounting policies occurred in previous year - Increase											
3. Adjustments of material errors and changes in accounting policies occurred in previous year - Decrease											
4. Restated opening balance as at 1 January of previous year (1+2+3)	1999172					44853		495340		1548685	
5. Total increase in previous year	44853							214523			
6. Total decrease in previous year						44853					
7. Balance as at 31 December of previous year (4+5+6)	2044025							709863		1334162	
8. Adjustments of material errors and changes in accounting policies occurred in current year - Increase											

STATEMENT OF CHANGES IN EQUITY (continued)

For the period that ended 2006.

DESCRIPTION	Share capital (Group 30 less 309)	Other capital (Acc. 309)	Unpaid subscribed capital (Group 31)	Share premium	Reserves (Acc. 321, 322)	Revaluation reserves (Group 33)	Retained earnings (Group 34)	Loss not exceeding capital (Group 35)	Treasury shared and stakes (Acc. 037, 237)	Total (column 2+3+4+5+6+7 +8+9-10)	Loss exceeding capital (Group 29)
1	2	3	4	5	6	7	8	9	10	11	12
9. Adjustments of material errors and changes in accounting policies occurred in current year - Decrease											
10. Restated opening balance as at 1 January of current year	2044025							709863		1334162	
11. Total increase in current year								150978			
12. Total decrease in current year											
13. Balance as at 31 December of current year (10+11-12)	2044025							860841		1183184	

In Belgrade

Responsible person for the preparation of accounts

Legal representative

Date 28.02.2007.

STATISTICAL ANNEX

for the year 2006

I. GENERAL INFORMATION ON COMPANY/ENTERPRENEUR

DESCRIPTION	EDP	Current year	Previous year
1	2	3	4
1. Number of months of operations	**601**	12	**12**
2. Code identifying the company's size (1to3).	602	3	3
3. Code identifying the company's ownership structure (1to5).	603	2	2
4. Number of foreign persons, who may be natural persons or legal entities, holding a share in capital.	604		
5. Average number of employees based on employee position as at each months end.	605	142	180

II. MOVEMENTS WITHIN INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, AND BIOLOGICAL ASSETS/ GROSS

Code of Account	DESCRIPTION	EDP	Gross	Accumulated Depreciation	Net (Column 4-5)
1	2	3	4	5	6
01	**1. Intangible assets**				
	1.1 Balance as at beginning of the year	606			
	1.2. Additions (purchases) during the year	607	1006706	xxxxxxxxxxxxxx	1006706
	1.3. Disposals during the year (disposals, write-offs, impairment)	608	5962	xxxxxxxxxxxxxx	5962
	1.4. Revaluation during the year	609		xxxxxxxxxxxxxx	
	1.5. Balance as at year end (606+607-608+609)	610	1000744		1000744
02	**2. Property, Plant and Equipment, and Biological Assets**				
	2.1. Balance as at beginning of the year	611	3123852	118380	3005472
	2.2. Additions (purchases) during the year	612	1849059	xxxxxxxxxxxxxx	1849059
	2.3. Disposals during the year (disposals, write-offs, impairment)	613	2179917	xxxxxxxxxxxxxx	2179917
	2.4. Revaluation during the year	614		xxxxxxxxxxxxxx	
	2.5. Balance as at year end (611+612-613+614)	615	2792994	118380	2674614

STATISTICAL ANNEX (continued)

for the year 2006

III. INVENTORIES

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
10	1. Stock of material	616		
11	2. Work in progress	617		
12	3. Finished goods	618		
13	4. Merchandise	619	142167	113369
14	5. Non-current assets available–for-sale	620		
15	6. Prepayments	621	15038	55757
	7. TOTAL (616+617+618+619+620+621=013)	**622**	157205	169126

IV. EQUITY

(In thousands RSD)

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
300	Share capital	623	2044025	2044025
	- foreign capital	624		
301	Stakes of a limited liability company	625		
	- foreign capital	626		
302	Stakes of members of a partnership or limited partnership	627		
	- foreign capital	628		
303	State owned capital	629		
304	Socially owned capital	630		
305	Stakes in cooperatives	631		
309	Other equity	632		
30	**TOTAL (623+625+627+629+630+631+632 =102)**	633	2044025	2044025

V. SHARE CAPITAL

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
	1. Ordinary Shares			
	1.1. Number of ordinary shares	634		
Partly 300	1.2. Face value of ordinary shares - Total	635		
	2. Preference shares			
	2.1. Number of preference shares	636		
Partly 300	2.2. Face value of preference shares - Total	637		
	TOTAL – Face value of shares (635+637=623)	**638**		

STATISTICAL ANNEX (continued)

for the year 2006

VI. RECEIVABLES AND PAYABLES

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
20	1. Receivables from sales (Balance at year end 639 ≤ 016)	639	98740	118934
43	2. Payables from operations (Balance at year end 639 ≤ 117)	640	177667	47660
Partly 228	3. Receivables from insurance companies for compensation for damage during the year (debit turnover less opening balance)	641		
27	4. VAT paid for goods and services purchased (debit turnover less opening balance)	642	769462	494256
43	5. Payables from operations (credit turnover less opening balance)	643	9456083	3361383
450	6. Net salaries and fringe benefits payable (credit turnover less opening balance)	644	68076	89014
451	7. Tax on salaries and fringe benefits charged to employees payable (credit turnover less opening balance)	645	13665	18318
452	8. Contribution on salaries and fringe benefits charged to employees payable (credit turnover less opening balance)	646	14728	13835
461, 462 and 723	9. Dividends, share in profit and personal earnings of the employer payable (credit turnover less opening balance)	647		
465	10. Fees for services rended by natural persons payable (credit turnover less opening balance)	648	3942	277
47	11. VAT collected for products, goods and services sold (credit turnover less opening balance)	649	731728	401074
	12. Control Total (from 639 to 649)	**650**	11334091	4544751

STATISTICAL ANNEX (continued)

for the year 2006

VII. OTHER COSTS AND EXPENSES

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
513	1. Cost of fuel and energy	651	14206	12476
520	2. Cost of salaries and fringe benefits (gross)	652	96472	108070
521	3. Cost of taxes and contributions on salaries and fringe benefits charged to employer	653	14813	16257
522, 523, 524 and 525	4. Cost of fees for services rendered by natural persons (gross)	654	4906	12063
526	5. Cost of fees for members of management and supervisory boards (gross)	655		
529	6. Other personal fees and expenses	656	6621	1032
53	7. Production services cost	657	91957	74990
533, part of 540 and part of 525	8. Rental costs	658	23843	18459
Prt of 533, part of 540 and part of 525	9. Rental costs/Land	659		
536, 537	10. Research and development costs	660		
540	11. Cost of depreciation	661	98778	67981
552	12. Insurance premium costs	662	507	593
553	13. Payment operations costs	663	12289	5817
554	14. Membership fees	664	466	398
555	15. Taxes	665	19881	12336
556	16. Contributions	666	860	1258
562	17. Interest payable	667	126361	46066
Part of 560, part of 561 and 562	18. Interest payable and a portion of financial expenses	668	126361	46066
Part of 560, part of 561 and part of 562	19. Interest payable on bank loans and loans from other financial organizations	669	125977	29738
Part of 579	20. Cost of humanitarian, cultural, health, educational, scientific and religious purposes, environmental protection and sports purposes	670	999	322
	21. Control Total (from 651 to 670)	**671**	765297	453922

STATISTICAL ANNEX (continued)

for the year 2006

VIII. OTHER REVENUE

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
60	1. Sales of merchandise	672	4031067	2224461
640	2. Revenues from premiums, subventions, grants, recourses, compensations and tax returns	673		
641	3. Revenues from conditional donations	674		
Part of 650	4. Revenues from land-rental fees	675		
651	5. Membership fees	676		
Part of 660, part of 661 and 662	6. Interest receivable	677	1080	382
Part of 660, part of 661 and part of 662	7. Interest receivable incurring from accounts and deposits with banks and other financial organizations	678	1080	382
Part of 660, part of 661 and part of 669	8. Revenues from dividends and share in profit	679		
	9. Control Total (from 672 to 679)	**680**	4033227	2225225

IX. OTHER INFORMATION

DESCRIPTION	EDP	Current year	Previous year
1	2	3	4
1. Excise duty liability (as per annual calculation of excise duty)	681		
2. Custums and other import duties calculated (Annual Total as per calculation)	682	146232	
3. Capital subsidies and other government grants for the construction and purchase of fixed assets and intangible assets	683		
4. Govermnment grants as premiums, recourses and coverage of running operating costs	684		
5. Other Government grants	685		
6. Forein donations and other non-returnable funds, received either in cash or in kind from foreign legal and/or natural persons	686		
7. Personal earnings of the enterprener from net profit (To be completed ONLY by enterpreners)	687		
8. Control Total (from 681 to 687)	**688**	146232	

In Belgrade | Responsible person for the preparation of accounts | Legal representative

Date 28.02.2007. ____________________ ____________________

1. General information

The EKO YU AD Company is engaged in the field of motor engine fuels. The Company was established on 19.02.2002. in whole by EKO ELDA ABEE Company, organised and registered under the Greek law.

The address of the Company's registered office is in Belgrade, 17^{B} Teodora Drajzera Street.

The Company has not its primary listing on the Belgrade stock exchange because the Company is registered as a Closed Joint-Stock Company.

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

The number of employees as of 31 December 2006 was 35. (2005: 180).

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation and going concern concept

2.1.1 Basis of preparation

Other than as described below, the financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention.

The Company has prepared these financial statements in accordance with the Law on Accounting and Auditing, which requires full scope of IFRS to be applied, and the regulations issued by the Ministry of Finance. Due to the difference between these two regulations, these financial statements differ from IFRS in the following respects:

1. "Off-balance sheet assets and liabilities" are recorded on the face of the balance sheet (Note 11). Such items do not meet the definition of either an asset or a liability under IFRS.

2. Financial reports are presented in the format prescribed by the Regulation on the Form and Content of the Financial Statements of Companies, Cooperatives, Other Legal Entities and Entrepreneurs (RS Official Gazette No. 114/2006), which at times may differ from the prescribed form for certain balance sheet items according to IAS 1 – *Presentation of financial reports*.

3. The comparative financial information for the year ended 31 December 2005 has been prepared in accordance with IFRS, with additional exceptions for the interpretations and amendments to published standards effective in 2005, as follows:

   The Company did not apply those IFRS or improvements to International Accounting Standards (IAS), which became effective as of 1 January 2005. In particular therefore the following were not applied by the Company:

   (i) IFRS

   - IFRS 2 Share-based Payment

2. Summary of significant accounting policies (continued)

- IFRS 4 Insurance Contracts
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

(ii) Improvements to IAS

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

Matters disclosed above were adjusted at 1 January 2006 and adjustments were made to opening reserves at 1 January 2006 to reflect this.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(a) *Amendments to published standards effective in 2006*

IAS 19 (Amendment): Employee Benefits is mandatory for the accounting periods beginning on or after 1 January 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Company does not intend to change the accounting policy adopted for recognition of actuarial gains and looses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the accounts.

(b) *Standards, amendments and interpretations effective in 2006 but not relevant /to be reviewed on a case by case bases/*

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006, but are not relevant to the Company's operations:

- IAS 21 (Amendment), Net Investment in a Foreign Operations
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intra-Company Transactions
- IAS 39 (Amendment), The Fair Value Option

2. Summary of significant accounting policies (continued)

- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources
- IFRS 6 Exploration for and Evaluation of Mineral Resources
- IFRIC 4 Determining whether an Arrangement contains a Lease
- IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

(c) *Standards and Interpretations to existing standards that are not yet effective and have not been early adopted by the Company*

- IFRS 7 Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007). The IFRS introduces new disclosures to improve the information about financial instruments. Specifically, it requires disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk including sensitivity analysis to market risk. It replaces some of the requirements in IAS 32, Financial Instruments, Disclosure and Presentation. The Amendment to IAS 1 introduces disclosures about level of an entity's capital and how it manages capital. The Company is currently assessing what impact the new IFRS and the amendment to IAS 1 will have on disclosures in its financial statements.

- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. The Company apply IFRIC 8 from 1 January 2007, but it is not expected to have any impact on its accounts; and

- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Company will apply IFRIC 10 from 1 January 2007, but it is not expected to have any impact on its accounts.

2. Summary of significant accounting policies (continued)

(d) *Interpretations to existing standards that are not yet effective and not relevant for the Company's operations*

The following interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 May 2006 or later periods but are not relevant for the Company's operations:

- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). IFRIC 7 provides guidance on how to apply requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As Company has not a currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Company's operations; and

- IFRIC 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As Company has changed the terms of their contracts, IFRIC 9 is not relevant to the Company's operations.

2.1.2 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.

2.1.3 Prior year restatements

	Note	Capital
Net capital shown in balance sheet as at 31 December 2005	12	1,334,162
Amortization of long-term leasehold in previous periods	6	(2,391)
Net capital after adjustment as at 1 January 2006	12	**1,331,771**

	2005 (as reported) RSD '000	Amortization in previous periods	Reclassi fication	2005 (as restated) RSD '000
Property, plant and equipment	3,005,472	(2,391)	(930,235)	2,072,846
Other intangible investments	-		920,323	920,323
Software licences	-	-	9,912	9,912
Net assets	**3,005,472**	**(2,391)**	**-**	**3,003,081**
Profit for the year:	(214,523)	(2,391)		(217,454)
Profit for the year	**(214,523)**	**(2,391)**		**(217,454)**

In 2006 land was reclassified as follows:

2. Summary of significant accounting policies (continued)

The total value of land purchased from third parties of RSD 920,323 was carried over to intangible assets. Software licences, with a net book value of RSD 9,912, were carried over to other intangible investments (Notes 5 and 6).

2.2 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of the Company are measured and presented in Serbian dinars ("RSD") irrespective of whether the RSD is the Company's functional 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.

2.3 Intangible assets

(a) *Computer software*

Acquired computer software licences are capitalized 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 (*3 to 5 years*).

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 intangible assets. Direct costs include the cost of the software development employees and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives.

2.4 Property, plant and equipment

Property, plant and equipment are shown at cost price less value adjustment and reserves for value adjustment, when requested. Cost price includes expenditure charged directly to acquisition of assets.

Additional expenses are included in the cost price of assets, or if applicable, recognized as a special asset, only if the asset is likely to bring economic gain to the Company in future and if its value can be reliably estimated. All other current maintenance expenses are charged in the profit and loss account for the financial period in which they were incurred.

Borrowing expenses incurred during the construction of any asset that meets recognition criteria were capitalized over the period required for the asset to be completed and ready for use. Other borrowing expenses are shown as expenses.

2. Summary of significant accounting policies (continued)

Land is not depreciated. Long-term leasehold (advance on land – Note 6) on municipal land is amortized at the same rate as buildings, at a rate of 4%.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	%
Buildings	4
Vehicles, furniture	10
Machinery and equipment	15
Telecommunication equipment	20
Computers, software, other equipment	30
Investment in 3rd party – buildings	10
Investment in 3rd party – furniture	10
Investment in 3rd party – Machinery and equipment	15
Investment in 3rd party – Telecommunication equipment	20
Investment in 3rd party – Computers, software, other equipment	30

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within other (expenses)/income, in the income statement.

2.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash - generating units). Non-financial assets */other than goodwill/* that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6 Inventories

In accordance with accounting regulations, inventories are stated at cost value. The cost value includes all costs of acquisition (supplier's invoiced price), import duties, transportation costs and other handling charges. Discount, rebate and other similar items on the supplier's invoice are deducted when calculating the cost price. Products in retail outlets are recorded at sales price including VAT and including the price difference. The average price method is used for sold products.

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

2. Summary of significant accounting policies (continued)

2.7 Receivables

Trade receivables are initially recognized at fair value and are subsequently determined according to amortized value using the effective interest rate method, less depreciation reserves. Depreciation reserves for receivables are created when there exists objective proof that the Company will not be able to collect on all its receivables according the initial terms of the claim. Substantial financial difficulties on the customer's part, probability of the customer entering liquidation or financial reorganization procedure, omission or default on payment, are all considered as indicators that depreciation has occurred. The reserve represents the difference between the book value of the claim and the current value of expected future cash flows, discounted according to the effective interest rate. The book value of the claim is decreased by value adjustment, and the expense is recognized in the balance sheet under other expenses. Bad customer debts are written off by adjusting the value of receivables from customers. Subsequent collection of previously written off debts is shown in the balance sheet under other income.

2.8 Cash and cash equivalents

Cash and cash equivalents includes 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.

2.9 Off balance sheet assets/liabilities

Those include: guaranties as the means for deferred payment**.**

A.

2.10 (Share) capital

Ordinary shares are classified as equity. Mandatory redeemable preference shares are classified as liabilities (Note 12).

Shares are issued internally and are not listed on the Belgrade Stock Exchange since the Company is registered as a Closed Joint-stock Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

2.11 Provisions

Provisions for restoration of natural resources, restructuring costs and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

2. Summary of significant accounting policies (continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Accrued provisions on proportional base for termination payments according to past service.

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.

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 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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, if it is not accounted for, 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and 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.

2.15 Employee benefits

(a) *Pension obligations*

The Company operates a defined contribution pension plan. The Company pays contributions to publicly administered pension insurance plans on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2. Summary of significant accounting policies (continued)

(b) *Other employee benefit schemes*

The Company provides retirement employee benefit schemes. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and/or the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. The defined benefit obligation is valued annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, are charged or credited to income over the expected average remaining working lives of the related employees.

(c) *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.

(d) *Profit-sharing and bonus plans*

The Company recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company’s shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company’s activities as describe below. The amount of the revenue is not considered to be reliably measurable until all contingences relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2. Summary of significant accounting policies (continued)

(a) *Sales of goods – wholesale*

The Company manufactures and sells lubricant products in the wholesale market. Sales of goods are recognised when the Company has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with volume discounts; customers have a right to return faulty products in the wholesale market. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases.

(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 expenses.

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*

The Company sells services from cafe and car wash on Gas stations. These services are provided on a time and material basis or as a fixed price contract, with contract terms generally ranging */from less than one year to three years/*.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management

(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.

2. Summary of significant accounting policies (continued)

2.17 Leases

(a) *Where the Company is the lessee*

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) *Where the Company is the lessor*

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

(c) *Right of use of land*

Right of use of land acquired as a part of either acquisition or a separate transaction through payment to a third party is treated as an intangible asset. The intangible asset has an indefinite useful life and is subject to annual impairment testing.

Right of use of land acquired as a separate transaction through payment to the relevant Local Authority is treated as a prepayment. The prepayment is amortised over the useful life of the related building. In accordance with the corporate policy, depreciation period for above mentioned asset is 25 years.

2.18 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.

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, liquidity risk and cash flow interest rate 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 a central treasury department (The Company Treasury) under policies approved by the Board of Directors. The Company Treasury 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.

3. Financial risk management (continued)

(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 EUR and US Dollar ($). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has set up a policy to manage its foreign exchange risk against its functional currency. To manage its foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Company uses forward contracts, transacted with Treasury. In the means of protection from negative foreign exchange rates, the Company has delivered decision that any new borrowings will take affect in its functional currency. 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.

(ii) *Cash flow and fair value interest rate risk*

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

(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 major 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.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company Treasury aims to maintain flexibility in funding by maintaining availability under committed credit lines.

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, rarely 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.

4. Critical accounting estimates and judgments (continued)

(a) *Useful 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.

Other key assumptions for obligations for other employee benefits are based in part on current market conditions. Additional information is disclosed in Note 13.

5. Intangible assets

	Concessions, patents, licences and similar rights	Other intangible invest-ments	Total
Year ended 31 December 2006			
Starting position	-	-	-
Increase	79	74,071	74,150
Carried from equipment to intangible inv-licences	12,233	-	12,233
Carried from land to intangible investment-land	-	920,323	920,323
Reclassification of amortization from property, plant and equipment	(2,321)		(2,321)
Amortization (Note 22)	(3,641)	-	(3,641)
Disposed assets	-	-	-
Current value on 31 December 2006	**6,350**	**994,394**	**1,000,744**
On 31 December 2006			
Cost price	12,312	994,394	1,006,706
Value adjustment and depreciation	(5,962)	-	(5,962)
Current value	**6,350**	**994,394**	**1,000,744**

Other intangible investments amounting to RSD 994,394 thousand relates to city construction land purchased from third parties. In 2006, the following accounting entries were carried over:

Software licences in the amount of RSD 12,233 (net book value RSD 9,912) were carried over from property, plants and equipment to intangible investments. Right of use of city-owned land purchased from third parties was carried over from land to other intangible assets in the total amount of RSD 920,323.

Amortization amounting to RSD 3,640 (2005: RSD 2,321) is included in the income statement under operating expenses (Note 22).

6. Property, plant and equipment

	Land	Advance on land	Buildings	Machinery and equipment	Property, plant and equipment (PPE) under construction	Investments into third-party PPE	Total
As at 1 January 2005							
Cost value or revaluated value	-	-	1,344,392	145,433	950,353	-	2,440,178
Value adjustment	-	-	(162,578)	(12,512)	-	-	(175,090)
Current value	**-**	**-**	**1,181,814**	**132,921**	**950,353**	**-**	**2,265,088**
Year ended 31 December 2005							
Starting position of current value	-	-	1,181,814	132,921	950,353	-	2,265,088
Increase	26,991	-	32,563	105,284	382,379	-	547,217
Carried from intangible investments	34,954	-	-	-	-	-	34,954
Carried from property, plant and equipment under construction	141,834	-	-	-	(141,834)	-	-
Reallocation according to GF study	892,943	-	(892,943)	-	-	-	-
Carried book entries during year	-	-	422,347	87,086	(509,433)	-	-
Disposed – depreciated assets	-	-	-	(2,500)	-	-	(2,500)
Advance to suppliers for fixed assets	-	-	-	-	104,003	-	104,003
Correction of amortization by decision of the BD with disposal			124,324	366			124,69,
Amortization (Note 22)	-	-	(12,603)	(55,377)	-	-	(67,981)
Current value on 31 December	**1,096,722**	**-**	**855,502**	**267,780**	**785,468**	**-**	**3,005,472**
On 31 December 2005							
Cost value or revaluated value	1,096,722	-	906,359	335,303	785,468	-	3,123,852
Value adjustment	-	-	(50,857)	(67,523)	-	-	(118,380)
Current value	**1,096,722**	**-**	**855,502**	**267,780**	**785,468**	**-**	**3,005,472**
Year ended 31 December 2006							
Starting position of current value	1,096,722-	-	855,502	267,780	785,468	-	3,005,472
Increase	32,832-	6,630	230,162	57,622	335,745	31,670	694,661
Carried from equipment to int.investments-licences	-	-	-	(12,233)	-	-	(12,233)
Carried from land to int.investments-land	(920,323)	-	-	-	-	-	(920,323)
Carried from land+current inv. to advance on land	(55,184)	178,214	-	-	(123,030)	-	-
Reclassification of amortization to intangible investments	-	-	-	2,321	-	-	2,321
Carried from property, plant and equipment under construction	425,335	-	104,643	3,492	(534,956)	1,486	-
Other transfers	(2)	-	9	(8)	1		-
Disposed – depreciated assets	-	-	-	(134)	(13)	-	(147)
Amortization (Note 22)	**-**	(5,083)	(39,837)	(49,519)	-	(698)	(95,137)
Current value on 31 December	**579,380**	**179,761**	**1,150,479**	**269,321**	**463,215**	**32,458**	**2,674,614**
On 31 December 2006							
Cost value or revaluated value	579,380	184,844	1,241,173	383,922	463,215	33,156	2,885,690
Value adjustment	-	(5,083)	(90,694)	(114,601)	-	(698)	(211,076)
Current value	**579,380**	**179,761**	**1,150,479**	**269,321**	**463,215**	**32,458**	**2,674,614**

Depreciation expense of RSD 95,137 (2005: RSD 67,981) is shown in the balance sheet under operating expenses.

The following significant accounting entries for fixed assets were transferred:

1. Licences were carried over from equipment to intangible assets in the net amount of RSD 9,912.
2. The sum of RSD 920,323 was carried over from land to intangible investments.
3. The total sum of RSD 178,214 was carried over from land and investments under construction to advances on land, according to a direct contract for long-term right of use of land signed with the municipal authorities.

6. Property, plant and equipment (continued)

The total value of fixed assets appreciation (new acquisitions) of RSD 694,660 also includes the sum of RSD 50,282, gained in the interest capitalization process.

7. Inventories

	2006	2005
Goods	142,167	113,370
Advance payments	15,038	55,756
Total	**157,205**	**169,126**

The total deficit of RSD 9.724, according to the annual inventory taken in 2006, and surplus of RSD 5.865 are shown accordingly in the profit and loss account.

8. Receivables

	2006	2005
Domestic customers	110,600	118,874
Less: Value adjustment	(11,860)	(2,362)
Doubtful and contested claims	-	2,362
Sales receivables - Net	98,740	118,874
Receivables from employees	22	60
Other receivables	5,843	-
Total receivables	**104,605**	**118,934**

The fair values receivables were as follows:

	2006	2005
Sales receivables	98,740	118,874
Other receivables	5,865	60
Total receivables	**104,605**	**118,934**

Sales receivables still outstanding three months after maturing are not considered as devalued. As of 31 December 2006, the sum of RSD 8,171 (2005: RSD 23,775) in sales receivables had passed its due date but the claim was not devalued. These receivables represent claims from a certain number of independent customers who in the recent past were not found to default on their obligations.

Analysis of sales receivables by age structure:

	2006	2005
Up to 3 months	90,569	95,099
3-6 months	1,826	10,883
Over 6 months	18,205	12,892
Receivables value adjustment	(11,860)	(2,362)
Doubtful and contested claims	-	2,362
	98,740	**118,874**

8. Receivables (continued)

It is estimated that one part of these receivables will be collected. These receivables represent claims from a certain number of independent customers who in the recent past were not found to default on their obligations.

The net book value of sales and other receivables is shown in the domicile currency / RSD.

Changes in the sales receivables value adjustment account entry:

	2006	2005
As at 1 January	-	-
Receivables written off during year as uncollectible (Note 26)	12,892	-
Collected receivables previously written off (Note 21)	(1,032)	-
As at 31 December	**11,860**	**-**

Established and cancelled impairment loss reserves are shown in the profit and loss account under other expenditure (Note 25). When collection of a receivable is not likely, the receivable is written off and recorded under value adjustment.

Other categories of receivables do not include devalued assets.

The maximum exposure to credit risk on the date of reporting is the fair value of each individual class of the earlier mentioned receivables. The Company own bills of exchange as instruments for securing payment.

The total value of incurred expenses and recognized income (less recognized losses) in the balance sheet date for all larger contracts was RSD 11.860 (2005: RSD 0).

9. Cash and cash equivalents

	2006	2005
Securities – cash equivalents	3,960	1,999
Current accounts	33,101	41,866
Cash desk of business units – petrol stations	38,111	-
Treasury	24	64
Foreign currency account	3,358	6,600
	78,554	**50,529**

Cash desk of business units was closed in January 2007.

10. VAT and prepaid expenses

	2006	2005
VAT	25,433	26,527
Prepaid expenses	43,569	-
Other deferred income	185	-
Total	**69,187**	**26,527**

10. VAT and prepaid expenses (continued)

Deferred tax assets were realized based on the difference between the net book value and the tax value of assets, and based on a tax credit obtained by investing into fixed assets (Note 18).

11. Off balance sheet assets and liabilities

The Company has issued the following instruments as guarantees:

- Bank guarantee in amount of 2 Mil. Eur (RSD 158.000.) in the favour of NIS, according to supply contract
- Blank bonds in favour of: - Eurobank as loan guarantee
  - Alpha bank as loan guarantee

12. Capital

Basic capital includes:

	2006	2005
Investments	2,044,025	2,044,055
	2,044,025	**2,044,055**

There were no changes to the capital in 2006.

	Original capital	Revaluation reserves	Undistributed profit (loss)	Total
As at 1 January 2005	1,999,172	44,853	(495,340)	1,548,685
Carried from revaluation reserves	44,853	(44,853)		-
Loss during year	-	-	(214,523)	(214,523),
Total recognized profit and loss during year	**-**	-	**(214,523)**	**(214,523)**
As at 31 December 2005	**2,044,025**	-	**(709,863)**	**1,334,162**
As at 1 January 2006	**2,044,025**	**-**	**(709,863)**	**1,334,162**
Profit (loss) during year	,-	-	(150,978)	(150,978)
Total recognized profit and loss during year	**-**	-	**(150,978)**	**(150,978)**
As at 31 December 2006	**2,044,025**	**-**	**(860,841)**	**1,183,184**

13. Long-term provisions

	2006	2005
Reserves for emoluments and other employee benefits	473	-
	473	**-**

(Note 2.15 b)

13. Long-term provisions (continued)

(a) Emoluments and other employee benefits

All employees receive a retirement bonus at the time of retiring in accordance with the law. An aliquot part of the retirement bonus is reserved in the profit and loss account for each business year.

(b) Share of profits and bonuses

The reserves for share of profits and for bonuses are payable over a period of three months after the adoption of revised financial reports.

14. Long-term loans

	2006	**2005**
Domestic long-term loans		
- for fixed assets	-	-
- for intangible investments and investments in PPE	255,807	575,501
- other domestic long-term loans	-	-
Foreign long-term loans		
- for fixed assets	-	-
- for intangible investments and investments in PPE	436,709	760,950
- other foreign long-term loans	-	-
Total long-term loans	**692,516**	**1,336,451**

Maturing of long-term loans:

	2006	**2005**
2-5 years	692,516	1,336,451
Over 5 years	-	-
	692,516	**1,336,451**

The current value of the Company's loans is shown in the following currencies:

	2006	**2005**
RSD	1,669,145	216,000
EUR	1,028,908	1,763,949

Exposure of the Company to changes in the interest rate and the contractual date for redefining prices, on the balance sheet date, is as follows:

	6-12 months	**1-5 years**	**Total**
As at 31 December 2005			
Total loans	643,500	1,336,451	1,979,951
	643,500	**1,336,451**	**1,979,951**
As at 31 December 2006			
Total loans	2,005,537	692,516	2,698,053
	2,005,537	**692,516**	**2,698,053**

14. Long-term loans (continued)

The company does not implement risk management accounting (and has not entered into any risk management arrangement in respect of its foreign currency obligations or risk exposure against interest rate changes).

Book value and fair value of long-term loans:

	Book value		Fair value	
	2006	**2005**	**2006**	**2005**
Loans from banks	692,516	1,336,451	692,516	1,336,451
	692,516	**1,336,451**	**692,516**	**1,336,451**

The fair value of long-term loans is equal to their book value because the effect of arrangement is not substantial.

The company has the following unused short-term credit lines:

	2006	**2005**
Variable interest rate		
- expiring in less than 1 year	1,252,500	311,245
	1,252,500	**311,245**

Credit lines that expire during one year are annual credit lines subject to revision on different dates during 2007. Other credit lines are contracted for the purpose of supporting the proposed expansion of the company's capital investment activities.

15. Short term financial liabilities

	2006	**2005**
Domestic short-term loans	1,669,145	643,500
Short-term loans maturing in less than one year	336,392	-
	2,005,537	**643,500**

16. Current liabilities from operations

	2006	**2005**
Received advances, deposits and security deposits	311	701
Suppliers – parent and child companies	15,093	5,301
Domestic suppliers	140,853	41,465
Foreign suppliers	22,010	193
Total	**178,267**	**47,660**

Obligations to suppliers in the sum of RSD 37,103 are shown in foreign currency, mostly dollar and euro, as at 31 December 2006.

17. Other current liabilities and accrued expenses

	2006	**2005**
Salaries and emoluments – Gross	2,441	-
Interests and cost of financing	19,718	8,816
Obligations to employees	514	-
Pre-paid expenses	1,212	-
Other accruals – VAT deficit	804	-
	24,689	**8,816**

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:

	2006	**2005**
Deferred tax assets:		
- Repayable over period longer than 12 months	143,293	114,987
	143,293	**114,987**

Gross changes in the deferred income tax account:

	2006	**2005**
At beginning of year	114,987	81,131
Charged to the profit and loss account (Note 28)	28,306	33,856
At year end	**143,293**	**114,987**

Changes in the account of deferred tax assets and obligations during the year, disregarding balance offsetting within the same fiscal authority, were as follows:

Deferred tax assets:	**Reserves**	**Tax loss**	**Other (Tax credit)**	**Total**
As at 1 January 2005	-	49,534	31,597	81,131
Charged to/(credited to) P/L account	-	20,270	13,585	33,856
Directly charged to capital	-			
As at 31 December 2005	-	69,804	45,182	114,987
Charged to/(credited to) P/L account	1,780	12,950	15,178	28,306
As at 31 December 2006	**1,780**	**82,754**	**60,360**	**143,293**

A deferred tax asset is recognized for covering transferred tax losses in the sum in which the tax incentive is likely to be realized through future taxable profits. The total amount of the tax asset is not realized in the financial report for 2006 but rather represents a potential reserve that will be realized in the first year in which positive results are achieved by business operations, in an amount that will be accepted to the local tax authorities.

19. Reconciliation

The Company adjusted its receivables from customers as at 31 December 2006. Of the total receivables from customers of RSD 98,740, receivables in the amount of RSD 9,960 were not adjusted.

Of the total obligations to suppliers, amounting to 177,774 RSD, a total of RSD 15,250 was not adjusted.

20. Operating income

	2006	2005
Sales revenue	4,031,067	2,224,461
	4,031,067	**2,224,461**

21. Other income

	2006	2005
Collected receivables previously written off	1,032	-
Income from lease	1,435	-
Income – goods surplus	5,865	116
Income – marketing and advertising	1,016	-
Other income	6,084	127,365
	15,432	**127,481**

22. Operating expenses

	2006	2005
Cost price of sold products	3,643,327	2,031,991
Cost of materials	36,887	27,447
Wages, emoluments and other personal expenses (Note 27)	122,812	137,424
Cost of amortization and reserves (Notes 5 and 6)	99,251	67,981
Other operating expenses (Note 23)	238,950	137,903
	4,141,227	**2,402,746**

Cost of materials comprises:

	2006	2005
Equipment	8,289	7,125
Office materials	5,463	2,544
Other overhead materials	3,249	2,789
Own consumption	1,639	5,226
Electrical energy	12,567	7,250
Consumable materials in the sales process	5,680	2,513
TOTAL	**36,887**	**27,447**

23. Other operating expenses

	2006	2005
Audit	3,562	2,504
Security expenses	10,046	18,978
Transportation expenses	904	4,265
Maintenance expenses	10,444	11,097
Ground rent	23,100	18,459
Exhibition expenses	743	-
Advertising expenses	30,213	12,297
Consultant expenses	27,897	5,751
Gas station provision expenses	66,996	9,976
Other services	8,611	5,690
Unproductive services	16,639	18,960
Representation	5,792	6,186
Premium	507	593
Payment-operation commissions	12,289	5,817
Membership expenses	466	398
Tax expenses	19,881	12,336
Contribution expenses	860	1,258
Other intangible expenses	-	3,338
	238,950	**137,903**

24. Financial income

	2006	2005
Interest income	1,080	382
Foreign exchange gains	145,511	9,219
	146,591	**9,601**

25. Financial expenses

	2006	2005
Interest expenses	126,362	46,066
Foreign exchange losses	53,668	114,612
	180,030	**166,678**

26. Other expenses

	2006	2005
Sales losses:		
- from intangible investments, property, plant and equipment	-	4,061
Shortages	9,724	2,253
Receivables value adjustment	12,892	-
Other	195	6,328
	22,811	**12,642**

27. Wages and salaries

	2006	2005
Wages and emoluments (Gross)	96,472	108,070
Taxes and contributions for wages and emoluments paid by the employer	14,813	16,257
Fees under temporary service contracts		
Royalties under author's contracts	4,906	12,063
Other personal expenses and fees	6,621	1,032
	122,812	**137,422**

28. Income tax expense

	2006	2005
Current tax	-	-
Deferred tax (Note 29)	-	-
	-	**-**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighed average tax rate applicable to the Company's profits as follows:

	2006	2005
Profit before tax – loss	(150,978)	(214,522)
Tax according to legal tax rate – 10% on loss	(15,098)	(21,452)
Expenses not recognized for tax purposes	2,147	1,182
Use of previously not recognized tax losses	-	-
Tax losses for which deferred tax assets are not recognized	12,950	20,270
Tax expense	**-**	**-**

Income tax is not shown because business losses of RSD 150,978 were incurred. A net loss of RSD 129,502 is reported in the tax balance sheet.

29. Contingencies

The Company has 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. The Company has given guarantees in the ordinary course of business to third parties amounting to RSD 158,000. (2005: RSD 0)

The Company has some environmental obligations.

(a) Taxation

The taxation system if 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.

29. Contingencies (continued)

(b) 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.

(c) Insurance policies

The Company holds no insurance policies in relation to its assets, operations or other insurable risks.

(d) Environmental matters

Environmental regulations are developing in the Republic of Serbia and the Company has not recorded any liability at 31 December 2006 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.

(e) 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.

(f) Bank and other guarantees

The Company has 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. The Company has given guarantees in the ordinary course of business amounting to RSD 158,000. (2M EUR) to third parties.

30. Commitments

(a) *Commitments for business lease – where the company is the lessee*

The Company leases a large number of offices, warehouses and plants and equipment under business lease agreements which cannot be terminated. The lease agreements contain various terms, sliding price clauses and renewal rights.

The Company also leases a large number of plants and equipment under business lease agreements that can be terminated. The Company is required to submit six months notice of termination to the lessor. Expenditure in connection with the lease, which is calculated during the year and charged to the profit and loss account, is disclosed in Note 23.

31. Business combinations

There were no acquisitions in the year ended 31 December 2006 and 2005.

32. Related party transactions

The majority owner of the company is EKO ELDA (registered in Greece) with 100% share of the Company. The Ultimate parent of the company is Hellenic – Petroleum (registered in Greece).

The following related party transactions were performed:

(a) *Purchases of goods and services*

	2006	2005
Purchase of goods:		
- EKO ABEE	20,534	9,875
- JUGOPETROL KOTOR	118,155	10,698
- OKTA SKOPLJE	202,815	67,971
Purchase of services:		
-HELPE CONSULTING	14,727	-
	356,231	**88,544**

(b) *Positions at and of year resulting from sale/sourcing of goods/services*

	2006	2005
Receivables from related legal entities (Note 8)		
- Topmost parent company	-	-
- Family members of key management staff	-	-
- Parent company	-	-
- Other related parties	-	-
Liabilities to related parties (Note 16)		
- EKO ABEE	3,921	-
- JUGOPETROL KOTOR	6,756	5,301
- OKTA SKOPLJE	4,416	-
	15,093	**5,301**

The receivables from related parties arise mainly from sale transactions and are due one month after the date of sales.

In 2006 and 2005 there was no need to form reserves for loans granted to directors, and business and other partners.

33. Events after the balance sheet dates

Dividend

In 2006 the business suffered losses and distribution of dividends will not be considered.

The Company has contingent liabilities for legal proceedings/bank and other guarantees and other business operating issues.

The Company does not expect any significant liabilities to arise from potential obligations, apart from those for which reserves were formed accordingly.