EKO YU A.D., BEOGRAD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

Content

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of EKO YU a.d., Beograd, (the "Company") which comprise the balance sheet as of 31 December 2007 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
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
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.

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.

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

PRICEWATERHOUSECOOPERS

Opinion
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of EKO YU a.d., Beograd as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with the requirements of the Law on Accounting and Auditing of the Republic of Serbia.

Emphasis of Matter
Without 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
PricewaterhouseCoopers d.o.o., Belgrade

Belgrade, 26 March 2008

Company_EKO YU AD
Address_Teodora Drajzera 17b
Identification number 17413333
Business code 51510
Tax identification number 100118236

BALANCE SHEET

As at 31.12.2007.

(in thousands RSD)

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		5889634	3675358
00	I.	UNPAID SUBSCRIBED CAPITAL	002			
012	II.	GOODWILL	003			
01 less 012	III.	INTANGIBLE ASSETS	004	5	1801871	1000744
01 less 012	IV.	PROPERTY, PLANT & EQUIPMENT and BIOLOGICAL ASSETS (006+007+008)	005		4087763	2674614
020, 022, 023, 026, 027 (part), 028 (part), 029	1.	Property, plant &equipment	006	6	4087763	2674614
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		821844	409551
10 to 13,15	I.	INVENTORIES	013	7	303974	157205
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		517870	252346
20, 21, 22 less 223	1.	Receivables	016	8	282747	104605
223	2.	Overpaid tax receivables	017	9	108606	78554
23 minus 237	3.	Short term financial placements	018	10	126517	69187
24	4.	Cash and cash equivalents	019			
27 & 28 less 288	5.	Value added tax and accruals	020			
288	III.	DEFERRED TAX ASSETS	021			
	C.	**BUSINESS ASSETS** (001+012)	022		6711478	4084909
29	**D.**	**LOSS EXCEEDING CAPITAL**	023			
	E.	**TOTAL ASSETS** (022+023)	024		6711478	4084909
88	**F.**	**OFF-BALANCE SHEET ASSETS**	025	11	316945	158000

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BALANCE SHEET (continued)

As at 31.12.2007.

(in thousands RSD)

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		808166	1183184
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	1235859	860841
037 & 237	VII.	TREASURY SHARES	108			
	B.	**NON CURRENT PROVISIONS & LIABILITIES** (110+111+114+121)	109		5903312	2901725
40	I.	LONG TERM PROVISIONS	110	13	871	473
41	II.	LONG TERM LIABILITIES (112+113)	111		2584510	692516
414, 415	1.	Long term borrowings	112	14	2583777	692516
41 LESS 414 & 415	2.	Other long term liabilities	113	14	733	
	III.	SHORT TERM LIABILITIES (115+116+117+118+119+120)	114		3317931	2208736
42 less 427	1.	Short term financial liabilities	115	14,15	2748324	2005537
427	2.	Liabilities attributable to assets held for sale and discontinued operations assets	116			
43 & 44	3.	Trade payables	117	16	520895	178267
45, 46 & 49 less 498	4.	Other short term liabilities and accruals	118	17	40328	24689
47 and 48 less 481	5.	Liabilities for VAT and other public revenues	119	17	8384	243
481	6.	Income tax payable	120			
498	IV.	DEFERRED TAX LIABILITIES	121			
	C.	**TOTAL LIABILITIES** (101+109)	122		6711478	4084909
89	**D.**	**OFF-BALANCE SHEET LIABILITIES**	123		316945	158000

In Belgrade

Date 29.02.2008.

Responsible person for the preparation of accounts

M. Bjelmanović

Legal representative

Enclosure 2

Company_EKO YU AD
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Tax identification number 100118236

INCOME STATEMENT

For the period that ended 31.12.2007.

(in thousands RSD)

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		6342700	4031067
60 & 61	1.	Sales	202	20	6342700	4031067
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		6372890	4141227
50	1.	Purchase costs of merchandise sold	208	22	5673112	3643327
51	2.	Cost of materials	209	22	46295	36887
52	3.	Cost of salaries, fringe benefits and other personal expenses	210	27	74147	122812
54	4.	Depreciation and provisions	211	22	153986	99251
53 & 55	5.	Other operating costs	212	23	425350	238950
	III.	**OPERATING INCOME** (201-207)	213			
	IV.	**OPERATING LOSS** (207-201)	214		30190	110160
66	**V.**	**FINANCE INCOME**	215		133140	146591
56	**VI.**	**FINANCE COSTS**	216		497404	180030
67 & 68	**VII.**	**OTHER INCOME**	217		56438	15432
57 & 58	**VIII.**	**OTHER EXPENSES**	218		37002	22811
	IX.	**OPERATING PROFIT BEFORE TAX** (213-214+215-216+217-218)	219			
	X.	**OPERATING LOSS BEFORE TAX** (214-213-215+216-217+218)	220		375018	150978
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		375018	150978
	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		375018	150978
	H.	**NET PROFIT ATTRIBUTABLE TO MINORITY INTEREST**	231			

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INCOME STATEMENT (continued)

For the period that ended 31.12.2007.

(in thousands RSD)

	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

Responsible person for the preparation of accounts

Legal representative

Date 29.02.2008.

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STATEMENT OF CHANGES IN EQUITY

For the period that ended 31.12.2007.

(in thousands RSD)

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	2044025							709863		1334162	
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)	2044025							709863		1334162	
5. Total increase in previous year								150978			
6. Total decrease in previous year											
7. Balance as at 31 December of previous year (4+5+6)	2044025							860841		1183184	
8. Adjustments of material errors and changes in accounting policies occurred in current year - Increase											

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Enclosure 4

STATEMENT OF CHANGES IN EQUITY (continued)

For the period that ended 31.12.2007.

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							860841		1183184	
11. Total increase in current year								375018		375018	
12. Total decrease in current year											
13. Balance as at 31 December of current year (10+11-12)	2044025							1235859		808166	

In Belgrade

Date 29.02.2008.

Responsible person for the preparation of accounts

Legal representative

Company_EKO YU AD
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CASH FLOW STATEMENT

For the period that ended 31.12.2007.

(in thousands RSD)

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	7475089	4825482
1.	Sales and advances received	302	6158144	4050811
2.	Interest from operating activities	303		
3.	Other inflow from operating activities	304	1316945	774671
II.	**Cash outflows from operating activities** (1 to 5)	305	8051046	4765620
1.	Payments and prepayments to suppliers	306	6195892	3787410
2.	Salaries, fringe benefits and other personal expenses	307	69325	121170
3.	Interest paid	308	349809	106643
4.	Income tax paid	309		
5.	Payments for other public revenues	310	1436020	750397
III.	**Net cash inflow from operating activities** (I - III)	311		59862
IV.	**Net cash outflow from operating activities** (II - I)	312	575957	
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
I.	**Proceeds from financing activities (1 to 5)**	313	6290	1080
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	6290	1080
5.	Dividends received	318		
II.	**Cash outflows from investing activities** (1 to 3)	319	2368095	750617
1.	Purchase of shares/stakes (net outflow)	320		
2.	Purchase of intangible assets, property, plant and equipment and biological assets	321	2368095	750617
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	2361805	749537
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
I.	**Proceeds from financing activities** (1 to 3)	325	5112557	718102
1.	Capital stock increase	326		
2.	Proceeds from long term and short term borrowings (Net)	327	5112557	718102
3.	Other long term and short term liabilities	328		
II.	**Cash outflows from financing activities** (1 to 4)	329	2144753	
1.	Purchase of treasury shares and stakes	330		
2.	Long term, short term and other liabilities(net outflow)	331	2144290	
3.	Financial Lease	332	463	
4.	Dividends paid	333		

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CASH FLOW STATEMENT (continued)

For the period that ended 31.12.2007.

(in thousands RSD)

ITEM		EDP	Amount	
			Current year	Previous year
1		2	3	4
III.	**Net proceeds from financing activities** (I - II)	334	2967804	718102
IV.	**Net outflow from financing activities** (II - I)	335		
D.	**TOTAL PROCEEDS** (301+313+325)	336	12593936	5544664
E.	**TOTAL OUTFLOW** (305+319+329)	337	12563894	5516237
F.	**PROCEEDS NET** (336-337)	338	30042	28427
G.	**OUTFLOW NET** (337-336)	339		
H.	**CASH AT THE BEGINNING OF ACCOUNTING PERIOD**	340	78554	50529
I.	**FOREIGN CURRENCY GAINS ON TRANSLATION OF CASH AND CASH EQUIVALENTS**	341	10	
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	108606	78554

In Belgrade

Date 29.02.2008.

Responsible person for the preparation of accounts

Legal representative

Enclosure 5

Company_EKO YU AD
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STATISTICAL ANNEX

for the year 2007.

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	37	142

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

(In thousands RSD)

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	1006706	5962	1000744
	1.2. Additions (purchases) during the year	607	804909	xxxxxxxxxxxxxx	804909
	1.3. Disposals during the year	608	3782	xxxxxxxxxxxxxx	3782
	1.4. Revaluation	609		xxxxxxxxxxxxxx	
	1.5. Balance as at year end (606+607-608+609)	610	1807833	5962	1801871
02	**2. Property, Plant and Equipment, and Biological Assets**				
	2.1. Balance as at beginning of the year	611	2885691	211077	2674614
	2.2. Additions (purchases) during the year	612	1783833	xxxxxxxxxxxxxx	1783833
	2.3. Disposals during the year	613	370684	xxxxxxxxxxxxxx	370684
	2.4. Revaluation	614		xxxxxxxxxxxxxx	
	2.5. Balance as at year end (611+612-613+614)	615	4298840	211077	4087763

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III. INVENTORIES

(In thousands RSD)

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	298129	142167
14	5. Non-current assets available–for-sale	620		
15	6. Prepayments	621	5845	15038
	7. TOTAL (616+617+618+619+620+621=013+014)	**622**	303974	157205

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

(In thousands RSD)

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
	1. Ordinary Shares			
	1.1. Number of ordinary shares	634	300	300
Partly 300	1.2. Face value of ordinary shares - Total	635	2044025	2044025
	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**	2044025	2044025

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Company_EKO YU AD
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Business code 51510
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VI. RECEIVABLES AND PAYABLES

(In thousands RSD)

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	274768	98740
43	2. Payables from operations (Balance at year end 639 ≤ 117)	640	520895	177667
Partly 228	3. Receivables from insurance companies for compensation for damage during the year (debit turnover less opening balance)	641		
27	4. VAT – previous tax (annual amount as per tax declarations)	642	1367803	769462
43	5. Payables from operations (credit turnover less opening balance)	643	15781346	9456083
450	6. Net salaries and fringe benefits payable (credit turnover less opening balance)	644	52051	68076
451	7. Tax on salaries and fringe benefits charged to employees payable (credit turnover less opening balance)	645	8080	13665
452	8. Contribution on salaries and fringe benefits charged to employees payable (credit turnover less opening balance)	646	9491	14728
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	5726	3942
47	11. VAT liability (annual amount as per tax declarations)	649	1291410	731728
	12. Control Total (from 639 to 649)	**650**	19311570	11334091

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VII. OTHER COSTS AND EXPENSES

(In thousands RSD)

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
513	1. Cost of fuel and energy	651	24363	14206
520	2. Cost of salaries and fringe benefits (gross)	652	60003	96472
521	3. Cost of taxes and contributions on salaries and fringe benefits charged to employer	653	8512	14813
522, 523, 524 and 525	4. Cost of fees for services rendered by natural persons (gross)	654	742	4906
526	5. Cost of fees for members of management and supervisory boards (gross)	655		
529	6. Other personal fees and expenses	656	4890	6621
53	7. Production services cost	657	124980	91957
533, part of 540 and part of 525	8. Rental costs	658	46161	23843
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	153588	98778
552	12. Insurance premium costs	662	629	507
553	13. Payment operations costs	663	20287	12289
554	14. Membership fees	664	337	466
555	15. Taxes	665	25734	19881
556	16. Contributions	666		860
562	17. Interest payable	667	358988	126361
Part of 560, part of 561 and 562	18. Interest payable and a portion of financial expenses	668	358988	126361
Part of 560, part of 561 and part of 562	19. Interest payable on bank loans and loans from other financial organizations	669	357937	125977
Part of 579	20. Cost of humanitarian, cultural, health, educational, scientific and religious purposes, environmental protection and sports purposes	670	1975	999
	21. Control Total (from 651 to 670)	**671**	1548114	765297

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VIII. OTHER REVENUE

(In thousands RSD)

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
60	1. Sales of merchandise	672	6342700	4031067
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	6290	1080
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	6290	1080
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**	6355280	4033227

IX. OTHER INFORMATION

(In thousands RSD)

DESCRIPTION	EDP	Current year	Previous year
1	2	3	4
1. Excise duty liability (as per annual calculation of excise duty)	681	42633	
2. Custums and other import duties calculated (Annual Total as per calculation)	682	66967	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**	109600	146232

In Belgrade

Date 29.02.2008.

Responsible person for the preparation of accounts

Legal representative

EKO YU A.D. BEOGRAD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

1. General information

The EKO YU AD Company is engaged in selling followings: wholesales and retail sales of motor engine fuels, other goods (super market goods, lubricants); car wash and cafes services. The Company was established on 12.02.2002. In whole by EKO ELDA ABEE Company from Greece. In December 2007 Company change of ownership, by the Cyprus Company HELLENIC PETROLEUM SERBIA (HOLDINGS), which become 100 % owners of EKO YU AD.
The address of the Company's registered office is in Belgrade, 17^{B} Teodora Drajzera St.

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

These financial statements have been approved for issue by the Board of Directors on 28 February 2007.
The number of employees as of 31 December was 37 (2006 was 35.)

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 2.8). Such items do not meet the definition of either an asset or a liability under IFRS.

2 This financial statements are prepared in the format prescribed by Ministry of Finance, which does not comply with IAS 1 – "Presentation of Financial Statements" requirements.

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.

2. Summary of significant accounting policies (continued)

(a) *Standards, amendments and interpretations effective in 2007 and adopted by the Company*

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Company's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 8, 'Scope of IFRS 2', 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 in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Company's financial statements.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Company's financial statements.

(b) *Interpretation early adopted by the Company*

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions', was early adopted in 2007. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the group's financial statements.

(c) *Standards, amendments and interpretations effective in 2007 but not relevant*

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2007, but are not relevant to the Company's operations:

- IFRS 4, 'Insurance contracts';
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies'; and
- IFRIC 9, 'Re-assessment of embedded derivatives'.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the accounting periods beginning on or after 1 January 2008 or later periods, but the Company has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset.
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-
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2. Summary of significant accounting policies (continued)

The option of immediately expensing those borrowing costs will be removed. The Company will apply IAS 23 (Amended) from 1 January 2009. Company apply .IAS 23. Costs of borrowing which include all changes published up to 31. December 2006.

- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Company will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management.

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Company will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Company's accounts.

(e) *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 January 2008 or later periods but are not relevant for the Company's operations:

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Company's operations because the Company does not provide public sector services.

- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated

between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Company's operations because the Company does not operate any loyalty programmes.

2.1 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").

2. Summary of significant accounting policies (continued)

(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.

2.2 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.

2.3 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.

Property is subject to amortization. Long-term leasehold (advance on land – Note 6) on City constructionl land is amortized at the same rate as buildings built on the same land and with rate of 4%.

Amortization of other assets is calculated by applying the proportional method in order to distribute the cost value or revaluated value to their residual value over their estimated useful life, as follows:

2. Summary of significant accounting policies (continued)

	%
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.

2.4 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.

2.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. Summary of significant accounting policies (continued)

2.6 Receivables

Receivables from customers 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.

2.7 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.

2.8 Off balance sheet assets/liabilities

Those include: guaranties as the means for deferred payment.

2.9 (Share) capital

(a) *Share Capital*

Ordinary shares are classified as equity. (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.

2.10 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.

2.11 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.

2.12 Trade payables

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

2.13 Current and deferred income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Serbia (where Company operates and generates taxable profit). Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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. Summary of significant accounting policies (continued)

2.14 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.

(b) *Other employee benefit schemes*

The Company provides jubilee, retirement and disability 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 in accordance to the years of experience per employee, w e made the provisions.

(c) *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.

2.15 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.

(a) *Sales of goods – wholesale*

The Company manufactures and sells EURO – diesel and 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.

2. Summary of significant accounting policies (continued)

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.

2.16 Leases

(a) *Where the Company is the lessee*

Leases in which the lesser bears a significant share of the risks and benefits associated with ownership are classified as operating leases. Payments based on operating leases (less stimulation approved by the lesser) are charged to the profit and loss account on a proportional basis over the lease period.

(b) *Where the Company is the lesser*

When an operating lease is granted for an asset, the asset is shown in the balance sheet according to its type. Income generated by the lease is recognized on a proportional basis over the lease period.

2. Summary of significant accounting policies (continued)

(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.

2.17 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.

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.

(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 $. 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 RSD - 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.

2. Summary of significant accounting policies (continued)

(ii) *Price risk*

The Company is exposed to equity securities price risk because of investments held by the Company and classified on the balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

(iii) *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. In wholesales buyers which provide bank guaranty are: Autoprevoz Čačak, Srbo-export, Petra commerce, 8 Oktobar, Marko-export,.....

(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.

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

3. Financial risk management (continued)

During 2007, the Company's strategy, which was unchanged from 2006. The gearing ratios at 31 December 2007 and 2006 were as follows:

	2007	2006
Total borrowings (notes 14 and 15)	5.332.834	2.698.053
Less: cash and cash equivalents (note 9)	108.606	78.554
Net debt	5.224.228	2.619.499
Total equity	808.166	1.183.184
Total capital	**6.032.394**	**3.802.683**
Gearing ratio	**86,60%**	**68,88%**

The decrease in the gearing ratio during 2007, resulted primarily from intensive investment growth, finance through the new loans, which is in accordance to the corporate budget for 2007.

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 are outlined below.

(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.

(b) Other key assumptions concerning obligations for other employee earnings are based partly on the current market conditions..
Reserves for dismisal wages are calculated with presumption that all employees will stay with company untill payment of the dismissal wages. Additional information is disclosed in Note 13

5. Intangible assets

	Trade Marks & licences and similar rights	Other Intangible assets in software	Other intangibles	Total
Year ended 31 December 2006				
Additions	79		74.071	74.150
Transfer from CIP	12.233			12.233
Transfer from CIP			920.323	920.323
Reclassification of depreciation	(2.321)			(2.321)
Depreciation	(3.641)			(3.641)
Closing net book amount	**6.350**		**994.394**	**1.000.744**
At 31 December 2006				
Cost	12.312		994.394	1.006.706
Accumulated amortisation	(5.962)			(5.962)
Closing net book amount	**6.350**		**994.394**	**1.000.744**
Year ended 31 December 2007				
Opening net book amount	6.350		994.394	1.000.744
Additions	5.210	2.910	576.141	584.261
Transfer from CIP			220.647	220.647
Disposals				
Amortisation charge (note 22)	(3.638)	(143)		(3.781)
Closing net book amount	**7.922**	**2.767**	**1.791.182**	**1.801.871**
At 31 December 2007				
Cost	17.523	2.910	1.791.182	1.811.615
Accumulated depreciation	(9.601)	(143)		(9.744)
Net book amount	**7.922**	**2.767**	**1.791.182**	**1.801.871**

Amortisation of RSD 3.781 (2006: RSD 5.962) is included in operating expenses in income statements. (Note 22)

6. Property, plant and equipment

	Land	Buildings	Machinery and Equipment	Construction in progress (CIP)	Investments in third party PP&E	Pre-Payments for land	Total
At 1 January 2006							
Cost or valuation	1.096.722	906.359	335.303	785.468			3.123.852
Accumulated depreciation		(50.857)	(67.523)				(118.380)
Net book amount	**1.096.722**	**855.502**	**267.780**	**785.468**			**3.005.472**
Year ended 31 December 2006							
Opening net book amount	1.096.722	855.502	267.780	785.468			3.005.472
Additions	32.832	230.162	57.622	335.745	31.670	6.630	694.661
Transfer from CIP	(550.174)	104.652	(8.749)	(657.985)	1.486	178.214	(932.556)
Disposals			(134)	(13)			(147)
Reclassification of depreciation			2.321				2.321
Depreciation charge		(39.837)	(49.519)		(698)	(5.083)	(95.137)
Closing net book amount	**579.380**	**1.150.479**	**269.321**	**463.215**	**32.458**	**179.761**	**2.674.614**
At 31 December 2006							
Cost or valuation	579.380	1.241.173	383.922	463.215	33.156	184.844	2.885.690
Accumulated depreciation		(90.694)	(114.601)		(698)	(5.083)	(211.076)
Net book amount	**579.380**	**1.150.479**	**269.321**	**463.215**	**32.458**	**179.761**	**2.674.614**
Year ended 31 December 2007							
Opening net book amount	579.380	1.150.479	269.321	463.215	32.458	179.761	2.674.614
Additions		1.245.097	135.198	363.596	15.437	24.876	1.784.204
Transfer from CIP				(220.647)			(220.647)
Disposals (note 26)			(601)				(601)
Reclassification		167.545	30.363	(213.290)	748	14.634	0
Depreciation charge (note 22)		(71.455)	(64.705)		(5.726)	(7.921)	(149.807)
Closing net book amount	**579.380**	**2.491.666**	**369.576**	**392.874**	**42.917**	**211.350**	**4.087.763**
At 31 December 2007							
Cost or valuation	579.380	2.653.815	548.511	392.874	49.341	224.354	4.448.275
Accumulated depreciation		(162.149)	(178.935)		(6.424)	(13.004)	(360.512)
Net book amount	**579.380**	**2.491.666**	**369.576**	**392.874**	**42.917**	**211.350**	**4.087.763**

Depreciation expense of RSD 149.807 (2006: RDS_95.137) are shown under operating expenses in income statements.

In accordance to the yearly inventory company make decision to wrights off assets with current net value RSD 230, from machinery and equipment (Purchase value RSD 601 / wrights off value RSD 371).

The total value of fixed assets appreciation (new acquisitions) of RSD 1.784.204 also includes the sum of RSD 36.992, gained in the interest capitalization process. (Note 22)

7. Inventories

	2007	2006
Goods	298.129	142.167
Advance payments	5.845	15.038
Total	**303.974**	**157.205**

The total deficit of RSD 14.820, on account 574 according to the annual inventory taken in 2006 (Note 26), and surplus of RSD 27.315 on account 674 are shown in the profit and loss account.(Note 21)

8. Receivables

	2007	2006
Domestic customers	298.121	110.600
Less: Value adjustment	(23.358)	(11.860)
Sales receivables - Net	274.768	98.740
Receivables from employees	736	22
Other receivables	7.243	5.843
Total receivables	**282.747**	**104.605**

The fair value receivables, does not exceed materially important, from the net book value

Sales receivables still outstanding three months after maturing are not considered as devalued. As of 31 December 2006, the sum of RSD 5.728 (2006: RSD 8.171) 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.

Loan quality of financial funds which are not due yet and which value has not been reduced yet can be assessed regarding with historical data about not fulfilled obligations issuer of financial instruments.

Loan quality of financial funds – receivables is as follows:

		2007	2006
Group 1	Up to 3 months	265.331	90.569
Group 2	3-6 months	5.291	1.826
Group 3	6+ months	4.146	12.892
	Receivables value adjustment	(23.353)	(11.860)
		274.768	**98.740**

Group 1 – New customers up to 3 months
Group 2 – Existing customers 3-6 months with sporadically over dues of payment
Group 3 – Existing customers over 6 months with sporadically over dues of payment

It is estimated that in all probability 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 book value of sales and other receivables is shown in the domicile currency / RSD.

8. Receivables (continued)

Changes in the sales receivables value adjustment account entry:

	2007	2006
As at 1 January	11.860	-
Provision for non collectable receivables (Note 26)	16.514	12.892
Receivables write offs as not collectables.	(2.357)	
Collected receivables previously written off (Note 21)	(2.664)	(1.032)
As at 31 December	**23.353**	**11.860**

Established and cancelled impairment loss reserves are shown in the profit and loss account under other expenditure (Note 26). When collection of a receivable is not likely, the receivable is written off and recorded under value adjustment.

Receivables from customers in amount of RSD 2.357 were take out from evidence as not collectable after court prosecution

Other categories of receivables do not include devalued assets.

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

9. Cash and cash equivalents

	2007	2006
Securities – cash equivalents	8.961	3.960
Current accounts	44.508	33.101
Cash desk of business units – petrol stations	21.957	38.111
Treasury	49	24
Foreign currency account	30.639	3.358
	108.606	**78.554**

Loan quality of financial funds – cash and cash equivalents are with banks with no external loan rating, but management predicts that particular banks are operating with low risk.

10. VAT and prepaid expenses

	2007	2006
Value Added Tax	71.345	25.433
Prepaid expenses	54.919	43.569
Other deferred income	253	185
Total	**126.517**	**69.187**

11. Off balance sheet assets and liabilities

The Company has issued the following instruments as guarantees

- Bank guarantee in amount of RSD 316.945 (4 Mil. Eur) 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

	2007	2006
Investments – Share capital	2.044.025	2.044.055
	2.044.025	**2.044.055**

There were no changes to the capital in 2007.

	Original capital	Revaluation reserves	Undistributed profit (loss)	Total
As at 1 January 2005	2.044.025	-	(709.863)	1.334.162
Carried from revaluation reserves	-	-	-	-
Loss during year	-	-	(150.978)	(150.978)
Total recognized profit and loss during year	-	-	(150.978)	(150.978)
As at 31 December 2005	**2.044,025**	-	**(860.841)**	**1.183.184**
As at 1 January 2006	**2.044,025**	-	**(860.841)**	**1.183.184**
Profit (loss) during year	.-	-	(375.018)	(375.018)
Total recognized profit and loss during year				
As at 31 December 2006	2.044.025	-	(709.863)	1.334.162

As the 100% shareholder of EKO Yu a.d. Belgrade., located in Belgrade, ("the Company"), Hellenic Petroleum Serbia Ltd, Cyprus ("the Parent company") recognizes that during 2007 the Company has recorded significant losses amounting to RSD 375,018 thousand and also carried forward losses from previous years in the amount of RSD 860,841 thousand. The Company's short-term liabilities are higher than short-term receivables in the amount of 2,496,087 thousand as of 31 December 2007.

We confirm that we will fund any cash flow shortfall of the Company and that the financial support will be made available to the Company so as to enable it to develop operations and to meet its liabilities as they fall due and carry on its business without a significant curtailment of operations within 12 months from the date of signing of the audit opinion. We also confirm that repayments of the Company's liabilities due to the Parent company will be deferred.

13. Long-term provisions

	2007	2006
Reserves for emoluments and other employee benefits	871	473
(Note 2.14 c)	**871**	**473**

(a) Emoluments and other employee benefits

All employees receive a retirement bonus at the time of retiring in accordance with the law. During 2007 amount of RSD 398 was posted as business cost in the profit and lost statement. (Note 22)

(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

	2007	2006
Domestic long-term loans		
- for working capital	-	-
- for intangible investments and investments in PPE	2.485.896	255.807
- other domestic long-term loans	-	-
Foreign long-term loans		
- for fixed assets	-	-
- for intangible investments and investments in PPE	97.882	436.709
- other foreign long-term loans	-	-
Total long-term loans	**2.583.777**	**692.516**

Maturing of long-term loans:

	2007	2006
1-2 years	**286.515**	
2-5 years	2.297.262	692.516
	2.583.777	**692.516**

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

	2007	2006
RSD	4.893.869	1.669.145
EUR	438.063	1.028.908

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 meseci	1-5 godina	Ukupno
As at 31 December 2007			
Total loans	2.748.155	2.583.777	5.331.932

	2.748.155	**2.583.777**	**5.331.932**
As at 31 December 2006			
Total loans	2.005.537	692.516	2.698.053
	2.005.537	**692.516**	**2.698.053**

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	
	2007	**2006**	**2007**	**2006**
Loans from banks	2.583.777	692.516	2.583.777	692.516
	2.583.777	**692.516**	**2.583.777**	**692.516**

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 Long-term credit lines:

	2007	**2006**
Variable interest rate		
- expiring in less than 1 year		1.252.500
- expiring in less than 3 years	1.230.799	
	1.230.799	1.252.500

Credit lines are contracted for the purpose of supporting the proposed expansion of the company's capital investment activities.

Long term leasing

	2007	**2006**
Variable interest rate		
- expiring in less than 1 year	169	
- expiring in less than 5 years	733	
	902	

15. Short term financial liabilities

	2007	**2006**
Domestic short-term loans	2.407.974	1.669.145
Short-term loans maturing in less than one year	340.181	336.392
	2.748.155	**2.005.537**

16. Current liabilities from operations

	2007	**2006**
Received advances, deposits and security deposits	3.277	311
Suppliers – parent and child companies	9.725	15.093
Domestic suppliers	456.139	140.853

Foreign suppliers	51.754	22.010
Total	**520.895**	**178.267**

Obligations to suppliers in the sum of RSD 61.479 are shown in foreign currency, mostly dollar and euro, as at 31 December 2006.

16.1 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	**Total**
31 December 2007		
Trade and other receivables	282.747	282.747
Cash and cash equivalents	108.606	108.606
Total	**391.353**	**391.353**

	Other financial liabilities	**Total**
Suppliers and other liabilities	520.895	520.895
Borrowings	5.331.932	5.331.932
Liabilities for lising	902	902
Total	**5.853.729**	**5.853.729**

	Loans and receivables	**Total**
31 December 2006		
Trade and other receivables	104.605	104.605
Cash and cash equivalents	78.554	78.554
Total	**183159**	**183159**

	Other financial liabilities	**Total**
Liabilities as per balance sheet	178.267	178.267
Borrowings	2.698.053	2.698.053
Total	**2.876.320**	**2.876.320**

17. Other current liabilities and accrued expenses

	2007	2006
Salaries and emoluments – Gross	7.816	2.441
Interests and cost of financing	28.896	19.718
Obligations to employees	-	514
Other tax	4.054	243
Accise tax for LPG	4.330	
Pre-paid expenses	2.448	1.212
Other accruals – VAT deficit	1.148	804
	40.308	**24.689**

Liabilities for salaries relate to calculations in 2007 for pay outs in 2008.
Liabilities for interest relate to loans in 2007

18. Deferred income tax

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Company did not recognise deferred income tax assets of RSD 785.742_ (2006: RSD 441.341) in respect of losses amounting to RSD 1.176.277 (2006: RSD 801.259) that can be carried forward against future taxable income

19. Reconciliation

The company adjusted its receivables from customers as at 31 December 2007. Of the total receivables from customers of RSD 274.768, receivables in the amount of RSD 6.757 were not adjusted.
Of the total obligations to suppliers, totalling 517.618 RSD, a total of RSD 46.250 was not adjusted.

20. Operating income

	2007	2006
Sales revenue	6.342.700	4.031.067
	6.342.700	**4.031.067**

21. Other operating income

	2007	2006
Collected receivables previously written off	2.664	1.032
Income from lease	5.612	1.435
Income – goods surplus	27.315	5.865
Income – marketing and advertising	9.506	1.016
Other income-reinvoiced cost to the leaser of the petrol station	11.341	6.084
	56.438	**15.432**

22. Operating expenses

	2007	2006

Cost price of sold products	5.673.112	3.643.327
Cost of materials	46.295	36.887
Wages, emoluments and other personal expenses (Note 27)	74.147	122.812
Cost of amortization and reserves (Note 5, 6)	153.588	99.251
Cost of reserves	398	
Other operating expenses (Note 23)	425.350	238.950
	6.372.890	**4.141.227**

Cost of amortization fro intangible assets is RSD 3.781 and for property, plant and equipment is RSD 149.807 (Note 5, 6)

Cost of materials comprises:

	2007	**2006**
Equipment	5.624	8.289
Office materials	1.426	5.463
Other overhead materials	7.427	3.249
Own consumption	1.669	1.639
Electrical energy	22.695	12.567
Consumable materials in the sales process	7.454	5.680
TOTAL	**46.295**	**36.887**

23. Other operating expenses

	2007	**2006**
Auditing	2.643	3.562
Security expenses	11.156	10.046
Transportation expenses	773	904
Maintenance expenses	19.521	10.444
Service for changing the software program	4.387	1.161
Ground rent	45.022	23.100
Exhibition expenses	1.138	743
Advertising expenses	25.603	30.213
Consultant expenses	19.294	27.897
Gas station provision expenses	208.250	66.996
Public utilities services	8.847	5.659
Other services	8.082	5.312
Court and other administrative tax	3.362	2.134
Representation	6.847	5.792
Premium insurance	629	507
Payment-operation commissions	20.287	12.289
Membership expenses	337	466
Training cost for employee	2.041	1.679
Tax and lend construction tax	25.735	20.741
Telephone services	11.396	9.305
	425.350	**238.950**

24. Financial income

	2007	**2006**

Interest income	6.290	1.080
Foreign exchange gains	126.850	145.511
	133.140	**146.591**

25. Financial expenses

	2007	2006
Interest expenses-gross	395.980	176.644
Capitalisation of interest	(36.992)	(50.282)
Interest expenses-netto	358.988	126.362
Foreign exchange losses	138.416	53.668
	497.404	**180.030**

26. Other expenses

	2007	2006
Sales losses:		
- from intangible investments, property, plant and equipment	230	
Shortages	14.820	9.724
Expenses due to the robbery at petrol station	2.235	
Receivables value adjustment	16.514	12.892
Write off – advance to vendors	2.229	
Other	974	195
	37.002	**22.811**

27. Wages and salaries

	2007	2006
Wages and emoluments (Gross)	60.003	96.472
Taxes and contributions for wages and emoluments paid by the employer	8.512	14.813
Fees under temporary service contracts		
Royalties under author's contracts	742	4.906
Other personal expenses and fees	4.890	6.621
	74.147	**122.812**

28. Income tax expense

	2007	2006
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:

	2007	2006

Profit before tax – loss	(375.018)	(150.978)
Tax according to legal tax rate – 10% on loss	(37.502)	(15.098)
Expenses not recognized for tax purposes	4.045	2.147
Use of previously not recognized tax losses		
Tax losses for which deferred tax assets are not recognized	33.457	12.950
Tax expense	-	-

Income tax is not shown because business losses of RSD 375.018 were incurred. A net loss of RSD 334.569 is reported in the tax balance sheet.

29. Contingencies

The Company has contingent liabilities in respect of bank guarantee issued in favour of NIS-Jugopetrol in the amount of 4 Mil. Euro. 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 316.945 (2006: RSD 158.000) to third parties.

(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.

(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 2007 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 316.945. (4M 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 can be cancelled.. 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. Related party transactions

The majority owner of the company is EKO HELLENIC SERBIA (HOLDINGS), registered in Cyprus, with 100% share of the company. The topmost owner of the company is Hellenic – Petroleum (registered in Greece).

The following related party transactions were performed:

(a) *Sourced goods and services*

	2007	**2006**
Sourced goods:		
- EKO ELDA	14.213	20.534
- JUGOPETROL KOTOR	81.856	118.155
- OKTA SKOPLJE	35.137	202.815
Sourced services:		
-HELPE CONSULTING	9.598	14.727
	140.804	**356.231**

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

	2007	**2006**
Liabilities to related parties (Note 16)		
- EKO ELDA	7.348	3.921
- JUGOPETROL KOTOR	-	6.756
- OKTA SKOPLJE	-	4.416
ELPE PETRALIA	2.377	
	9.725	**15.093**

Obligations to related parties arise mostly in connection with purchase deals and mature for payment one month after the date of the purchase.

In 2007 and 2006 there was no need to form reserves for loans granted to directors, and business and other partners.

c) *Allowance generally management*
Generally management has been paid allowances in amount RSD 8.205 in 2007 (RSD 6.080 in 2006).

32. Events after the balance sheet dates

Dividend

In 2007 the business suffered losses and distribution of dividends will not be considered.

The company does not expect any significant liabilities to arise from potential obligations, apart from those for which reserves were formed accordingly. We could stated that there are no developments after balance sheet, which need to be disclose.

General Manager

Vasilis Panagopoulos