REPORT OF BAKER TILLY GEORGIA LIMITED to EKO GEORGIA LIMITED

SPECIAL-PURPOSE FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT THEREON

As at and for the year ended December 31, 2006

an independent member of
BAKER TILLY
INTERNATIONAL

BAKER TILLY
GEORGIA LTD

Contents

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INDEPENDENT AUDITOR'S REPORT

To: the Founders of EKO Georgia Ltd

We have audited the accompanying special-purpose financial statements of Limited Liability Company EKO Georgia ("the Company"), which comprise special-purpose Balance sheet as at December 31, 2006, and the related special-purpose statements of Income and Changes in Owner's Equity for the year then ended, and a summary of significant accounting policies and explanatory notes. Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the accounting principles established in the Company and summarized in Note2 to special-purpose financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of special-purpose 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. Our responsibility is to express an opinion on these special-purpose 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 special-purpose financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose 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 special-purpose 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 special-purpose financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the special-purpose financial statements referred to in the first paragraph above, present fairly, in all material respects, the financial position of the Company and of its financial performance for the year then ended in accordance with the accounting principles described in Note 2.

Baker Tilly Georgia Limited

February 14, 2007
Tbilisi, Georgia

SPECIAL-PURPOSE BALANCE SHEET

		31.12.2006	31.12.2005
ASSETS			
Non-current assets			
Intangible assets, net	**Note 3**	62,675	73,735
Property, plant and equipment, net	**Note 4**	8,322,200	8,402,420
Total non-current assets		**8,384,875**	***8,476,155***
Current assets			
Inventories	**Note 5**	2,319,900	3,366,482
Prepaid taxes	**Note 6**	1,453,709	878,090
Prepayments, net		361,531	136,411
Trade receivables, net	**Note 7**	34,873	32,748
Cash and cash equivalents	**Note 8**	915,335	561,733
Total current assets		**5,085,348**	***4,975,464***
TOTAL ASSETS		**13,470,223**	**13,451,619**
LIABILITIES AND OWNERS' EQUITY			
Owners' equity		7,165,300	7,165,300
Accumulated losses		(1,598,031)	(1,979,675)
Total owners' equity		**(5,567,269)**	***5,185,625***
Non-current liabilities			
Long-term loans	**Note 9**	-	239,001
Total non-current liabilities		**-**	***239,001***
Current liabilities			
Current portion of long-term loans	**Note 9**	456,931	238,998
Miscellaneous short-term payables		9,312	7,963
Accounts payable		7,106,259	7,757,692
Tax liabilities	**Note 10**	330,452	22,340
Total current liabilities		**7,902,954**	***8,026,993***
TOTAL LIABILITIES AND OWNERS' EQUITY		**13,470,223**	**13,451,619**

The Financial Statements were approved by the management on February 12, 2007 and signed on its behalf by:

Mr. George Emanouil,
Managing Director

SPECIAL-PURPOSE INCOME STATEMENT

		Year ended 31.12.2006	Year ended 31.12.2005
Sales revenue		23,354,798	22,095,969
Cost of sales		(20,717,137)	(19,293,975)
Gross profit		**2,637,661**	***2,801,994***
General and administrative expenses		(1,535,583)	(1,230,172)
Tax expenses		(182,559)	(139,686)
Other operating income		125,222	114,664
Other operating expenses		(76,397)	(76,669)
Operating result		**968,344**	***1,470,131***
Financial expenses, net		(10,615)	105,111
Foreign exchange gains, net		367,814	(28,791)
Miscellaneous non-operating expenses, net		(71,988)	(57,440)
Profit before profit tax		1,253,555	***1,489,011***
Profit tax expense		(333,565)	(337,170)
Extraordinary losses	**Note 11**	(538,346)	(303,316)
Net profit		381,644	**848,525**

The Financial Statements were approved by the management on February 12, 2007 and signed on its behalf by:

Mr. George Emanouil,
Managing Director

SPECIAL-PURPOSE STATEMENT OF CHANGES IN OWNER'S EQUITY

	Owner's Equity	Accumulated losses	Total
Opening balance as at 01.01.2005	**7,165,300**	**(2,828,200)**	**4,337,100**
Net profit	-	848,525	848,525
Closing balance as at 31.12.2005	**7,165,300**	**(1,979,675)**	**5,185,625**
Opening balance as at 01.01.2006	**7,165,300**	**(1,979,675)**	**5,185,625**
Net profit	-	381,644	381,644
Closing balance as at 31.12.2006	**7,165,300**	**(1,598,031)**	**5,567,269**

The Financial Statements were approved by the management on February 12, 2007 and signed on its behalf by:

Mr. George Emanouil,
Managing Director

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

Note 1. Company Background

Limited liability company EKO Georgia (the Company) was registered at Vake Saburtalo regional court on 20 October 1995, registration #5/4 -115.

The Company's legal and actual address is 74 I.Chavchavadze ave., Tbilisi 0162, Georgia.

EKO Georgia Ltd is a Georgian - Greek joint venture. Major shareholder of the company is EKO A.B.E.E. currently with 96.823% interest in owner's equity. On January 17, 2006 and May 22, 2006 EKO A.B.E.E. has purchased shares in Eko Georgia Limited from S.S. SAKNAVTOBPRODUKTI (0.181%) and DUKA LTD (0.254%), respectively.

Other shareholders of Eko Georgia are:

- HELLENIC PETROLEUM S.A. with 1 %,
- MG COMPANY LTD with 1.052 %,
- JETROIL LTD with 0.363 %, and
- Physical person with 0.762 %.

The main activities of EKO Georgia Ltd are import and subsequent retail and bulk sales of high quality, Greek petroleum products (Gasoline RON 100, RON 98, RON 92, Diesel EN 590 and 50 ppn, and Eko Lubricants) in Georgia. Imported products conform to the latest European Union Production Standards & Specifications. The sale of products is mainly carried out through the network of service stations all over Georgia.

- Fourteen service stations – Company owned - Company operated
- Two service stations – Company owned – dealer operated.
- one service station – rented – company operated.
- Two Company owned service stations, located in Khashuri are leased out without franchise.

Besides the main activities EKO Georgia Ltd is operating lubrication & car washing workshops, and supermarket. As of September 2004 café departments located at certain service stations have been leased out to operating companies.

Note 2. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these special-purpose financial statements are set out below:

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, on the accrual basis of accounting.

b) Foreign currency translation

Transactions denominated in foreign currencies are reported at the Tbilisi Inter-Bank Currency Exchange (TIBEX) rates prevailing at the date of transactions. Differences between the contractual exchange rates at the date of the transaction and TIBEX exchange rates on the date of the transaction are included in foreign exchange gains or losses. Any gains or losses on assets and liabilities denominated in foreign currencies arising from change in exchange rates subsequent to the date of the transaction are recognized as foreign exchange gains or losses.

The exchange rates of the US dollar against Georgian Lari as at December 31, 2006 and 2005 were 1.7135 and 1.7925, respectively.

c) Non-current assets

An asset is classified as a non-current asset when it is not expected to be realized in, or is not held for trading purposes or sale or consumption in, the normal course of the Company's operating cycle and when its estimated useful life is more than one financial year.

- **Property, plant and equipment**

Property, plant and equipment are recorded at historical cost. Cost includes all expenditures directly attributable to bringing the asset to working condition for its intended use. Subsequently, property, plant and equipment are carried at cost less accumulated depreciation.

Depreciation of the Property, plant and equipment is calculated as follows: the rates are applied to opening residual balance of property, plant and equipment plus any additions in the current year.

Applicable rates are as follows:

a) Buildings – 5 percent,

b) Machinery – 8, 20 percent,

c) Equipment – 8, 20 percent,

d) Other – 15 percent.

- **Intangible assets**

Intangible assets are recorded at historical cost. The assets are carried at historical cost less accumulated amortization.

To calculate annual amortization, the amortization rate at 10 percent is applied to the opening residual balance of intangible assets plus additions during the current year.

d) Current assets

An asset is classified as a current asset when it:

(a) is expected to be realized in, or is held for sale or consumption in, the normal course of the Company's operating cycle; or

(b) is held primarily for trading purposes or for the short-term and expected to be realized within twelve months of the balance sheet date; or

(c) is cash or cash equivalent asset which is not restricted in its use.

- **Other current assets**

Other current assets are carried at cost less any specific allowance for impairment or write-off of bad debts. Allowances for impairment and bad debt write-offs occur as a result of management's assessment of recoverability of the assets.

- **Inventories**

Inventories are stated at cost on a weighted-average basis.

- **Prepayments**

Prepayments are carried at cost less any allowances for impairment of irrecoverable amounts as assessed by management.

- **Trade receivables**

Trade receivables are carried at cost less any specific allowance for or write-off of doubtful and bad debts, respectively. Specific allowances and bad debt write-offs occur as a result of management's assessment of recoverability of the assets.

- **Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and balance with banks.

e) Non-current liabilities

A liability is classified as a non-current liability when its remaining maturity period extends beyond 12 months of the balance sheet date. Long-term interest bearing liabilities are continued to be classified as non-current, even when they are due to be settled within 12 months of the balance sheet date if:

(a) the original term was for a period of more than twelve months,

(b) the Company intends to refinance the obligation on a long-term basis, and

(c) that intention is supported by an agreement to refinance, or to reschedule payments, which is completed before the financial statements are approved.

- **Bank loans**

Loans received are carried at cost less repayments and portions payable within 12 months period of the balance sheet date. Such payables are classified as current portion of long-term payables under current liabilities.

f) Current liabilities

A liability is classified as a current liability when it:

(a) is expected to be settled in the normal course of the Company's operating cycle, or

(b) is due to be settled within twelve months of the balance sheet date.

g) Revenue recognition

Revenue recognition principals differ according to the underlying operation types:

- Wholesale and retail sales are recognized as revenues when goods are made available to customers;
- Where customers opt for bulk purchases via appropriate coupons, revenues are recognized when coupons are transferred to clients.

h) Expenses

Expenses are recognized when incurred.

i) Taxes

Tax charges are calculated in accordance with regulations of Georgia.

Note 3. Intangible assets

	LICENSES	OTHER	Total
Cost:			
As at 31.12.2005	116,477	40,214	156,691
Additions	-	-	-
As at 31.12.2006	116,477	40,214	156,691
Accumulated amortization:			
As at 31.12.2005	(60,114)	(22,842)	(82,956)
Charge for the year	(8,758)	(2,302)	(11,060)
As at 31.12.2006	(68,872)	(25,144)	(94,016)
Net book value as at 31.12.2005	**56,363**	**17,372**	**73,735**
Net book value as at 31.12.2006	**47,605**	**15,070**	**62,675**

Note 4. Property, plant and equipment

	LAND	BUILDINGS	MACHINERY	EQUIPMENT	VEHICLES	CONSTRUCTION IN PROGRESS	FURNITURE AND FITTINGS	TOTAL
Cost:								
As at 31.12.2005	2,265,206	4,367,018	1,673,502	994,162	225,563	1,225,698	187,044	10,938,193
Movement	-	669,282	84,554	5,923	101,827	(387,579)	-	474,007
As at 31.12.2006	2,265,206	5,036,300	1,758,056	1,000,085	327,390	838,119	187,044	11,412,200
Accumulated depreciation:								
As at 31.12.2005	-	(1,551,937)	(677,998)	(141,631)	(87,933)	-	(76,274)	(2,535,773)
Charge	-	(185,905)	(150,110)	(158,301)	(43,915)	-	(15,996)	(554,227)
As at 31.12.2006	-	(1,737,842)	(828,108)	(299,932)	(131,848)	-	(92,270)	(3,090,000)
Net book value as at 31.12.2005	2,265,206	2,815,081	995,504	852,531	137,630	1,225,698	110,770	8,402,420
Net book value as at 31.12.2006	2,265,206	3,298,458	929,948	700,153	195,542	838,119	94,774	8,322,200

Note 5. Inventories

	31.12.06	31.12.05
Fuel and lubricants	2,013,663	2,944,421
Retail goods	45,834	34,156
Spare parts	259,834	387,336
Other	569	569
Total	**2,319,900**	**3,366,482**

Note 6. Prepaid taxes

	31.12.06	31.12.05
Profit tax	114,442	150,186
Value added tax	1,126,661	555,926
Income taxes	67,889	30,552
Social taxes	112,883	87,307
Property tax	6,495	3,309
Tax on entrepreneurial activities	13,907	13,907
Other	11,432	36,903
Total	**1,453,709**	**878,090**

Note 7. Trade Receivables

	31.12.06	31.12.05
Gross trade receivables	280,313	278,188
Doubtful debt allowance	(245,440)	(245,440)
Trade receivables, net	**34,873**	**32,748**

Note 8. Cash and cash equivalents

	31.12.06	31.12.05
Cash on hand	36,597	50,979
Cash at bank, local currency	822,619	508,140
Cash at bank, foreign currencies	56,119	2,614
Total	**915,335**	**561,733**

Note 9. Loans

Bank loan AGR 83 from the Emporiki Bank of Greece S.A. was procured on 22 August 2003, EKO ELDA Industrial and Emporiki Petroleum Company S.A. acting as the guarantor. The maximum amount of the loan is 400 000 United States Dollars. It became effective on 5 September 2003 following the first drawdown. The Company drew maximum available – 400 000 United States Dollars. Annual interest at the aggregate six months LIBOR applicable to the respective interest period (maturity of each interest period being six months until the full repayment) plus margin up to 1.50% is charged on outstanding daily balances in respect of each interest period. Current effective interest rate is calculated on the basis of 360 days financial year for the actual number of days elapsed. Maturity period of the loan is four years ending on 5 September 2007.

Note 10. Tax liabilities

	31.12.06	31.12.05
VAT payable	328,166	-
Personal income tax	2,286	22,340
Total	**330,452**	**22,340**

Note 11. Extraordinary losses

	YEAR ENDED 31.12.06	YEAR ENDED 31.12.05
Unordinary losses of inventories	463,627	303,316
Tax penalties and fines on unordinary losses of inventories	74,549	-
Miscellaneous	170	-
Total	**538,346**	**303,316**

On June 1, 2006 Tax Department at the Ministry of finance of Georgia issued a claim against the Company for profit tax, value added tax and road tax amounting to 74,549 GEL. The claim relates to losses of the Company inventories, which for the indicated tax purposes are not considered as allowable deductions. Although the management has paid the amount (to avoid further penalties) the Company is currently engaged in a lawsuit to reclaim the amount.