# EKO SERBIA A.D. BEOGRAD

## FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2011
## AND INDEPENDENT AUDITOR'S REPORT

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## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders and Board of Directors of EKO Serbia a.d., Beograd

We have audited the accompanying financial statements of EKO Serbia a.d., Beograd (the "Company") which comprise the balance sheet as of 31 December 2011 and the income statement, statement of changes in equity and cash flow statement for the year then ended, summary of significant accounting policies, other explanatory notes and the statistical annex.

### *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 and Note 2 to these financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *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 about 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.

### *Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Law on Accounting and Auditing of the Republic of Serbia and Note 2 to these financial statements.

B. Bogovac
Biljana Bogovac
Licensed Auditor

PricewaterhouseCoopers d.o.o. Belgrade
PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 7 May 2012

*PricewaterhouseCoopers d.o.o., Omladinskih brigada 88a, 11070 Belgrade, Republic of Serbia*
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**This version of our report/ the accompanying documents is a translation from the original, which was prepared in Serbian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.**

Company: EKO SERBIA a.d.
Address: Tošin Bunar 274a, 11070 Novi Beograd
Identification number: 17413333
Business code:
Tax identification number: 100118236

# BALANCE SHEET

As at 31 December 2011

*(In RSD thousand)*

| 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 | | 6,529,995 | 6,741,352 |
| 00 | I. UNPAID SUBSCRIBED CAPITAL | 002 | | | |
| 012 | II. GOODWILL | 003 | | | |
| 01 less 012 | III. INTANGIBLE ASSETS | 004 | 5 | 584,394 | 2,014,064 |
| | IV. PROPERTY, PLANT & EQUIPMENT and BIOLOGICAL ASSETS (006+007+008) | 005 | | 5,945,601 | 4,727,288 |
| 020, 022, 023, 026, 027 (part), 028 (part), 029 | 1. Property, plant &equipment | 006 | 6 | 5,901,302 | 4,680,926 |
| 024, 027 (part), 028 (part) | 2. Investment property | 007 | 6 | 44,299 | 46,362 |
| 021, 025, 027 (part), 28 (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 | | 1,997,858 | 1,466,389 |
| 10 to 13, 15 | I. INVENTORIES | 013 | 8 | 1,059,183 | 548,046 |
| 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 | | 938,675 | 918,343 |
| 20, 21, 22, except 223 | 1. Receivables | 016 | 9 | 618,325 | 514,583 |
| 223 | 2. Overpaid tax receivables | 017 | | | |
| 23 minus 237 | 3. Short term financial placements | 018 | | | |
| 24 | 4. Cash and cash equivalents | 019 | 10 | 184,589 | 300,464 |
| 27 and 28 except 288 | 5. Value added tax and accruals | 020 | 11 | 135,761 | 103,296 |
| 288 | IV. DEFERRED TAX ASSETS | 021 | | | |

| Code of accounts | ITEM | EDP | Note no. | Amount | |
|---|---|---|---|---|---|
| | | | | Current year | Previous year |
| 1 | 2 | 3 | 4 | 5 | 6 |
| | **C. BUSINESS ASSETS (001+012)** | 022 | | 8,527,853 | 8,207,741 |
| 29 | **D. LOSS EXCEEDING CAPITAL** | 023 | 13 | 0 | 711,155 |
| | **E. TOTAL ASSETS (022+023)** | 024 | | 8,527,853 | 8,918,896 |
| 88 | **F. OFF-BALANCE SHEET ASSETS** | 025 | | 56,611 | 864,889 |
| | **LIABILITIES** | | | | |
| | **A. *EQUITY (102+103+104+105+106-107-108)*** | 101 | | 88,672 | 0 |
| 30 | I. INITIAL CAPITAL | 102 | | 4,577,115 | 3,031,625 |
| 31 | II. UNPAID SUBSCRIBED CAPITAL | 103 | | | |
| 32 | III. RESERVES | 104 | | | |
| 330 and 331 | IV. REVALUATION RESERVE | 105 | | | |
| 332 | V. UNREALIZED GAINS ON SECURITIES | 106 | | | |
| 333 | VI. UNREALIZED LOSSES ON SECURITIES | 107 | | | |
| 34 | VII. RETAINED EARNINGS | 108 | | | |
| 35 | VIII. LOSS | 109 | | 4,488,443 | 3,031,625 |
| 037 and 237 | IX. TREASURY SHARES | 110 | | | |
| | **B. *LONG TERM PROVISIONS & LIABILITIES (110+111+114+121)*** | 111 | | 8,439,181 | 8,918,896 |
| 40 | I. LONG TERM PROVISIONS | 112 | 14 | 1,954 | 1,555 |
| 41 | II. LONG TERM LIABILITIES (112+113) | 113 | 15 | 0 | 321 |
| 414, 415 | 1. Long term borrowings | 114 | | | |
| 41 except 414 & 415 | 2. Other long term liabilities | 115 | | 0 | 321 |
| | III. SHORT TERM LIABILITIES (115+116+117+118+119+120) | 116 | 16 | 8,437,227 | 8,917,020 |
| 42 except 427 | 1. Short term financial liabilities | 117 | | 6,787,190 | 7,948,676 |
| 427 | 2. Liabilities attributable to assets held for sale and discontinued operations assets | 118 | | | |
| 43 & 44 | 3. Trade payables | 119 | | 1,495,784 | 901,508 |
| 45 and 46 | 4. Other short term liabilities and accruals | 120 | 18 | 3,475 | 13,979 |
| 47, 48 except 481 and 49 except 498 | 5. Liabilities for VAT and other public revenues | 121 | | 150,778 | 52,857 |
| 481 | 6. Income tax payable | 122 | | | |
| 498 | IV. DEFERRED TAX LIABILITIES | 123 | | | |
| | **C. *TOTAL EQUITY AND LIABILITIES (101+109)*** | 124 | | 8,527,853 | 8,918,896 |
| 89 | **D. *OFF-BALANCE SHEET LIABILITIES*** | 125 | | 56,611 | 864,889 |

In Belgrade

Responsible person for the preparation of accounts

Legal representative

28 February 2012

Company: EKO SERBIA a.d.
Address: Tošin Bunar 274a, 11070 Novi Beograd
Identification number: 17413333
Business code:
Tax identification number: 100118236

# INCOME STATEMENT

For the year ended 31 December 2011

*(In RSD thousand)*

| 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 | | 19,544,860 | 16,628,394 |
| 60 & 61 | 1. Sales | 202 | 21 | 19,544,860 | 16,628,394 |
| 62 | 2. Revenue from usage of finished goods and merchandise | 203 | | | |
| 630 | 3. Inventories -Value increase | 204 | | | |
| 631 | 4. Inventories -Value decrease | 205 | | | |
| 64 & 65 | 5. Other operating revenue | 206 | | | |
| | **II. OPERATING EXPENSES (208 to 212)** | 207 | | 19,116,478 | 16,299,714 |
| 50 | 1. Cost of goods sold | 208 | 23 | 17,896,916 | 15,033,002 |
| 51 | 2. Cost of materials | 209 | 23 | 109,601 | 102,283 |
| 52 | 3. Cost of salaries, fringe benefits and other personal expenses | 210 | 28 | 112,449 | 122,816 |
| 54 | 4. Depreciation and provisions | 211 | 23 | 251,114 | 266,905 |
| 53 & 55 | 5. Other operating expenses | 212 | 24 | 746,398 | 774,708 |
| | **III. OPERATING INCOME (201 – 207)** | 213 | | 428,382 | 328,680 |
| | **IV. OPERATING LOSS ( 207 – 201)** | 214 | | | |
| 66 | **V. FINANCIAL INCOME** | 215 | | 47,362 | 13,716 |
| 56 | **VI. FINANCIAL EXPENSES** | 216 | | 1,304,517 | 993,400 |
| 67 & 68 | **VII. OTHER INCOME** | 217 | | 199,433 | 153,161 |
| 57 & 58 | **VIII. OTHER EXPENSES** | 218 | | 116,323 | 66,896 |
| | **IX. OPERATING PROFIT BEFORE TAX (213-214+215-216+217-218)** | 219 | | | |
| | **X. OPERATING LOSS BEFORE TAX (214-213-215+216-217+218)** | 220 | | 745,663 | 564,739 |
| 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 (22O-219+222-221)** | 224 | | 745,663 | 564,739 |

| Code of accounts | ITEM | | EDP | Note no. | Amount | |
|---|---|---|---|---|---|---|
| | | | | | Current year | Previous year |
| 1 | 2 | | 3 | 4 | 5 | 6 |
| | **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 | | 745,663 | 564,739 |
| | **H.** | **NET PROFIT ATTRIBUTABLE TO MINORITY INTEREST** | 231 | | | |
| | **I.** | **NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT** | 232 | | | |
| | **J.** | **EARNINGS PER SHARE** | | | | |
| | **1.** | Basic earnings per share | 233 | | | |
| | **2.** | Diluted earnings per share | 234 | | | |

In Belgrade

Responsible person for the preparation of accounts

Legal representative

28 February 2012

Company: EKO SERBIA a.d.
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# CASH FLOW STATEMENT

For the year ended 31 December 2011

*(In RSD thousand)*

| 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 | 20,032,613 | 15,213,691 |
| 1. | Sales and advances received | 302 | 19,796,637 | 12,250,007 |
| 2. | Interest from operating activities | 303 | 25,733 | 10,826 |
| 3. | Other inflow from operating activities | 304 | 210,243 | 2,952,858 |
| **II.** | **Cash outflows from operating activities (1 to 5)** | 305 | 20,501,331 | 15,674,773 |
| 1. | Payments and prepayments to suppliers | 306 | 18,159,057 | 10,955,117 |
| 2. | Salaries, fringe benefits and other personal expenses | 307 | 110,800 | 108,837 |
| 3. | Interest paid | 308 | 1,531,841 | 1,036,313 |
| 4. | Income tax paid | 309 | | |
| 5. | Payments for other public revenues | 310 | 699,633 | 3,574,506 |
| **III.** | **Net cash inflow from operating activities (I-II)** | 311 | | |
| **IV.** | **Net cash outflow from operating activities (II –I)** | 312 | 468,717 | 461,082 |
| **B.** | **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| **I.** | **Proceeds from investing activities (1 to 5)** | 313 | 204 | 372 |
| 1. | Sale of shares/stakes (net inflow) | 314 | | |
| 2. | Proceeds from sale of intangible assets, PPE and biological assets | 315 | 204 | 372 |
| 3. | Other financial investments (net inflow) | 316 | | |
| 4. | Interest received | 317 | | |
| 5. | Dividends received | 318 | | |
| **II.** | **Cash outflows from investing activities (1 to 3)** | 319 | 31,026 | 170,260 |
| 1. | Purchase of shares/stakes (net outflow) | 320 | | |
| 2. | Purchase of intangible assets, property, plant and equipment and biological assets | 321 | 31,026 | 170,260 |
| 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 | 30,822 | 169,888 |

| ITEM | | EDP | Amount | |
|---|---|---|---|---|
| | | | Current year | Previous year |
| 1 | | 2 | 3 | 4 |
| **C.** | **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| **I.** | **Proceeds from financing activities (1to3)** | 325 | 2,911,338 | 3,598,450 |
| 1. | Capital stock increase | 326 | 1,545,490 | 508,850 |
| 2. | Proceeds from long term and short term borrowings (Net) | 327 | 1,365,848 | 3,089,600 |
| 3. | Other long term and short term liabilities | 328 | | |
| **II.** | **Cash outflows from financing activities (1 to 4)** | 329 | 2,527,655 | 2,774,992 |
| 1. | Purchase of treasury shares and stakes | 330 | | |
| 2. | Long term, short term and other liabilities (net outflow) | 331 | 2,526,370 | 2,773,701 |
| 3. | Financial lease | 332 | 1,285 | 1,291 |
| 4. | Dividends paid | 333 | | |
| **III.** | **Net proceeds from financing activities (I-II)** | 334 | 383,683 | 823,458 |
| **IV.** | **Net outflow from financing activities (II-I)** | 335 | | |
| **D.** | **TOTAL PROCEEDS (301+313+325)** | 336 | 22,944,155 | 18,812,513 |
| **E.** | **TOTAL OUTFLOW (305+319+329)** | 337 | 23,060,012 | 18,620,025 |
| **F.** | **PROCEEDS NET (336-337)** | 338 | 0 | 192,488 |
| **G.** | **OUTFLOW NET (337-336)** | 339 | 115,856 | 0 |
| **H.** | **CASH AT THE BEGINNING OF ACCOUNTING PERIOD** | 340 | 300,464 | 106,530 |
| **I.** | **FOREIGN CURRENCY GAINS ON TRANSLATION OF CASH AND CASH EQUIVALENTS** | 341 | 0 | 1,446 |
| **J.** | **FOREIGN CURRENCY LOSSES ON TRANSLATION OF CASH AND CASH EQUIVALENTS** | 342 | 19 | 0 |
| **K.** | **CASH AT THE END OF ACCOUNTING PERIOD** (338-339+340+341-342) | 343 | 184,589 | 300,464 |

In Belgrade

Responsible person for the preparation of accounts

Legal representative

28 February 2012

Company: EKO SERBIA a.d.
Address: Tošin Bunar 274a, 11070 Novi Beograd
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# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

*(In RSD thousand)*

| DESCRIPTION | Share capital (Group 30 less 309) | Other capital (Acc. 309) | Unpaid subscribed capital (Group 31) | Share premium (Acc. 320) | Reserves (Acc. 321, 322) | Revaluation reserves (Acc. 33o I 331) | Unrealized gains on securities (Acc. 332) | Unrealized losses on securities (Acc. 333) | Retained earnings (Group 34) | Loss not exceeding capital (Group 35) | Treasury shares and stakes (Acc. 037, 237) | Total (column 2+3+4+5+6 +7+8-9+10-11-12) | Loss exceeding capital (Group 29) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 1. Balance as at 1 January of previous year | 2,522,775 | | | | | | | | | 2,522,775 | | | 655,267 |
| 2. Adjustments of material errors and changes in accounting policies in previous year – Increase | | | | | | | | | | | | | |
| 3. Adjustments of material errors and changes in accounting policies in previous year – Decrease | | | | | | | | | | | | | |
| **4. Restated opening balance as at 1 January of previous year (1+2-3)** | 2,522,775 | | | | | | | | | 2,522,775 | | | 655,267 |
| 5. Total increase in previous year | 508,850 | | | | | | | | | 508,850 | | | 55,888 |
| 6. Total decrease in previous year | | | | | | | | | | | | | |

**This version of the financial statements is a translation from the original, which was prepared in Serbian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original Serbian language version of the document takes precedence over this translation.**

| DESCRIPTION | Share capital (Group 30 less 309) | Other capital (Acc. 309) | Unpaid subscribed capital (Group 31) | Share premium (Acc. 320) | Reserves (Acc. 321, 322) | Revaluation reserves (Acc. 33o I 331) | Unrealized gains on securities (Acc. 332) | Unrealized losses on securities (Acc. 333) | Retained earnings (Group 34) | Loss not exceeding capital (Group 35) | Treasury shares and stakes (Acc. 037, 237) | Total (column 2+3+4+5+6+7+8-9+10-11-12) | Loss exceeding capital (Group 29) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| **7. Balance as at 31 December of previous year (4+5-6)** | 3,031,625 | | | | | | | | | 3,031,625 | | | 711,155 |
| 8. Adjustments of material errors and changes in accounting policies in current year – Increase | | | | | | | | | | | | | |
| 9. Adjustments of material errors and changes in accounting policies in current year - Decrease | | | | | | | | | | | | | |
| **10. Restated opening balance as at 1 January of current year (7+8-9)** | 3,031,625 | | | | | | | | | 3,031,625 | | | 711,155 |
| 11. Total increase in current year | 1,545,490 | | | | | | | | | 1,456,818 | | | |
| 12. Total decrease in current year | | | | | | | | | | | | | 711,155 |
| **13. Balance as at 31 December of current year (10+11-12)** | 4,577,115 | | | | | | | | | 4,488,443 | | 88,672 | |

In Belgrade

Responsible person for the preparation of accounts

Legal representative

28 February 2012

Company: EKO SERBIA a.d.
Address: Tošin Bunar 274a, 11070 Novi Beograd
Identification number: 17413333
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# STATISTICAL ANNEX
For the year 2011

## I. GENERAL INFORMATION ON COMPANY/ENTREPRENEUR

| DESCRIPTION | EDP | Current year | Previous year |
|---|---|---|---|
| **1** | **2** | **3** | **4** |
| 1. Number of months of operations (1to12) | 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 month's end | 605 | 41 | 42 |

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

*(In RSD thousand)*

| 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 year | 606 | 2,029,793 | 15,729 | 2,014,064 |
| | 1.2. Additions (purchases) during the year | 607 | 73,521 | xxxxxxxxxxxxx | 73,521 |
| | 1.3. Disposals during the year (disposals, write-offs, impairment) | 608 | 1,486,777 | xxxxxxxxxxxxx | 1,503,191 |
| | 1.4. Revaluation during the year | 609 | | xxxxxxxxxxxxx | |
| | 1.5. Balance as at year end (606+607-608 + 609) | 610 | 616,537 | 32,143 | 584,394 |
| 02 | **2. Property, Plant and Equipment, and Biological Assets** | | | | |
| | 2.1. Balance as at beginning of year | 611 | 5,841,581 | 1,114,293 | 4,727,288 |
| | 2.2. Additions (purchases) during the year | 612 | 1,456,615 | xxxxxxxxxxxxx | 1,456,615 |
| | 2.3. Disposals during the year (disposals, write-offs, impairment) | 613 | 34,485 | xxxxxxxxxxxxx | 238,302 |
| | 2.4. Revaluation during the year | 614 | | xxxxxxxxxxxxx | |
| | 2.5. Balance as at year end (611 + 612 – 613 + 614) | 615 | 7,263,711 | 1,318,110 | 5,945,601 |

## III. INVENTORIES

*(In RSD thousand)*

| 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 | 944,874 | 523,213 |
| 14 | 5. Non-current assets available-for-sale | 620 | | |
| 15 | 6. Prepayments | 621 | 114,309 | 24,833 |
| | **TOTAL (616+617+618+619+620+621=013+014)** | **622** | 1,059,183 | 548,046 |

## IV. EQUITY

*(In RSD thousand)*

| Code of Account | DESCRIPTION | EDP | Current year | Previous year |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 300 | 1. Share capital | 623 | 4,577,115 | 3,031,625 |
| | - foreign capital | 624 | | |
| 301 | 2. Stakes of a limited liability company | 625 | | |
| | - foreign capital | 626 | | |
| 302 | 3. Stakes of members of a partnership or limited partnership | 627 | | |
| | - foreign capital | 628 | | |
| 303 | 4. State owned capital | 629 | | |
| 304 | 5. Socially owned capital | 630 | | |
| 305 | 6. Stakes in cooperatives | 631 | | |
| 309 | 7. Other equity | 632 | | |
| 30 | **TOTAL (623+625+627+629+630+631+632 =102)** | 633 | 4,577,115 | 3,031,625 |

## V. SHARE CAPITAL

*(In RSD thousand)*

| Code of Account | DESCRIPTION | EDP | Current year | Previous year |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| | **1. Ordinary Shares** | | | |
| | 1.1. Number of ordinary shares | 634 | 550 | 400 |
| Partly 300 | 1.2. Face value of ordinary shares - Total | 635 | 4,577,115 | 3,031,625 |
| | **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** | 4,577,115 | 3,031,625 |

VI. **RECEIVABLES AND PAYABLES**

*(In RSD thousand)*

| 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 | 590,945 | 508,522 |
| 43 | 2. Payables from operations (Balance at year end 639 ≤ 117) | 640 | 1,495,154 | 898,111 |
| Partly 228 | 3. Receivables from insurance companies for compensation for damage during the year (Debit turnover less opening balance) | 641 | | |
| 27 | 4. VAT paid for goods and services purchased (Amount for the year as per tax returns) | 642 | 3,384,570 | 2,856,988 |
| 43 | 5. Payables from operations (Credit turnover less opening balance) | 643 | 23,580,098 | 34,974,214 |
| 450 | 6. Net salaries and fringe benefits payable (Credit turnover less opening balance) | 644 | 69,785 | 78,985 |
| 451 | 7. Tax on salaries and fringe benefits charged to employees payable (Credit turnover less opening balance) | 645 | 11,047 | 17,025 |
| 452 | 8. Contribution on salaries and fringe benefits charged to employees payable (Credit turnover less opening balance) | 646 | 13,894 | 13,966 |
| 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 rendered by natural persons payable (Credit turnover less opening balance) | 648 | 569 | 4,090 |
| 47 | 11. VAT collected for products, goods and services sold (Credit turnover less opening balance) | 649 | 3,608,670 | 3,090,084 |
| | **12. Control Total (from 639 to 649)** | **650** | 32,754,732 | 42,441,985 |

VII. **OTHER COSTS AND EXPENSES**

*(In RSD thousand)*

| Code of Account | DESCRIPTION | EDP | Current year | Previous year |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 513 | 1. Cost of fuel and energy | 651 | 84,458 | 73,426 |
| 520 | 2. Cost of salaries and fringe benefits (gross) | 652 | 82,317 | 93,864 |
| 521 | 3. Cost of taxes and contributions on salaries and fringe benefits charged to employer | 653 | 12,028 | 13,287 |
| 522, 523, 524 and 525 | 4. Cost of fees for services rendered by natural persons (gross) | 654 | 9,337 | 8,026 |
| 526 | 5. Cost of fees for members of management and supervisory boards (gross) | 655 | 2,088 | 1,286 |
| 529 | 6. Other personal fees and expenses | 656 | 6,679 | 6,353 |
| 53 | 7. Production services cost | 657 | 234,174 | 229,203 |
| 533, part of 540 and part of 525 | 8. Rental costs | 658 | 27,476 | 30,191 |
| Part of 533, part of 540 and part of 525 | 9. Rental costs/Land | 659 | | |
| 536, 537 | 10. Research and development costs | 660 | | |
| 540 | 11. Depreciation costs | 661 | 250,715 | 266,905 |
| 552 | 12. Insurance premium costs | 662 | 1,849 | 1,733 |
| 553 | 13. Payment operations costs | 663 | 51,502 | 54,342 |
| 554 | 14. Membership fees | 664 | 1,447 | 940 |
| 555 | 15. Taxes | 665 | 72,316 | 85,170 |
| 556 | 16. Contributions | 666 | | |
| 562 | 17. Interest payable | 667 | 1,257,174 | 982,811 |
| part of 560, part of 561 and 562 | 18. Interest payable and a portion of financial expenses | 668 | 1,257,174 | 982,811 |
| Part of 560, part of 561 and part of 562 | 19. Interest payable on bank loans and loans from other financial organizations | 669 | 1,257,174 | 982,811 |
| Part of 579 | 20. Cost of humanitarian, cultural, helth, educational, scientific and religious purposes, environmental protection and sports purposes. | 670 | 4,310 | 0 |
| | **21. Control Total (from 651 to 670)** | **671** | 4,612,218 | 3,813,159 |

## VIII. OTHER REVENUE

*(In RSD thousand)*

| Code of Account | DESCRIPTION | EDP | Current year | Previous year |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 60 | 1. Sales of merchandise | 672 | 19,544,860 | 16,628,394 |
| 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 income | 677 | 25,733 | 10,826 |
| part of 660, part of 661 and part of 662 | 7. Interest income arising from accounts and deposits with banks and other financial organizations | **678** | 25,733 | 10,826 |
| 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** | 19,596,326 | 16,650,046 |

## IX. OTHER INFORMATION

*(In RSD thousand)*

| DESCRIPTION | EDP | Current year | Previous year |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 1. Excise duty liability (as per annual calculation of excise duty) | 681 | 402,366 | 399,252 |
| 2. Custums and other import duties calculated (annual Total as per calculation) | 682 | | |
| 3. Capital subsidies and other government grants for the construction and purchase of fixed assets and intangible assets | 683 | | |
| 4. Government grants as premiums, recourses and coverage of running operating costs | 684 | | |
| 5. Other government grants | 685 | | |
| 6. Foreign 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** | 402,366 | 399,252 |

In Belgrade

Responsible person for the preparation of accounts

Legal representative

28 February 2012

EKO SERBIA A.D. BEOGRAD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

## 1. General information

Eko Serbia a.d. ("the Company") is engaged in wholesale and retail of motor fuels, other goods (supermarket goods, oils), the service of car wash and café services. The Company was established on 12 September 2002 and was fully controlled by EKO-ELDA Company, Greece. In December 2007 the Company changed owners when Cypriot company HELLENIC PETROLEUM SERBIA (HOLDINGS) became owner of 100% of EKO YU AD shares.

The ultimate parent of the Company is Hellenic Petroleum (incorporated in Greece).

The address of the Company's registered office is in Tosin Bunar 274a.

The Company is registered as a closed joint stock company.

Number of employees as at 31 December 2011 was 41 (in 2010 the number was 42).

These individual financial statements are approved by the management as at 28 February 2011.

## 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

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

2 If total shareholders' equity is less than zero, an asset is recorded in the balance sheet of the Company under the caption "Loss exceeding equity" such that total equity then equals zero. This asset does not meet the definition of an asset under IFRS.

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

These financial statements have been prepared under the historical cost convention. The preparation 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)

### 2.1 Basis for preparation of financial reports and going concern concept (continued)

### 2.1.1. Basis for preparation of financial reports (continued)

*(a) New and amended standards adopted by the* Company

***Amendment to IAS 24, Related Party Disclosures*** (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. As a result of the revised standard, the Company now also discloses contractual commitments to purchase and sell goods or services to its related parties , and provided disclosures of only individually significant transactions with government-related entities.

***IFRS 7*** was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date, and not the amount obtained during the reporting period;

*(b) New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2011 but not currently relevant to* the *Company nor translated into Serbian*

***Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011).*** The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations:

***IFRS 1*** was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements;

***IFRS 3*** was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on the acquiree's share-based payment arrangements that were not replaced, or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3;

***IAS 1*** was amended to clarify the requirements for the presentation and content of the statement of changes in equity

***IAS 27*** was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008);

***IAS 34*** was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and

***IFRIC 13*** was amended to clarify measurement of fair value of award credits.

## 2. Summary of significant accounting policies (continued)

### 2.1 Basis for preparation of financial reports and going concern concept (continued)

### 2.1.1. Basis for preparation of financial reports (continued)

The above amendments resulted in additional or revised disclosures, but had no material impact on measurement or recognition of transactions and balances reported in these financial statements.

***Other revised standards and interpretations effective for the current period.*** IFRIC 19 "Extinguishing financial liabilities with equity instruments", amendments to IAS 32 on classification of rights issues, clarifications in IFRIC 14 "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction" relating to prepayments of minimum funding requirements and amendments to IFRS 1 "First-time adoption of IFRS", did not have any impact on these financial statements.

(c) *New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted nor translated into Serbian.*

***IFRS 9, Financial Instruments - I: Classification and Measurement.*** IFRS 9, issued in November 2009. While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Company is considering the implications of the standard, the impact on the Company and the timing of its adoption by the Company.

***IFRS 13, Fair value measurement,*** issued in May 2011 and effective for annual periods beginning on or after 1 January 2015.

***IAS 27, Separate Financial Statements,*** revised in May 2011 and effective for annual periods beginning on or after 1 January 2013.

***Disclosures—Transfers of Financial Assets – Amendments to IFRS 7,*** issued in October 2010 and effective for annual periods beginning on or after 1 July 2011.

***Amendments to IAS 1, Presentation of Financial Statements,*** issued June 2011, effective for annual periods beginning on or after 1 July 2012.

***Amended IAS 19, Employee Benefits,*** issued in June 2011, effective for periods beginning on or after 1 January 2013..

***Disclosures—Offsetting Financial Assets and Financial Liabilities -*** Amendments to IFRS 7, issued in December 2011 and effective for annual periods beginning on or after 1 January 2013.

***Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32,*** issued in December 2011 and effective for annual periods beginning on or after 1 January 2014.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's financial statements.

### 2.1.2 Going concern assumption

Management prepared financial statements using going concern assumption as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. Accordingly, assets and liabilities are recorded on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company had additional capital paid in the amount of RSD 1,545,490 during 2011 (2010: RSD 508,850 thousand). The Company's operations are also funded by short term loans from the National Bank of Greece, Belgrade (NBG) and EFG Eurobank, Belgrade (EFG). A short term loan issued by the NBG bank has been rolled-over to the February 2013 in the amount of RSD 2,164,000 and the rest of the borrowings from NBG in the amount of RSD 1,981,245 are expected to be refinanced in June 2012.

## 2. Summary of significant accounting policies (continued)

### 2.1 Basis for preparation of financial reports and going concern concept (continued)

#### 2.1.2 Going concern assumption (continued)

The Company's short-term liabilities in the amount of RSD 8,437,227 (2010: RSD 8,917,020) are higher than short term assets in the amount of RSD 1,997,858 (2010: RSD 1,466,389). However, the Company also obtained a letter of support from Hellenic Petroleum SA, the ultimate parent, where it states:

"...Hellenic Petroleum SA confirms that it is its current policy to (i) maintain in EKO Serbia AD Beograd its 100 percent effective shareholding and (ii) ensure that EKO Serbia AD Beograd is in a position to meet its debt and capital expenditure commitments as they fall due. This policy will be reviewed 12 months from the date of this letter.
We, Hellenic Petroleum S.A., also confirm that we will provide support to EKO Serbia AD Beograd so as to ensure that it will be in the position to meet its liabilities when they fall due."[1]

### 2.2 Foreign currency translation

a) *Functional and presentation currency*

Items included in the financial statements of the Company are measured and presented in Serbian dinars ("RSD").

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 and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### 2.3 Intangible assets

a) *Computer software*

Licences acquired for computer software are capitalised at cost incurred in the process of acquisition and putting software in use. These costs are amortised during their estimated useful life (3 to 5 years).

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

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

### 2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

[1] Letter of support received from Hellenic Petroleum S.A. dated 28 February 2012

## 2. Summary of significant accounting policies (continued)

### 2.4 Property, plant and equipment (continued)

Borrowing costs incurred during construction of each asset meeting the recognition criteria are capitalised over the period of time needed for the asset to be finished and ready for use. Other borrowing costs are stated at cost.

Land is not depreciated.

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

| | |
|---|---|
| Buildings | 4% |
| Vehicles, furniture | 10% |
| Machinery and equipment | 15% |
| Telecommunication equipment | 20% |
| Computers, software, fittings | 30% |
| Leasehold improvements – buildings refurnishment | 10% |

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

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

### 2.5 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment when 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 costs 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 an impairment are reviewed for possible reversal of the impairment at each reporting date. Assets that have an indefinite useful life, are not subject to amortisation and are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

### 2.6 Investment property

Investment property is a property held to earn rentals or for capital appreciation or both.

Investment property, principally comprising freehold office building, is held for long-term rental yields and is not occupied by the Company.

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required.

If any indication exists, those investment properties may be impaired; the Company estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through profit or loss. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

## 2. Summary of significant accounting policies (continued)

### 2.6 Investment property (continued)

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

### 2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.8 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'other expenses'.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amount previously written off are credited to 'other income' in the income statement.

### 2.8 Cash and cash equivalents

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

### 2.9 Off balance sheet assets/liabilities

Off balance sheet assets/liabilities include bills of exchange given to the suppliers and fuel vouchers.

### 2.10 Equity

Ordinary shares are classified as share capital. The Company is 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 or reissued.

## 2. Summary of significant accounting policies (continued)

### 2.10 Equity (continued)

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

### 2.11 Provisions

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.

### 2.12 Borrowings

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

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan.

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

### 2.13 Trade payables

Accounts payable are obligations to pay the supplier for goods or services received in the ordinary course of business. Accounts payable are classified as current if they are due for payment within one year or less (or in the ordinary course of business cycle if longer).

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

### 2.14 Current and deferred income tax

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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is fully provided for, 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, the deferred income tax is not accounted for if it 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 only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## 2. Summary of significant accounting policies (continued)

### 2.15 Employee benefits

*a) Pension obligations*

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 retirement employee benefit schemes. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and 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 and the provision is made in proportion to employee service period.

*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.

### 2.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates, discounts and internally generated revenue.

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

The products are often sold with volume discounts. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts. The volume discounts are assessed based on estimated volume of annual turnover.

*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.

## 2. Summary of significant accounting policies (continued)

### 2.16 Revenue recognition

c) *Sales of services*

The Company sells services within cafes at the gas stations and the car wash services. 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.

### 2.17 Leases

a) Leases: Accounting by lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

b) Leases: Accounting by lessor

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

Lease income is recognised over the term of the lease on a straight-line basis.

c) *Right of use of land*

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

Right of use of land acquired as a separate transaction through payment to the relevant Local Authority is treated as a intangible asset.

### 2.18 Dividend distribution

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

## 3. Financial risk management (continued)

### 3.1 Financial risk factors (continued)

(d) *Cash flow interest rate risk*

The Company has short term borrowings issued at variable rates which exposed it to the cash flow interest rate risk. Any change in the base interest rate (2 weeks REPO) has a proportionate impact on the Company's results. As 31 December 2011 if interest rates in RSD denominated borrowings had been 0.5% higher with all other variables held constant, pre tax losses for the year would have been RSD 43,338 higher.

### 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.

Corporate strategy in 2011 has not changed compared to 2010. At 31 December 2011 and 2010 the gearing ratio of the Company was as follows:

| | **2011** | **2010** |
|---|---:|---:|
| Total borrowings (notes 15 and 16) | 6,786,864 | 7,948,997 |
| Less: cash and cash equivalents (note 10) | 184,589 | 300,464 |
| Net debt | 6,602,275 | 7,648,533 |
| Total equity | 88,672 | (711,155) |
| Total capital | 6,690,947 | 6,937,378 |
| **Gearing ratio** | **98,67%** | **110.25%** |

## 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, seldom 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 addressed below.

a) *Pension obligations*

The present value of pension obligations depends on a number of factors which are determined based on numerous assumptions in the market.
Any changes in these assumptions will affect the carrying value of pension obligations.

## 4. Critical accounting estimates and judgements (continued)

### 4.1 Critical accounting estimates and assumptions (continued)

b) *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.

c) *Provision for severance*

Other key assumptions for other obligations are based in part on current market conditions. Provision for retirement benefit is calculated accounting for the estimate that all employees will remain Company's employees by the time of pension benefit payment. Additional information is disclosed in note 14.

d) *Financial crisis*

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe and elsewhere. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against. Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

e) Impairment of non-current assets

Management analyses the indicators of decline in the recoverable value of non-current assets to ensure that carrying amounts of non-current assets do not differ materially from recoverable amounts. The analysis is based on individual petrol stations and discounted cash flows for the foreseeable future.

**Impact on liquidity:**

The volume of wholesale financing has significantly reduced starting from October 2009. Such circumstances may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

**Impact on customers/ borrowers:**

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

## 5. Intangible assets

| **At 1 January 2010** | **Software and Licences** | **Other software development costs** | **Right of use of land** | **Total** |
|---|---|---|---|---|
| Cost | 19,644 | 3,050 | 2,003,588 | 2,026,282 |
| Accumulated amortisation | (13,800) | (731) | - | (14,531) |
| **Net book value** | **5,844** | **2,319** | **2,003,588** | **2,011,751** |
| **Year ended 31 December 2010** | | | | |
| Opening net book amount | 5,844 | 2,319 | 2,003,588 | 2,011,751 |
| Additions | 55 | 3,240 | - | 3,295 |
| Transfer from PPE | 217 | - | - | 217 |
| Amortization charge (note 23) | (759) | (440) | - | (1199) |
| **Closing net book value** | **5,357** | **5,119** | **2,003,588** | **2,014,064** |
| **At 31 December 2010** | | | | |
| Cost | 19,916 | 6,290 | 2,003,588 | 2,029,794 |
| Accumulated amortisation | (14,559) | (1,171) | - | (15,730) |
| **Net book value** | **5,357** | **5,119** | **2,003,588** | **2,014,064** |
| **Year ended 31 December 2011** | | | | |
| Opening net book amount | 5,357 | 5,119 | 2,003,588 | 2,014,064 |
| Additions | - | - | - | - |
| Transfer to PPE | - | - | (1,413,256) | (1,413,256) |
| Amortization charge (note 23) | (774) | (629) | (15,011) | (16,414) |
| **Closing net book value** | **4,583** | **4,490** | **575,321** | **584,394** |
| **At 31 December 2011** | | | | |
| Cost | 19,916 | 6,290 | 590,332 | 616,538 |
| Accumulated amortisation | (15,333) | (1,800) | (15,011) | (32,144) |
| **Net book value** | **4,583** | **4,490** | **575,321** | **584,394** |

Amortization expense of RSD 16,414 (2010: RSD 1,199) is included in operating expenses in income statements, (Note 23). The Company reclassified land in the amount of RSD 1,413,256 to the property, plant and equipment following receipt of the ownership title over the land.

## 6. Property, plant and equipment

| | Land | Buildings | Machinery and Equipment | Construction in progress (CIP) | Leasehold improvements | Advances for PPE | Total |
|---|---|---|---|---|---|---|---|
| **At 1 January 2010** | | | | | | | |
| Cost or valuation | 779,591 | 3,632,888 | 711,802 | 258,302 | 68,369 | 224,354 | 5,675,306 |
| Accumulated depreciation | - | (428,298) | (369,468) | - | (23,155) | (30,952) | (851,873) |
| **Net book value** | **779,591** | **3,204,590** | **342,334** | **258,302** | **45,214** | **193,402** | **4,823,433** |
| **Year ended 31 December 2010** | | | | | | | |
| Opening net book amount | 779,591 | 3,204,590 | 342,334 | 258,302 | 45,214 | 193,402 | 4,823,433 |
| Additions | - | 51,785 | 42,683 | 73,471 | 1,941 | - | 169,880 |
| Transfer to intangibles | - | 54,449 | 9,495 | (64,173) | 12 | - | (217) |
| Disposals (note 27) | - | - | (3,301) | (86) | - | - | (3,387) |
| Depreciation charge(note 23) | - | (148,365) | (96,404) | - | (8,677) | (8,974) | (262,420) |
| **Closing net book value as at 31 December 2010** | **779,591** | **3,162,459** | **294,807** | **267,514** | **38,490** | **184,428** | **4,727,289** |
| **At 31 December 2011** | | | | | | | |
| Cost or valuation | 779,591 | 3,739,122 | 760,679 | 267,514 | 70,322 | 224,354 | 5,841,582 |
| Accumulated depreciation | - | (576,663) | (465,872) | - | (31,832) | (39,926) | (1,114,293) |
| **Net book value** | **779,591** | **3,162,459** | **294,807** | **267,514** | **38,490** | **184,428** | **4,727,289** |
| **Year ended 31 December 2011** | | | | | | | |
| Opening net book amount | 779,591 | 3,162,459 | 294,807 | 267,514 | 38,490 | 184,428 | 4,727,289 |
| Additions | - | 12,430 | 15,638 | 10,640 | 872 | - | 39,580 |
| Transfer from intangibles | 1,741,983 | 2,686 | 1,218 | (108,152) | (125) | (224,354) | 1,413,256 |
| Disposals (note 27) | (27,856) | - | (2,851) | | - | - | (30,707) |
| Depreciation charge (note 23) | - | (149,923) | (85,863) | - | (7,957) | 39,926 | (203,817) |
| **Closing net book value as at 31 December 2011** | **2,493,718** | **3,027,652** | **222,949** | **170,002** | **31,280** | **-** | **5,945,601** |
| **At 31 December 2011** | | | | | | | |
| Cost or valuation | 2,493,718 | 3,754,238 | 774,684 | 170,002 | 71,069 | - | 7,263,711 |
| Accumulated depreciation | - | (726,586) | (551,735) | - | (39,789) | - | (1,318,110) |
| **Net book value** | **2,493,718** | **3,027,652** | **222,949** | **170,002** | **31,280** | **-** | **5,945,601** |

Depreciation expense of RSD 203,817 (2010 RSD: 263,619) is shown under operating expenses in income statement.

## 7 Financial instruments by category

Accounting policies related to financial instruments are applied to items shown in the table below:

| | Loans and receivables |
|---|---|
| *Assets* | |
| 31 December 2011 | |
| Assets as per balance sheet | |
| Trade and other receivables (note 9) | 618,325 |
| Cash and cash equivalents (note 10) | 184,589 |
| **Total** | **802,914** |

| | Other financial liabilities |
|---|---|
| *Liabilities* | |
| Liabilities as per balance sheet | |
| Trade and other payables | 1,495,784 |
| Borrowings | 6,786,864 |
| Leases | 326 |
| **Total** | **8,282,974** |

| | Loans and receivables |
|---|---|
| *Assets* | |
| 31 December 2010 | |
| Trade and other receivables (note 9) | 514,583 |
| Cash and cash equivalents (note 10) | 300,464 |
| **Total** | **815,047** |

| | Other financial liabilities |
|---|---|
| *Liabilities* | |
| Trade and other payables | 901,509 |
| Borrowings | 7,947,386 |
| Leases | 1,611 |
| **Total** | **8,850,506** |

## 8. Inventories

| | 2011 | 2010 |
|---|---|---|
| Merchandise | 944,874 | 523,213 |
| Advances | 114,309 | 24,833 |
| **Total inventories – net** | **1,059,183** | **548,046** |

Total shortages in 2011 amounted to RSD 108,644 and are recorded as other expenses (Note 27) and the surpluses for 2011 in RSD 118,546 are recorded in other income (Note 23).

## 9. Receivables

| | 2011 | 2010 |
|---|---|---|
| Trade receivables | 612,335 | 530,102 |
| Receivables from employees | 504 | 89 |
| Receivable from state fund for sick leave reimbursement | 4,534 | 4,444 |
| Receivables for shortage on petrol stations from managers | 22,341 | 1,527 |
| Total receivable – Net | **639,715** | **536,162** |
| Less provision for bad debt | (21,390) | (21,579) |
| Current receivable | **618,325** | **514,583** |

Table of movements on provision for doubtful receivables is as follows:

| | 2011 | 2010 |
|---|---|---|
| **At 1 January** | 21,578 | 21,578 |
| Collection of provision | 188 | - |
| **At 31 December** | **21,390** | **21,578** |

Provision and release of provision for doubtful receivables have been recorded in 'other expenses/other income in the income statement (note 27), Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company has promissory notes as security for collection.

## 10. Cash and cash equivalents

| | 2011 | 2010 |
|---|---|---|
| Credit cards | 46,024 | 48,936 |
| Current accounts | 56,851 | 198,761 |
| Cash in hand - petrol stations | 72,386 | 40,785 |
| Foreign account | 9,328 | 11,982 |
| | **184,589** | **300,464** |

Credit quality of financial assets – cash equivalents and cash is with the banks with no external credit ratings, but management assesses that those are banks bear low risk.

Cash at foreign accounts is denominated in EUR.

## 11. VAT receivable and prepaid expenses

| | 2011 | 2010 |
|---|---|---|
| VAT receivable | 50,088 | - |
| Prepaid expenses | 85,673 | 103,296 |
| **Total** | **135,761** | **103,296** |

## 12. Off balance sheet assets and liabilities

The Company has issued the following instruments to the third parties:

- Bank guarantee in the amount of EUR 76 thousand, (RSD 7,980 thousand) in favour of Town of Belgrade, according to supply contract
- Bank guarantee in amount of RSD 15,000 in favour of DIN, in accordance with the contract
- Blank promissory notes in favour of:
  - EFG Belgrade as loan guarantee (note 16)
  - NBG Belgrade as loan guarantee (note 16)

## 13. Equity

Share capital includes the following:

| | Share capital | Retained earnings/(loss) | Total |
|---|---|---|---|
| **Balance at 1 January 2010** | **2,522,775** | **(3,178,042)** | **(655,267)** |
| Profit (loss) for the year | - | (564,739) | (564,739) |
| Additional capital | 508,850 | - | 508,850 |
| **Balance at 31 December 2010** | **3,031,625** | **(3,742,780)** | **(711,155)** |
| **Balance at 1 January 2011** | **3,031,625** | **(3,742,780)** | **(711,156)** |
| Profit (loss) for the year | - | (745,663) | (745,663) |
| Additional capital | 1,545,490 | - | 1,545,490 |
| **Balance at 31 December 2011** | **4,577,115** | **(4,488,443)** | **88,672** |

## 14. Long - term provisions

The Company has a legal obligation to pay the three average salaries to retiring workers, at the level of the average salary in Republic of Serbia in the moment of their retirement.

| | 2011 | 2010 |
|---|---|---|
| Liability for severance payments | 1,954 | 1,555 |
| | **1,954** | **1,955** |

The amounts recognized in the income statement

| | 2011 | 2010 |
|---|---|---|
| Net actuarial losses recognized during the year | 398 | 168 |
| **Total** | **398** | **168** |

## 15. Long term liabilities

Long term liabilities relate to finance lease agreement for vehicles:

| | 2011 | 2010 |
|---|---|---|
| Expiring within 5 years | - | 321 |
| **Total** | **326** | **321** |

## 16. Short term financial liabilities

| | 2011 | 2010 |
|---|---|---|
| Short term borrowings | 6,786,864 | 7,947,386 |
| Current portion of financial lease liabilities | 326 | 1,291 |
| **Total** | **6,787,190** | **7,948,677** |

## 16. Short term financial liabilities (continued)

| **Bank** | **As at 31 December 2011** | **As at 31 December 2010** |
|---|---|---|
| NBG Belgrade | 1,605,000 | 1,605,000 |
| NBG Belgrade | 1,981,245 | 1,981,245 |
| NBG Belgrade | 559,000 | 559,000 |
| EFG Belgrade | 489,478 | 600,000 |
| EFG Belgrade | 245,990 | 245,990 |
| EFG Belgrade | 1,625,474 | 1,625,474 |
| EFG Belgrade | 280,677 | 280,677 |
| Credit Agricole | - | 1,050,000 |
| **Total** | **6,786,864** | **7,947,386** |

| **Bank** | **Use** | **Limit** | **Maturity** | **Currency** | **Interest rate** |
|---|---|---|---|---|---|
| NBG Belgrade | Working capital, refinancing | 1,605,000 | 30-Jun-12 | RSD | 2W Repo + 3.5% |
| NBG Belgrade (note 34) | Working capital, refinancing | 1,983,000 | 28-Feb-12 | RSD | 2W Repo + 3.5% |
| NBG Belgrade | General purposes | 563,000 | 30-Jun-12 | RSD | 2W Repo + 3.5% |
| EFG Belgrade | Working capital | 1,003,848 | 6-Dec-12 | RSD | 2W Repo + 5.75% |
| EFG Belgrade | Working capital | n/a | 16-May-12 | RSD | 2W Repo + 4.5% |
| EFG Belgrade | Working capital | n/a | 16-May-12 | RSD | 2W Repo + 4.5% |
| EFG Belgrade | Working capital | n/a | 16-May-12 | RSD | 2W Repo + 4.5% |

The company has unused credit lines as following:

| | **2011** | **2010** |
|---|---|---|
| Floating rate: | | |
| Expiring within 1 year | 514,370 | 100,000 |
| **Total** | **514,370** | **100,000** |

## 17. Trade payables

| | **2011** | **2010** |
|---|---|---|
| Customer prepayments | 24,259 | 40,099 |
| Trade payables – domestic | 1,334,366 | 858,544 |
| Trade payables – foreign | 137,160 | 2,865 |
| **Total** | **1,495,785** | **901,508** |

Trade payables amounting to RSD 137,160 are denominated in EUR as at 31 December 2011.

## 18. Other current liabilities and accrued expenses

### 18.1. Other current liabilities

| | **2011** | **2010** |
|---|---|---|
| Liabilities for unpaid wages and salaries, gross | 3,475 | 13,979 |
| | **3,475** | **13,979** |

### 18.2. Liabilities for VAT and other public revenue and accrued expenses

| | **2011** | **2010** |
|---|---|---|
| Liabilities for interest and finance expenses | 69,571 | 17,235 |
| Liabilities for other taxes and contributions | - | 51 |
| Liabilities for excise on LPG | 17,099 | - |
| Accrued expenses | 22,642 | 17,324 |
| VAT liabilties | 41,466 | 18,247 |
| **Total** | **150,778** | **52,857** |

## 19. Deferred income tax

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the future taxable profits will be available for use. The Company did not recognise deferred income tax assets of RSD – 1,043,349 (2010: RSD 1,018,814) in respect of losses amounting to RSD 4,384,411 (2010: RSD 3,628,390) that can be carried forward against future taxable income, as it is the uncertain realization of taxable tax profit to the funds realized in the period in which it is allowed.

## 20. Revenue

| | 2011 | 2010 |
|---|---|---|
| Sales | 19,655,694 | 16,678,460 |
| Rebate | (110,834) | (50,065) |
| **Total net sales** | **19,544,860** | **16,628,395** |

## 21. Other operating income

| | 2011 | 2010 |
|---|---|---|
| Income from disposal of assets | 440 | 5,759 |
| Rental income | 11,287 | 18,600 |
| Income – surplus of inventories | 118,546 | 60,143 |
| Income – marketing and advertising | 42,747 | 44,658 |
| Recharged expenses to managers of petrol stations | 26,413 | 24,001 |
| **Total** | **199,433** | **153,161** |

## 22. Operating expenses

| | 2011 | 2010 |
|---|---|---|
| Cost of goods sold | 17,896,916 | 15,033,002 |
| Material costs | 109,601 | 102,283 |
| Wages and salaries (note 27) | 112,449 | 122,816 |
| Depreciation and amortization (note 5,6) | 220,231 | 263,340 |
| Provisions | 399 | 168 |
| Disposal of assets | 30,707 | 3,387 |
| Other operating expenses (note 24) | 746,398 | 774,718 |
| | **19,116,478** | **16,299,714** |

Material cost includes:

| | 2011 | 2010 |
|---|---|---|
| Fittings | 5,806 | 2,474 |
| Other overhead material | 20,873 | 27,321 |
| Own consumption | 5,271 | 4,784 |
| Electricity | 76,134 | 66,012 |
| Material consumed in process of sales | 1,517 | 1,692 |
| **Total** | **109,601** | **102,283** |

## 23. Other operating expenses

| | 2011 | 2010 |
|---|---|---|
| Audit | 3,972 | 4,105 |
| Security | 18,916 | 17,463 |
| Transportation services | 1,135 | 756 |
| Maintenance | 79,445 | 69,006 |
| Computer software maintenance | 7,152 | 3,475 |
| Rental costs | 28,707 | 30,093 |
| Fairs | 4,724 | 4,055 |
| Advertising and representation costs | 58,591 | 68,382 |
| Consulting services | 19,133 | 16,544 |
| Petrol stations management fees | 338,037 | 333,995 |
| Public services | 18,178 | 15,566 |
| Costs of other services | 10,244 | 32,821 |
| Costs of non production services | 3,035 | 4,686 |
| Representation costs | 5,406 | 6,722 |
| Insurance premium | 1,849 | 1,733 |
| Bank charges | 51,502 | 54,342 |
| Membership fees | 1,447 | 940 |
| Employee trainings | 559 | 1,853 |
| Taxes and contributions | 72,316 | 85,169 |
| Mail services | 22,050 | 23,012 |
| **Total** | **746,398** | **774,718** |

## 24. Finance income

| | 2011 | 2010 |
|---|---|---|
| Interest income | 25,733 | 10,826 |
| Foreign exchange gains | 21,629 | 2,890 |
| **Total** | **47,362** | **13,716** |

## 25. Finance expenses

| | 2011 | 2010 |
|---|---|---|
| Interest expenses | 1,257,475 | 985,056 |
| Interest capitalisation | - | (1,502) |
| Interest expenses – net | **1,257,475** | **983,554** |
| Foreign exchange losses | 47,042 | 9,846 |
| **Total** | **1,304,517** | **993,400** |

## 26. Other expenses

| | 2011 | 2010 |
|---|---|---|
| Shortages | 108,630 | 58,954 |
| Write off of merchandise | 1,256 | - |
| Receivables written off | 2,568 | 3,604 |
| Other | 3,855 | 3,225 |
| **Total** | **116,323** | **66,896** |

## 27. Wages and salaries

| | 2011 | 2010 |
|---|---|---|
| Wages and salaries (gross) | 82,317 | 93,864 |
| Taxes and contributions on wages and salaries paid by employer | 12,027 | 13,288 |
| Fees paid to management and supervisory board members | 2,088 | 1,286 |
| Cost of special service and temporary service agreements | 9,337 | 8,025 |
| Other personal expenses and benefits | 6,680 | 6,353 |
| **Total** | **112,449** | **122,816** |

## 28. Income tax expense

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

| | 2011 | 2010 |
|---|---|---|
| Loss before tax | (745,663) | (564,738) |
| Tax calculated at statutory tax rate – 10% on loss | (74,566) | (56,474) |
| Tax effect of: | | |
| Expenses not deductible for tax purposes | 10,403 | 11,439 |
| Tax losses for which no deferred income tax assets was recognised | 64,163 | 45,035 |
| **Tax charge** | - | - |

## 29. Contingencies

(a) *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.

(b) *Insurance policies*

The Company holds insurance policies at Delta Generali insurance in relation to its assets, operations and other insurable risks.

(c) *Environmental matters*

Environmental regulations are developing in the Republic of Serbia and the Company has not recorded any liability at 31 December 2011 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.

(d) *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,

(e) *Bank and other guarantees*

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 22,890 to third parties (note 12).

## 30. Related party transactions

The Company is controlled by HELLENIC PETROLEUM SERBIA (HOLDINGS), incorporated in Cyprus, which owns 100% of the Company's shares. The ultimate parent of the Company is Hellenic Petroleum (incorporated in Greece).

The following transactions were carried out with related parties:

*a) Purchases of goods and services*

| | 2011 | 2010 |
|---|---|---|
| Purchase of goods: | | |
| - HELLENIC PETROLEUM (purchase of fuel) | 907,168 | - |
| - EKO ELDA (purchase of fuel) | 22,210 | 17,513 |
| - OKTA (purchase of fuel) | 441,080 | - |
| - ELPE STATUTORY | 12,557 | 14,770 |
| - ELPE CONSULTING (purchase of services) | - | 1,055 |
| - JUGOPETROL KOTOR | 77,489 | - |
| **Total** | **1,460,504** | **33,338** |

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

| | 2011 | 2010 |
|---|---|---|
| Payables to related parties (Note 17) | | |
| - EKO ELDA | 150 | 2,847 |
| - HELLENIC PETROLEUM | 55,465 | |
| - OKTA | 47,369 | - |
| - JUGOPETROL KOTOR | 24,738 | - |
| | **127,722** | **2,847** |

The payables to related parties arise mainly from purchase transactions and are due one month after the date of purchase.

*c) Key management considerations*

The key management received amount of RSD 8,371 (2010: RSD 10,093) as salary and bonuses during 2011.

| | 2011 | 2010 |
|---|---|---|
| Fees paid to management and supervisory board members | 2,088 | 1,286 |

## 31. Events after the balance sheet dates

In February 2012 the Company's short term loan with NBG bank in the amount of RSD 1,983,000 has been rolled over to February 2013 (note 2.1.2).

***Chief accountant*** — Milka Vrtikapa

***Executive Director*** — Goran Dejanović