

EKO SERBIA A.D. BEOGRAD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
AND INDEPENDENT AUDITOR'S REPORT**

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EKO SERBIA A.D. BEOGRAD
Financial statements for the year ended 31 December 2009

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INDEPENDENT AUDITOR'S REPORT

To the Management 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 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes. The statistical annex is an integral part of these financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of EKO Serbia A.D. Beograd as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with the requirements of the Law on Accounting and Auditing of the Republic of Serbia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following facts:

- (a) The Company incurred a net loss of RSD 1,034,321 thousand during the year ended 31 December 2009 (31 December 2008 – RSD 907,861 thousand) and, as of that date the Company's net assets are negative by RSD 655,267 thousand (31 December 2008 RSD 99,698 thousand) and the share capital amounts to RSD 2,522,775 thousand (31 December 2008 – RSD 2,044,025 thousand). In accordance with the Company Law, management of the Company must be informed to decide on appropriate action if during preparation of the Company's financial statements it is noted, or other circumstances indicate, that the Company has incurred losses up to 50% of its registered stake capital. The Company Law is silent on what are the consequences if the Company has incurred losses greater than 50% of its registered capital. Furthermore, if the net asset value of the Company is below the minimum stake capital required by the Company Law for that form of company, and remains in that manner for a period of six months from the moment it becomes first apparent, liquidation procedures can be initiated. The ultimate outcome of this matter cannot presently be determined and, consequently, the financial statements do not include adjustments or disclosures to reflect these issues.
- (b) The accompanying financial statements do not comply with all of the requirements of International Financial Reporting Standards. Accordingly, the financial statements are not intended to present the financial position and results of operations and cash flows of the Company in accordance with accounting principles generally accepted in jurisdictions outside the Republic of Serbia.



Biljana Bogovac
Licensed Auditor



PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 22 March 2010

Company **EKO SERBIA AD**
Address **Tosin bunar 274a 11070 BEOGRAD**
Identification number **17413333**
Business code **50500**
Tax identification number **100118236**

BALANCE SHEET

As at 31.12.2009.

(in thousands RSD)

Code of accounts	ITEM	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	ASSETS				
	A. NON CURRENT ASSETS (002+003+004+005+009)	001		6,835,184	6,898,223
00	I. UNPAID SUBSCRIBED CAPITAL	002			
012	II. GOODWILL	003			
01 less 012	III. INTANGIBLE ASSETS	004	5	2,011,752	2,012,302
01 less 012	IV. PROPERTY, PLANT & EQUIPMENT and BIOLOGICAL ASSETS (006+007+008)	005		4,823,432	4,885,921
020, 022, 023, 026, 027 (part), 028 (part), 029	1. Property, plant & equipment	006	6	4,776,245	4,836,756
024, 027 (part), 028 (part)	2. Investment property	007	6	47,187	49,165
021, 025, 027 (part), 028 (part)	3. Biological assets	008			
	V. LONG TERM FINANCIAL INVESTMENTS (010+011)	009			
030 to 032, 039 (part)	1. Investments in Equity	010			
033 to 038, 039 (part) less 037	2. Other long term investments	011			
	B. CURRENT ASSETS (013+014+015+021)	012		1,080,566	1,064,640
10 to 13,15	I. INVENTORIES	013	8	476,303	366,112
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		604,263	698,528
20, 21, 22 less 223	1. Receivables	016	9	385,016	564,143
223	2. Overpaid tax receivables	017			
23 minus 237	3. Short term financial placements	018			
24	4. Cash and cash equivalents	019	10	106,530	76,185
27 & 28 less 288	5. Value added tax and accruals	020	11	112,717	58,200
288	III. DEFERRED TAX ASSETS	021			
	C. BUSINESS ASSETS (001+012)	022		7,915,750	7,962,863
29	D. LOSS EXCEEDING CAPITAL	023	13	655,267	99,696
	E. TOTAL ASSETS (022+023)	024		8,571,017	8,062,559
88	F. OFF-BALANCE SHEET ASSETS	025		929,362	534,606

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Company **EKO SERBIA AD**
 Address **Tosin bunar 274a 11070 BEOGRAD**
 Identification number 17413333
 Business code 50500
 Tax identification number 100118236

BALANCE SHEET (continued)

As at 31.12.2009.

(in thousands RSD)

Code of accounts	ITEM	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	LIABILITIES				
	A. CAPITAL (102+103+104+105+106-107-108)	101			
30	I. INITIAL CAPITAL	102		2,522,775	2,044,025
31	II. UNPAID SUBSCRIBED CAPITAL	103			
32	III. RESERVES	104			
33	IV. REVALUATION RESERVE	105			
34	V. RETAINED EARNINGS	106			
35	VI. LOSS	107		2,522,775	2,044,025
037 & 237	VII. TREASURY SHARES	108			
	B. NON CURRENT PROVISIONS & LIABILITIES (110+111+114+121)	109		8,571,017	8,062,559
40	I. LONG TERM PROVISIONS	110		1,388	1,127
41	II. LONG TERM LIABILITIES (112+113)	111		841,246	6,919,145
414, 415	1. Long term borrowings	112	15	839,677	6,917,496
441 LESS 414 & 415	2. Other long term liabilities	113		1,569	1,649
	III. SHORT TERM LIABILITIES (115+116+117+118+119+120)	114		7,728,383	1,142,287
42 less 427	1. Short term financial liabilities	115	16	6,875,413	321,568
427	2. Liabilities attributable to assets held for sale and discontinued operations assets	116			
43 & 44	3. Trade payables	117	17	711,713	640,198
45 & 46	4. Other short term liabilities and accruals	118	18	12,295	9,656
47 and 48 less 481, 49 less 498	5. Liabilities for VAT and other public revenues	119	18	128,962	170,865
481	6. Income tax payable	120			
498	IV. DEFERRED TAX LIABILITIES	121			
	C. TOTAL LIABILITIES (101+109)	122		8,571,017	8,062,559
89	D. OFF-BALANCE SHEET LIABILITIES	123	12	929,362	534,606

In BELGRADE

Responsible person for the preparation of accounts

Legal representative

Date 27.02.2010

M. B. B. B.

[Signature]

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Identification number **17413333**
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Tax identification number **100118236**

INCOME STATEMENT

For the period that ended 31.12.2009.

(in thousands RSD)

Code of accounts	ITEM	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A. OPERATING INCOME AND EXPENSES				
	I. OPERATING INCOME (202+203+204-205+206)	201		11,390,231	10,272,022
60 & 61	1. Sales	202	21	11,390,231	10,272,022
62	2. Work performed by the entity and capitalized	203			
630	3. Inventories-Value increase	204			
631	4. Inventories-Value decrease	205			
64 & 65	5. Other operating revenue	206			
	II. OPERATING COSTS (208 do 212)	207		11,212,564	10,257,537
50	1. Purchase costs of merchandise sold	208	23	10,033,557	9,295,773
51	2. Cost of materials	209	23	87,864	61,642
52	3. Cost of salaries, fringe benefits and other personal expenses	210	28	108,361	85,866
54	4. Depreciation and provisions	211	23	271,726	231,122
53 & 55	5. Other operating costs	212	24	711,056	583,134
	III. OPERATING INCOME (201-207)	213		177,667	14,485
	IV. OPERATING LOSS (207-201)	214			
66	V. FINANCE INCOME	215		13,065	86,018
56	VI. FINANCE COSTS	216		1,299,158	1,060,803
67 & 68	VII. OTHER INCOME	217		100,033	74,456
57 & 58	VIII. OTHER EXPENSES	218		25,928	22,017
	IX. OPERATING PROFIT BEFORE TAX (213-214+215-216+217-218)	219			
	X. OPERATING LOSS BEFORE TAX (214-213-215+216-217+218)	220		1,034,321	907,861
69 - 59	XI. NET PROFIT ATTRIBUTABLE TO DISCONTINUED OPERATIONS	221			
59 - 69	XII. NET LOSS ATTRIBUTABLE TO DISCONTINUED OPERATIONS	222			
	B. PROFIT BEFORE TAX (219-220+221-222)	223			
	C. LOSS BEFORE TAX (220-219+222-221)	224		1,034,321	907,861
	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		1,034,321	907,861
	H. NET PROFIT ATTRIBUTABLE TO MINORITY INTEREST	231			

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Tax identification number 100118236

INCOME STATEMENT (continued)

For the period that ended 31.12.2009.

(in thousands RSD)


	I.	NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	232			
	J.	EARNINGS PER SHARE				
	K.	BASIC EARNINGS PER SHARE				
	L.	DILUTED EARNINGS PER SHARE				

In BELGRADE

Responsible person for the preparation of
accounts

Legal representative

Date 27.02.2010





Company EKO SERBIA AD
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Tax identification number 100118236

CASH FLOW STATEMENT

For the period that ended 31.12.2009.

(in thousands RSD)

ITEM	EDP	Amount	
		Current year	Previous year
1	2	3	4
A. CASH FLOWS FROM OPERATING ACTIVITIES			
I. Cash generated from operations (1 to 3)	301	13,967,889	12,088,854
1. Sales and advances received	302	11,869,890	10,112,686
2. Interest from operating activities	303	1,230	2,417
3. Other inflow from operating activities	304	2,096,769	1,973,751
II. Cash outflows from operating activities (1 to 5)	305	14,667,384	12,908,280
1. Payments and prepayments to suppliers	306	10,816,304	9,864,684
2. Salaries, fringe benefits and other personal expenses	307	100,775	84,045
3. Interest paid	308	1,254,472	811,599
4. Income tax paid	309		
5. Payments for other public revenues	310	2,495,833	2,147,952
III. Net cash inflow from operating activities (I - II)	311		
IV. Net cash outflow from operating activities (II - I)	312	699,495	819,426
B. CASH FLOWS FROM INVESTING ACTIVITIES			
I. Proceeds from financing activities (1 to 5)	313	617	
1. Sale of shares/stakes (net inflow)	314		
2. Proceeds from sale of intangible assets, PPE and biological assets	315	617	
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	191,731	1,059,500
1. Purchase of shares/stakes (net outflow)	320		
2. Purchase of intangible assets, property, plant and equipment and biological assets	321	191,731	1,059,500
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	191,114	1,059,500
C. CASH FLOWS FROM FINANCING ACTIVITIES			
I. Proceeds from financing activities (1 to 3)	325	1,747,435	4,612,180
1. Capital stock increase	326	478,750	
2. Proceeds from long term and short term borrowings (Net)	327	1,268,685	4,612,180
3. Other long term and short term liabilities	328		
II. Cash outflows from financing activities (1 to 4)	329	826,862	2,765,969
1. Purchase of treasury shares and stakes	330		
2. Long term, short term and other liabilities(net outflow)	331	825,449	2,764,612
3. Financial Lease	332	1,413	1,357
4. Dividends paid	333		

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 Identification number 17413333
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 Tax identification number 100118236

CASH FLOW STATEMENT (continued)

For the period that ended 31.12.2009.

(in thousands RSD)

ITEM	EDP	Amount	
		Current year	Previous year
1	2	3	4
III. Net proceeds from financing activities (I - II)	334	920,573	1,846,211
IV. Net outflow from financing activities (II - I)	335		
D. TOTAL PROCEEDS (301+313+325)	336	15,715,941	16,701,034
E. TOTAL OUTFLOW (305+319+329)	337	15,685,977	16,733,749
F. PROCEEDS NET (336-337)	338	29,964	
G. OUTFLOW NET (337-336)	339		32,715
H. CASH AT THE BEGINNING OF ACCOUNTING PERIOD	340	76,185	108,606
I. FOREIGN CURRENCY GAINS ON TRANSLATION OF CASH AND CASH EQUIVALENTS	341	381	294
J. FOREIGN CURRENCY LOSSES ON TRANSLATION OF CASH AND CASH EQUIVALENTS	342		
K. CASH AT THE END OF ACCOUNTING PERIOD (338-339+340+341-342)	343	106,530	76,185

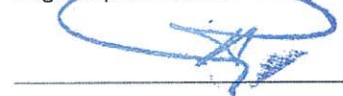
In BELGRADE

Date 27.02.2010

Responsible person for the preparation of accounts



Legal representative



Company **EKO SERBIA AD**
 Address **Tosin bunar 274a 11070 BEOGRAD**
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STATEMENT OF CHANGES IN EQUITY

For the period that ended 31.12.2009.

(in thousands RSD)

DESCRIPTION	1	2	3	4	5	6	7	8	9	10	11	12
	Share capital (Group 30 less 309)	Other capital (Acc. 309)	Unpaid subscribed capital (Group 31)	Share premium	Reserves (Acc. 321, 322)	Revaluation reserves (Group 33)	Retained earnings (Group 34)	Loss not exceeding capital (Group 35)	Treasury shares (Acc. 037, 237)	Total (column 2+3+4+5+6+7 +8+9-10)	Loss exceeding capital (Group 29)	
1. Balance as at 1 January of previous year 2008	2,044,025							1,235,859		808,166		
2. Adjustments of material errors and changes in accounting policies occurred in previous year - Increase												
3. Adjustments of material errors and changes in accounting policies occurred in previous year - Decrease												
4. Restated opening balance as at 1 January of previous year (1+2+3) 2008	2,044,025							1,235,859		808,166		
5. Total increase in previous year												
6. Total decrease in previous year												99,696
7. Balance as at 31 December of previous year (4+5+6) 2008	2,044,025							2,044,025				99,696
8. Adjustments of material errors and changes in accounting policies occurred in current year - Increase												

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STATEMENT OF CHANGES IN EQUITY (continued)

For the period that ended 31.12.2009.

DESCRIPTION	1	2	3	4	5	6	7	8	9	10	11	12
		Share capital (Group 30 less 309)	Other capital (Acc. 309)	Unpaid subscribed capital (Group 31)	Share premium	Reserves (Acc. 321, 322)	Revaluation reserves (Group 33)	Retained earnings (Group 34)	Loss not exceeding capital (Group 35)	Treasury shares and stakes (Acc. 037, 237)	Total (column 2+3+4+5+6+7 +8+9-10)	Loss exceeding capital (Group 29)
9. Adjustments of material errors and changes in accounting policies occurred in current year - Decrease												
10. Restated opening balance as at 1 January of current year 2009		2,044,025							2,044,025			99,696
11. Total increase in current year		478,750							478,750			555,571
12. Total decrease in current year												
13. Balance as at 31 December of current year (10+11-12) 2009		2,522,775							2,522,775			655,267

In BELGRADE

Responsible person for the preparation of accounts

Legal representative

Date 27.02.2010

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STATISTICAL ANNEX

for the year 2009.

I. GENERAL INFORMATION ON COMPANY/ENTERPRENEUR

DESCRIPTION	EDP	Current year	Previous year
1	2	3	4
1. Number of months of operations	601	12	12
2. Code identifying the company's size (1to3).	602	3	3
3. Code identifying the company's ownership structure (1to5).	603	2	2
4. Number of foreign persons, who may be natural persons or legal entities, holding a share in capital.	604		
5. Average number of employees based on employee position as at each months end.	605	43	42

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

(In thousands RSD)

Code of Account	DESCRIPTION	EDP	Gross	Accumulated Depreciation	Net (Column 4-5)
1	2	3	4	5	6
01	1. Intangible assets				
	1.1 Balance as at beginning of the year	606	2,022,046	9,744	2,012,302
	1.2. Additions (purchases) during the year	607	836	xxxxxxxxxxxxxxx	836
	1.3. Disposals during the year	608	1,386	xxxxxxxxxxxxxxx	1,386
	1.4. Revaluation	609		xxxxxxxxxxxxxxx	
	1.5. Balance as at year end (606+607-608+609)	610	2,021,496	9,744	2,011,752
02	2. Property, Plant and Equipment, and Biological Assets				
	2.1. Balance as at beginning of the year	611	5,246,433	360,512	4,885,921
	2.2. Additions (purchases) during the year	612	207,619	xxxxxxxxxxxxxxx	207,619
	2.3. Disposals during the year	613	270,108	xxxxxxxxxxxxxxx	270,108
	2.4. Revaluation	614		xxxxxxxxxxxxxxx	
	2.5. Balance as at year end (611+612-613+614)	615	5,183,944	360,512	4,823,432

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III. INVENTORIES

(In thousands RSD)

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
10	1. Stock of material	616		
11	2. Work in progress	617		
12	3. Finished goods	618		
13	4. Merchandise	619	452,129	333,844
14	5. Non-current assets available-for-sale	620		
15	6. Prepayments	621	24,174	32,268
	7. TOTAL (616+617+618+619+620+621=013+014)	622	476,303	366,112

IV. EQUITY

(In thousands RSD)

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
300	Share capital	623	2,522,775	2,044,025
	- foreign capital	624		
301	Stakes of a limited liability company	625		
	- foreign capital	626		
302	Stakes of members of a partnership or limited partnership	627		
	- foreign capital	628		
303	State owned capital	629		
304	Socially owned capital	630		
305	Stakes in cooperatives	631		
309	Other equity	632		
30	TOTAL (623+625+627+629+630+631+632=102)	633	2,522,775	2,044,025

V. SHARE CAPITAL

(In thousands RSD)

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
	1. Ordinary Shares			
	1.1. Number of ordinary shares	634	350	350
Partly 300	1.2. Face value of ordinary shares - Total	635	2,522,775	2,044,025
	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	2,522,775	2,044,025

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VI. RECEIVABLES AND PAYABLES

(In thousands RSD)

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
20	1. Receivables from sales (Balance at year end 639 ≤ 016)	639	366,871	543,909
43	2. Payables from operations (Balance at year end 639 ≤ 117)	640	684,964	640,198
Partly 228	3. Receivables from insurance companies for compensation for damage during the year (debit turnover less opening balance)	641		
27	4. VAT – previous tax (annual amount as per tax declarations)	642	1,960,736	1,901,185
43	5. Payables from operations (credit turnover less opening balance)	643	23,580,458	22,978,119
450	6. Net salaries and fringe benefits payable (credit turnover less opening balance)	644	73,129	55,438
451	7. Tax on salaries and fringe benefits charged to employees payable (credit turnover less opening balance)	645	12,390	10,174
452	8. Contribution on salaries and fringe benefits charged to employees payable (credit turnover less opening balance)	646	11,011	10,070
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	4,624	5,356
47	11. VAT liability (annual amount as per tax declarations)	649	2,132,433	1,922,421
	12. Control Total (from 639 to 649)	650	28,826,616	28,066,870

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Company **EKO SERBIA AD**
Address **Tosin bunar 274a 11070 BEOGRAD**
Identification number **17413333**
Business code **50500**
Tax identification number **100118236**

VII. OTHER COSTS AND EXPENSES

(In thousands RSD)

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
513	1. Cost of fuel and energy	651	61,432	50,951
520	2. Cost of salaries and fringe benefits (gross)	652	81,700	67,033
521	3. Cost of taxes and contributions on salaries and fringe benefits charged to employer	653	10,716	9,565
522, 523, 524 and 525	4. Cost of fees for services rendered by natural persons (gross)	654	6,719	303
526	5. Cost of fees for members of management and supervisory boards (gross)	655	2,648	2,140
529	6. Other personal fees and expenses	656	6,758	6,825
53	7. Production services cost	657	168,575	162,953
533, part of 540 and part of 525	8. Rental costs	658	27,829	33,897
Prt of 533, part of 540 and part of 525	9. Rental costs/Land	659		
536, 537	10. Research and development costs	660		
540	11. Cost of depreciation	661	271,726	230,865
552	12. Insurance premium costs	662	1,990	1,238
553	13. Payment operations costs	663	40,717	34,167
554	14. Membership fees	664	922	394
555	15. Taxes	665	78,617	46,043
556	16. Contributions	666		
562	17. Interest payable	667	1,254,472	919,837
Part of 560, part of 561 and 562	18. Interest payable and a portion of financial expenses	668	1,254,472	919,837
Part of 560, part of 561 and part of 562	19. Interest payable on bank loans and loans from other financial organizations	669	1,254,472	918,595
Part of 579	20. Cost of humanitarian, cultural, health, educational, scientific and religious purposes, environmental protection and sports purposes	670		
	21. Control Total (from 651 to 670)	671	4,523,585	3,404,643

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Company **EKO SERBIA AD**
 Address **Tosin bunar 274a 11070 BEOGRAD**
 Identification number 17413333
 Business code 50500
 Tax identification number 100118236

VIII. OTHER REVENUE

(In thousands RSD)

Code of Account	DESCRIPTION	EDP	Current year	Previous year
1	2	3	4	5
60	1. Sales of merchandise	672	11,390,231	10,272,022
640	2. Revenues from premiums, subventions, grants, recourses, compensations and tax returns	673		
641	3. Revenues from conditional donations	674		
Part of 650	4. Revenues from land-rental fees	675		
651	5. Membership fees	676		
Part of 660, part of 661 and 662	6. Interest receivable	677	1,230	2,417
Part of 660, part of 661 and part of 662	7. Interest receivable incurring from accounts and deposits with banks and other financial organizations	678	1,230	2,417
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	11,392,691	10,276,856

IX. OTHER INFORMATION

(In thousands RSD)

DESCRIPTION	EDP	Current year	Previous year
1	2	3	4
1. Excise duty liability (as per annual calculation of excise duty)	681	362,978	205,913
2. Customs and other import duties calculated (Annual Total as per calculation)	682	628	12,182
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 enterpreneur from net profit (To be completed ONLY by enterpreneurs)	687		
8. Control Total (from 681 to 687)	688	363,606	218,095

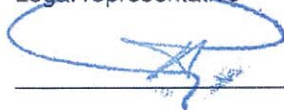
In BELGRADE

Responsible person for the preparation of accounts

Legal representative

Date 27.02.2010





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EKO SERBIA A.D. BEOGRAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

EKO SERBIA A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2009

(All amounts are in RSD thousands unless otherwise stated)

1. General information

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

The Company has the internal listing and no listing on the Belgrade stock exchange since the Company is registered as a closed joint stock company.

Number of employees as at 31 December 2009 was 43 (in 2008 the number was 42).

2. Summary of significant accounting policies

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

2.1 Basis of preparation and going concern concept

2.1.1 Basis of preparation

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

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

- 1 "Off-balance sheet assets and liabilities" are recorded on the face of the balance sheet (note 2.17). 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.

2. Summary of significant accounting policies (continued)

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

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

The Company has adopted the following new and amended IFRSs as of 1 January 2009:

- IFRS 7 'Financial instruments — Disclosures' (amendment) — effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.
- IAS 1 (Revised), "*Presentation of financial statements*" (effective 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.
- IFRS 2 (Amendment), 'Share-based payment' (effective 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Company apply IFRS 2 (amendment) from 1 January 2009, but is not expected to have a material impact on the Company's financial statements.
- In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Company capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Company previously recognised all borrowing costs as an expense immediately. This change in accounting policy was due to the adoption of IAS 23, 'Borrowing costs' (2007) in accordance with the transition provisions of the standard; comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share. The Company has capitalised borrowing costs with respect to intangible asset arising from internally generated software costs (see note 6).

2. Summary of significant accounting policies (continued)

(a) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2010 or later periods, but the Company has not early adopted them:

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Company will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Company's financial statements.
- IAS 27 (revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Company will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.
- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's acquisition proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Company will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.
- IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Company's financial statements.

2. Summary of significant accounting policies (continued)

- MSFI 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Company will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Company's financial statements.
- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Company will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Company's financial statements.
- IFRS 9, 'Financial instruments: 'Classification and measurement'. In November 2009, the Board issued the first part of IFRS 9 relating to the classification and measurement of financial assets. IFRS 9 will ultimately replace IAS 39. The standard requires an entity to classify its financial assets on the bases of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, and subsequently measures the financial assets as either at amortised cost or fair value. The new standard is mandatory for annual periods on or after 1 January 2013.
- IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2—Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Company's financial statements.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.

¹ Detailed list is enclosed at the end of the template (Appendix I)

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

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 the building land under long-term lease (Prepayments – Note 6) is calculated in the same way as the buildings on the land, at the rate of 4%.

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

	%
Buildings	4
Vehicles, furniture	10
Machinery and equipment	15
Telecommunication equipment	20
Computers, software, fittings	30
Investment in third party equipment – buildings	10
Investment in third party equipment – furniture	10
Investment in third party equipment – machinery and equipment	15
Investment in third party equipment – telecommunication equipment	20
Investment in third party equipment – computers, software, fittings	30

2. Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

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

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

2.5 Impairment of non-financial assets

Assets that have an indefinite useful life, are not subject to amortisation and are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment 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.

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 buildings, 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, that 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.

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. Summary of significant accounting policies (continued)

2.7 Long – term financial assets

(a) 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.

2.8 Inventories

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

2.9 Trade receivables

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.

2.10 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.

2.11 Off balance sheet assets/liabilities

Off balance sheet assets/liabilities include payables relating to collaterals given such as guarantees and other warrants.

2. Summary of significant accounting policies (continued)

2.12 Equity

(a) Share Capital

Ordinary shares are classified as share capital. (Note 12)

The Company has internal listing and no listing 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. 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.

2.13 Provisions

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

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.

2.14 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.

2.15 Trade payables

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

2. Summary of significant accounting policies (continued)**2.16 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.

2.17 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. Summary of significant accounting policies (continued)

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

b) Sales of goods – retail

Sales of goods are recognised when a Company sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in other expenses.

It is the company's policy to sell its products to the end customer with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

c) Sales of services

The Company sells services 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

2. Summary of significant accounting policies (continued)

2.18 Revenue recognition (continued)

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.

2.19 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 prepayment. The prepayment is amortised over the useful life of the related building. In accordance with the corporate policy, depreciation period for above mentioned asset is 25 years.

2.20 Dividend distribution

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

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk, credit risk, liquidity risk and cash flow interest rate risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (The Company Treasury) under policies approved by the board of directors. The Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units.

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to EUR and US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

Management has set up a policy to manage its foreign exchange risk against its functional currency. The Company is required to hedge its entire foreign exchange risk exposure with the Company treasury. In order to hedge from the potential foreign exchange loss, the Company reached a decision that all new borrowings will take effect in functional currency. In addition, current foreign borrowings are being replaced by new borrowings denominated in RSD functional currency through refinancing. Foreign exchange risk arises when future transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency.

(ii) Price risk

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

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

(iii) Cash flow and fair value interest rate risk

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

EKO SERBIA A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2009

(All amounts are in RSD thousands unless otherwise stated)

3. Financial risk management (continued)

(b) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The following are the major customers which obtained bank guarantees: Autoprevoz Čačak, Srbo-export, Petra commerce, 8 Oktobar, Marko-export,.....

(c) Liquidity risk

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

The table below analyses the company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows¹. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 December 2009	Less than 1 year ²	Between 1 and 2 years ²
Borrowings	6,874,000	75,943
Finance lease liabilities	1,413	(1569)

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.

¹ As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the balance sheet for borrowings, derivative financial instruments and trade and other payables. Entities can choose to add a reconciling column and a final total which ties into the balance sheet if they so wish.

² The specific time buckets presented are not mandated by the standard but are based on a choice by management.

³ The maturity analysis applies to financial instruments only and therefore statutory liabilities are not included.

EKO SERBIA A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2009***(All amounts are in RSD thousands unless otherwise stated)***3. Financial risk management (continued)****3.2 Capital risk management (continued)**

Company's strategy in 2009 remained unchanged with respect to 2007. The gearing ratios at 31 December 2009 and 2008 were as follows:

	2008	2007
Total borrowings (notes 15 and 16)	7,716,659	7,239,064
Less: cash and cash equivalents (note 10)	106,530	76,185
Net debt	<u>7,610,129</u>	<u>7,162,879</u>
Total equity	<u>(655,267)</u>	<u>(99,696)</u>
Total capital	6,954,862	7,063,183
Gearing ratio	<u>109.42%</u>	<u>101.41%</u>

An increase in the gearing ratio during 2009 resulted primarily from significant capital investment increase, financed by new borrowings, in compliance with corporate budget for 2009.

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) Revenue recognition

The Company has recognised revenue amounting to RSD 11,390,231 sales of goods to during 2009. Use of the percentage-of-completion method requires the Company to estimate the services performed to date as a proportion of the total services to be performed.

b) Pension benefits

Other key assumptions for pension obligations are based in part on current market conditions. Any changes in these assumptions will impact the carrying amount of pension obligations.

4. Critical accounting estimates and judgements (continued)

c) *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.

d) *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.

a) *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, Russia 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."

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."

EKO SERBIA A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2009***(All amounts are in RSD thousands unless otherwise stated)***4. Critical accounting estimates and judgements (continued)****Impact on collateral (especially real estate):**

The amount of provision for impaired loans is based on management's appraisals of these assets at the balance sheet date after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and selling the collateral. The market in Serbia for many types of collateral, especially real estate, has been severely affected by the recent volatility in global financial markets resulting in there being a low level of liquidity for certain types of assets. As a result, the actual realisable value on foreclosure may differ from the value ascribed in estimating allowances for impairment.

5. Intangible assets

	Trade Marks & licences and similar rights	Other software development costs	Other intangibles	Total
At 1 January 2008				
Cost	18,994	2,910	2,003,543	2,025,447
Accumulated amortisation and impairment	(12,711)	(434)		(13,145)
Net book value	6,283	2,476	2,003,543	2,012,302
Year ended 31 December 2008				
Opening net book amount	7,922	2,767	1,791,182	1,801,871
Additions	791	-	212,361	213,152
Transfer from CIP	681	-	-	681
Impairment charge (note 23)	(3,111)	(291)	-	(3,402)
Closing net book value	6,283	2,476	2,003,543	2,012,302
At 31 December 2008				
Cost	18,994	2,910	2,003,543	2,025,447
Accumulated amortisation and impairment	(12,711)	(434)		(13,145)
Net book value	6,283	2,476	2,003,543	2,012,302
Year ended 31 December 2009				
Opening net book amount	6,283	2,476	2,003,543	2,012,302
Additions	-	140	45	185
Transfer from CIP	650	-	-	650
Impairment charge (note 23)	(1,089)	(297)	-	(1,386)
Closing net book value	5,844	2,319	2,003,588	2,011,751
At 31 December 2009				
Cost	19,644	3,050	2,003,588	2,026,282
Accumulated amortisation and impairment	(13,800)	(731)	-	(14,531)
Net book value	5,844	2,319	2,003,588	2,011,751

Amortisation of RSD 1,386 (2008: RSD 3,402) is included in operating expenses in income statements, (Note 22)

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EKO SERBIA A.D. BEOGRAD
Notes to the financial statements for the year ended 31 December 2009
(All amounts are in RSD thousands unless otherwise stated)
6. Property, plant and equipment

	Land	Buildings	Machinery and Equipment	Construction in progress (CIP)	Investments in third party PP&E	Pre-payments	Total
At 1 January 2008							
Cost or valuation	724,812	3,558,652	673,465	230,173	61,903	224,354	5,473,359
Accumulated depreciation	-	(284,220)	(267,006)		(14,233)	(21,978)	(587,437)
Net book value	724,812	3,274,432	406,459	230,173	47,670	202,376	4,885,922
Year ended 31 December 2007							
Opening net book amount	579,380	2,491,666	369,576	392,874	42,917	211,350	4,087,763
Additions	21,576	821,913	101,407	71,422	10,074	-	1,026,392
Transfer from CIP to intangibles	123,856	82,924	24,174	(234,123)	2,488	-	(681)
Disposals (note 27)	-	-	(627)	-	-	-	(627)
Depreciation charge (note 23)	-	(122,071)	(88,071)	-	(7,809)	(8,974)	(226,925)
Closing net book value as at 31 December 2008	724,812	3,274,432	406,459	230,173	47,670	202,376	4,885,922
At 31 December 2008							
Cost or valuation	724,812	3,558,652	673,465	230,173	61,903	224,354	5,473,359
Accumulated depreciation	-	(284,220)	(267,006)		(14,233)	(21,978)	(587,437)
Net book value	724,812	3,274,432	406,459	230,173	47,670	202,376	4,885,922
Year ended 31 December 2009							
Opening net book amount	724,812	3,274,432	406,459	230,173	47,670	202,376	4,885,922
Additions	50,388	73,678	33,981	43,922	6,300	-	208,269
Transfer from CIP	4,391	558	10,028	(15,793)	166	-	(650)
Disposals (note 27)	-	-	(5,672)	-	-	-	(5,672)
Depreciation charge (note 23)	-	(144,078)	(102,462)	-	(8,922)	(8,974)	(264,436)
Closing net book value	779,591	3,204,590	342,334	258,302	45,214	193,402	4,823,433
At 31 December 2009							
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

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EKO SERBIA A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2009***(All amounts are in RSD thousands unless otherwise stated)***6. Property, plant and equipment (continued)**

Depreciation expense of RSD 264,436 (2008: RSD 226,925) is shown under operating expenses in income statement,

In accordance with the annual count, machinery and equipment with net book value of RSD 28 is written off (purchase cost: RSD 5672 / written off value RSD 5644),

Total increase in value of fixed assets (new purchase) in the amount of RSD 202,782 is inclusive of RSD 4,201 generated in the process of interest capitalisation.

The investment properties are valued annually on 31 December at fair value, same as other property.

7. Financial instruments by category

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

	Loans and receivables	Total
<i>Assets</i>		
31 December 2008		
Trade and other receivables excluding prepayments ¹	564,143	564,143
Cash and cash equivalents	76,185	76,185
Total	640,328	640,328

	Other financial liabilities	Total
<i>Liabilities</i>		
Trade and other payables excluding prepayments ²	640,198	640,198
Borrowings	7,237,844	7,237,844
Leases	2,868	2,868
Total	7,880,910	7,880,910

¹ Prepayments are excluded from the trade and other receivables balance as this analysis is required only for financial instruments..

² Statutory liabilities are excluded from the trade payables balance as this analysis is required only for financial instruments.

EKO SERBIA A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2009***(All amounts are in RSD thousands unless otherwise stated)***7. Financial instruments by category (continued)**

	Loans and receivables	Total
<i>Assets</i>		
31 December 2009		
Assets as per balance sheet		
Trade and other receivables excluding prepayments ¹	385,016	385,016
Cash and cash equivalents	106,530	106,530
	<u>491,543</u>	<u>491,543</u>
Total		
	Other financial liabilities	Total
<i>Liabilities</i>		
Liabilities as per balance sheet		
Trade and other payables excluding statutory liabilities ²	711,713	711,713
Borrowings	7,713,677	7,713,677
Leases	2,982	2,982
	<u>8,428,372</u>	<u>8,428,372</u>
Total		

8. Inventories

	2009	2008
Merchandise	452,129	333,844
Advances	24,174	32,268
	<u>476,303</u>	<u>366,112</u>
Total inventories – net		

Total shortages in 2009 amounted to RSD 24,532 and are recorded as other expenses (Note 27) and the surpluses for 2009 in RSD 37,349 are recorded in other income (Note 22).

¹ Prepayments are excluded from the trade and other receivables balance as this analysis is required only for financial instruments.

² Statutory liabilities are excluded from the trade payables balance as this analysis is required only for financial instruments

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EKO SERBIA A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2009***(All amounts are in RSD thousands unless otherwise stated)***9. Receivables**

	2009	2008
Trade receivables	396,214	565,245
Less: provision	(21,578)	(21,336)
<i>Trade receivables-net</i>	374,636	543,909
Receivables from employees	19	470
Other receivables	10361	19,764
Total receivables	<u>385,016</u>	<u>564,143</u>

The fair value of receivables is not significantly different from net book value.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

The ageing analysis of these trade receivables is as follows:

	2009	2008
Group 1 Up to 3 months	312,710	484,013
Group 2 3 to 6 months	38,913	36,826
Group 3 Over 6 months	44,591	23,070
Provision for doubtful receivables	(21,578)	(21,336)
	<u>374,636</u>	<u>543,909</u>

Group 1 – New customers up to 3 months

Group 2 – Current customers from 3 to 6 months with certain defaults

Group 3 – Current customers over 6 months with defaults

It was assessed that a portion of the receivables is expected to be recovered. The individually impaired receivables mainly relate to a number of independent customers for whom there is no recent history of default.

Carrying value of the trade and other receivables is stated in domestic currency /RSD/

EKO SERBIA A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2009***(All amounts are in RSD thousands unless otherwise stated)***9. Receivables (continued)**

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

	2009	2008
At 1 January	21,336	23,353
Provision for doubtful receivables (Note 27)	-	4,281
Receivables written off during the year as uncollectible	(242)	(4,995)
Collection of provision (Note 22)		(1,303)
At 31 December	21,578	21,336

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

	2009	2008
Promissory notes – cash equivalents	14,762	5,630
Current accounts	46,816	34,398
Cash in hand of the operating units – Petrol stations	35,544	30,511
Cash in hand	-	53
Foreign account	9,408	5,593
	106,530	76,185

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.

11. VAT and prepaid expenses

	2009	2008
VAT	32,878	22,947
Prepaid expenses	79,939	35,253
Other prepaid expenses		
Total	112,717	58,200

12. Off balance sheet assets and liabilities

The Company has issued the following instruments as collaterals

- Bank guarantee in amount of EUR 9,000 (RSD 862,999) in favour of NIS, 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 favor of: Eurobank as loan guarantee

Alpha bank as loan guarantee

Vojvodjanska bank as loan guarantee

13. Equity

Share capital includes the following:

	2009	2008
Stakes – Share capital	2,522,775	2,044,055
Total	2,522,775	2,044,055

Table of movement in equity

	Share capital	Retained earnings/(loss)	Total
Balance at 1 January 2008	<u>2,044,025</u>	<u>(1,235,859)</u>	<u>808,166</u>
Profit (loss) for the year	-	(907,862)	(907,862)
Total recognised income and expense for the year	-	(907,862)	(907,862)
Balance at 31 December 2008	<u>2,044,025</u>	<u>(2,143,721)</u>	<u>(99,696)</u>
Balance at 1 January 2009	<u>2,044,025</u>	<u>(2,143,721)</u>	<u>(99,696)</u>
Dobit (gubitak) za godinu	478,750	(1,034,321)	(344,429)
Total recognised income and expense for the year	478,750	(1,034,321)	(555,571)
Balance at 31 December 2009,	<u>2,522,775</u>	<u>(3,178,042)</u>	<u>(655,267)</u>

EKO SERBIA A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2009**

(All amounts are in RSD thousands unless otherwise stated)

13. Equity (continued)

As a 100% shareholder of EKO YU a.d, Beograd, registered in Belgrade ("Company"), Hellenic Petroleum Serbia Ltd, Cyprus ("parent company") states that during 2009, the Company recorded significant losses amounting to RSD 1,034,321, and carried down previous year losses amounting to RSD 2,143,721. Company's current liabilities (debts) in amount of RSD 7,105,136 are higher than current receivables. We confirm that we will finance shortages in Company's cash flow, and provide financial support to the Company in order for it to develop operations and settle its debts in due time, and continue as as a going concern 12 months as of the date of signing the auditors report. We also confirm that debts to the parent company will be deferred.

As the accumulated loss of RSD 3,178,042 RSD exceeds share capital, the amount of RSD 655,267 is transferred to company's assets.

14. Long – term provisions

	2009	2008
Provision for employee benefits	1,387	1,127
	<u>1,387</u>	<u>1,127</u>

(Note 2,17b)

(a) Employee benefits

All employees are entitled to retirement benefits in accordance with the Labor law in Serbia, In 2009 the amount of RSD 260 was charged to income statement as other expenses. (Note 23)

(b) Bonuses

The provision for profit-sharing and bonuses is payable within three months of finalisation of the audited financial statements.

15. Long term loans

	2009	2008
Domestic		
-for intengible assets and investments in PP&E	839,677	6,640,796
Foreign		
-for current assets		-
- for intengible assets and investments in PP&E	-	276,700
Total	839,677	6,917,496

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EKO SERBIA A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2009***(All amounts are in RSD thousands unless otherwise stated)***15, Long term loans (continued)**

The maturity of non-current loan was as follows:

	2009	2008
Between 1 and 2 years	839,677	75,943
Between 2 and 5 years	-	6,841,553
	<u>839,677</u>	<u>6,917,496</u>

The carrying amounts of the Company's loans are denominated in the following currencies:

	2009	2008
RSD	7,631,487	6,841,553
EUR	82,190	396,292

The exposure of the Company's loans to interest rate changes and the maturity dates at the balance sheet dates are as follows:

	6 -12 months	1-5 years	Total
At 31 December 2009			
Total borrowings	<u>6,874,000</u>	<u>839,677</u>	<u>7,713,677</u>
At 31 December 2008			
Total borrowings	<u>320,348</u>	<u>6,917,496</u>	<u>7,237,844</u>

The carrying and the fair value of non-current loans:

	Carrying value		Fair value	
	2009	2008	2009	2008
Bank loans	839,677	6,917,496	839,677	6,917,496
	<u>839,677</u>	<u>6,917,496</u>	<u>839,677</u>	<u>6,917,496</u>

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

EKO SERBIA A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2009***(All amounts are in RSD thousands unless otherwise stated)***15. Long term loans (continued)**

The Company has the following unused loan facilities:

	2009	2008
Floating rate:		
– Expiring within 3 years	478,750	434,234
Total	478,750	434,234

Loan facilities have been arranged to help finance the proposed expansion of the Company's activities in capital investments.

Long-term lease liabilities

	2009	2008
- Maturity up to 1 year	1,413	1,220
- Maturity up to 5 years	1,569	1,648
	2,982	2,868

16. Short term financial liabilities

	2009	2008
Short term loans – domestic		
Current portion of long term loans	6,874,000	320,348
Current portion of financial lease liabilities	1,413	1,220
Total	6,875,413	321,568

17. Payables

	2009	2008
Customer prepayments	13,370	4
Trade payables – parents and subsidiaries	4,827	20,815
Trade payables – domestic	693,516	615,455
Trade payables – foreign		3,924
Total	711,713	640,198

Trade payables amounting to RSD 4,827 are denominated in foreign currency, in EUR as at 31 December 2009.

EKO SERBIA A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2009***(All amounts are in RSD thousands unless otherwise stated)***18. Other current liabilities and accrued expenses****18.1. Other current liabilities**

	2009	2008
Liabilities for unpaid wages and salaries, gross	12,295	9,656
	<u>12,295</u>	<u>9,656</u>

Liabilities for unpaid salaries relate to those paid in 2010.

Liabilities for interest expense relate to loan interest accounted for in 2009

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

	2009	2008
Liabilities for interest and finance expenses	69,852	108,238
Liabilities for other taxes and contributions	6,505	8,760
Liabilities for assize on LPG	18,886	12,293
Prepaid expenses	6,178	40,567
Other accrued expenses – VAT shoratage	27,541	1,007
Total	128,962	170,865

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 1,032,643 (2008: RSD 985,138) in respect of losses amounting to RSD 2,411,611 (2008: RSD 1,967,400) that can be carried forward against future taxable income.

20. Reconciliation

The Company has performed reconciliation of its receivables and payables as at 31/12/2009. Non-reconciled receivables amounted in RSD 5,250, out of total of RSD 366,871. Non-reconciled payables amounted in RSD 64,200 out of total RSD 698,343.

21. Revenue

	2009	2008
Sales	11,390,231	10,272,022
Total	<u>11,390,231</u>	<u>10,272,022</u>

EKO SERBIA A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2009***(All amounts are in RSD thousands unless otherwise stated)***22. Other operating income**

	2009	2008
Income from collection of written off receivables	-	1,303
Rental income	25,082	17,598
Income – surpluses	37,349	17,730
Income – marketing and advertisement	27,705	20,667
Recharged expenses to managers of petrol stations	9,897	17,158
Total	100,033	74,456

23. Operating expenses

	2009	2008
Cost of goods sold	10,033,557	9,295,773
Material costs	87,864	61,642
Wages and salaries (note 28)	108,361	85,866
Depreciation (note 5,6)	271,466	230,865
Provisions	260	257
Other operating expenses (note 24)	711,056	583,134
	11,212,564	10,257,537

Amortization costs for intangible assets amount to RSD 1,386, and depreciation for property, plant and equipment in RSD 270,080 (Notes 5 and 6)

Material cost includes;

	2009	2008
Fittings	392	1,896
Office supplies	12	16
Other overhead material	24,004	7,324
Own consumption	2,377	4,030
Electricity	59,055	46,921
Material consumed in process of sales	2,024	1,455
Total	87,864	61,642

EKO SERBIA A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2009***(All amounts are in RSD thousands unless otherwise stated)***24. Other operating expenses**

	2009	2008
Audit	3,384	2,332
Security	19,452	14,475
Transportation services	4,483	1,661
Maintenance	54,861	46,145
Computer software maintenance	3,753	7,183
Rental costs	27,830	32,312
Fairs	682	1,584
Advertising and representation costs	54,509	31,554
Consulting services	16,008	18,411
Gas stations fees	335,674	293,079
Public services	13,737	15,096
Costs of other services	24,017	12,304
Costs of non production services	4,661	3,081
Representation costs	7,012	5,013
Insurance premium	1,990	1,238
Bank charges	40,717	34,169
Membership fees	922	394
Employee trainings	1,070	1,308
Taxes and contributions	78,518	46,013
Mail services	17,776	15,782
Total	711,056	583,134

25. Finance income

	2009	2008
Interest income	1,230	2,417
Foreign exchange gains	11,835	83,601
Total	13,065	86,018

26. Finance expenses

	2009	2008
Interest expenses – total	1,258,673	937,409
Interest capitalisation (note 6)	(4,201)	(17,573)
Interest expenses – net	1,254,472	919,837
Foreign exchange losses	44,686	140,966
Total	1,299,158	1,060,803

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EKO SERBIA A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2009***(All amounts are in RSD thousands unless otherwise stated)***27. Other expenses**

	2009	2008
Losses on disposal:		
- intangibles, property, plant and equipment	-	90
Shortages	24,532	16,127
Losses from thefts at petrol stations	-	-
Impairment	440	4,281
Writing off of prepayments	-	379
Other	956	1,140
Total	25,928	22,017

28. Wages and salaries

	2009	2008
Wages and salaries (gross)	81,700	67,033
Taxes and contributions on wages and salaries paid by employer	10,716	9,565
Fees paid to management and supervisory board members	2,648	2,140
Cost of special service and temporary service agreements		
Cost of copyright agreements	6,719	303
Other personal expenses and benefits	6,578	6,825
Total	108,361	85,866

29. Income tax expense

	2009	2008
Current tax:	-	-
Deferred tax	-	-
	-	-

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

	2009	2008
Profit / (loss) before tax	(1,034,321)	(907,861)
Tax calculated at statutory tax rate – 10% on loss	(103,432)	(90,786)
Expenses not deductible for tax purposes	11,116	7,629
Utilisation of previously unrecognised tax losses	-	-
Tax losses for which no deferred income tax assets was recognised	92,316	83,157
Tax charge	-	-

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30. Contingencies

The Company has contingent liabilities in respect of the bank guarantee issued as a collateral in favour of NIS Jugopetrol in the amount of RSD 862,999 and for DIN in the amount of RSD 15,000, It is not anticipated that any material liabilities will arise from the contingent liabilities.

(a) Taxation

The Company was subject to tax inspection in 2008 which encompassed control over 2007 and 2008. Upon completion of the tax audit, inspection issued decision for improper calculation of VAT payable in those periods imposing significant penalties to the Company.

The Company has appealed to the Decision and Tax authorities ruled in favour of the Company, which means that the procedure will start from the beginning; The Company does not expect that contingent liability will result from the new process. Until end of 2009 The Company did not received final decision. The Company is expecting that after new detail inspection in 2009 new decision will be in their favour since all charges of Tax control were denied.

(b) Transfer pricing

The fiscal legislation of the Republic of Serbia includes regulations regarding transfer pricing between related parties. The current legislative framework defines the "arm's length" principle for transactions between related parties, as well as the methods for determining the transfer prices. Thus, it is expected that the tax authorities may initiate in depth inspections of the transfer prices, in order to ensure that the taxable profit and/or the customs value of imported goods are not misstated by the effects of transfer prices between related parties. The Company cannot assess the outcome of any such inspection.

(c) Insurance policies

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

(d) Environmental matters

Environmental regulations are developing in the Republic of Serbia and the Company has not recorded any liability at 31 December 2009 for any anticipated costs, including legal and consulting fees, site studies, the design and implementation of remediation plans, related to environmental matters. Management do not consider the costs associated with environmental issues to be significant.

(e) Legal proceedings

During the year, the Company was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding which could have a material effect on the result of operations or financial position of the Company and which have not been accrued or disclosed in these financial statements,

(f) Bank and other guarantees

The Company has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities. The Company has given guarantees in the ordinary course of business amounting to RSD 877,999 to third parties,

EKO SERBIA A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2009***(All amounts are in RSD thousands unless otherwise stated)***31. Commitments****(a) Operating lease commitments – where the Company is the lessee**

The Company leases certain number of Petrol stations under operating lease agreements. The leases have varying terms, escalation clauses and renewal rights, The operating lease costs are recorded to the income statement during the year as disclosed in the note 23.

32. 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

	2009	2008
Purchase of goods:		
- HELLENIC PETROLEUM	23,232	14,942
- EKO	12,245	23,469
- JUGOPETROL KOTOR	-	-
- OKTA SKOPLJE	-	-
Purchase of services		
- ELPE CONSULTING	12,259	9,814
	<u>47,736</u>	<u>48,225</u>

a) Year end balances arising from sales/purchases of goods/services

	2009	2008
Payables to related parties (Note 17)		
- EKO ELDA	4,827	3,215
- HELLENIC PETROLEUM	-	14,942
- ELPE PETRALIA	0	2,658
	<u>4,827</u>	<u>20,815</u>

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

No provision has been required in 2009 and 2008 for the loans made to directors and associates.

(a) Key management considerations

The key management received amount of RSD 8,553 (2008: RSD 9,638) as salary and bonuses.

EKO SERBIA A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2009

(All amounts are in RSD thousands unless otherwise stated)

33. Events after the balance sheet dates

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for. There are no events requiring disclosure after the balance sheet date.

Chief accountant


Milka Vrtikapa

General Manager


Vasillis Panagopoulos