OKTA CRUDE OIL REFINERY A.D. - SKOPJE

Financial Statements

For the year ended 31 December 2007

With the Report of the Auditors Thereon

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INDEPENDENT AUDITOR'S REPORT

To the Board of the Directors and Shareholders of OKTA crude oil refinery A.D. - Skopje

Report on the Financial Statements

We have audited the accompanying financial statements of OKTA crude oil refinery A.D. - Skopje, which comprise the balance sheet as at December 31, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Laws and Regulations of the Republic of Macedonia. This responsibility includes: designing, implementing and maintaining internal control 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 of 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.

Basis for Qualified Opinion

Following the provisions of the Share Purchase and Concession Agreement dated 8 May 1999 concluded between EL.P.ET Balkanike S.A. (the parent company of OKTA crude oil refinery AD Skopje) and the Government of the Republic of Macedonia, the Company has recognized receivables in the period from 2000 to 2004 in the amount of approximately MKD 769,497,000 which arise from liabilities relating to the period prior to the acquisition. Based on information available to the Company, EL.P.ET Balkanike S.A. considered that amount to be recoverable from the Government of the Republic of Macedonia. EL.P.ET Balkanike S.A. accordingly filed a legal action against the Government of the Republic of Macedonia to recover these amounts. During 2007 EL.P.ET Balkanike S.A. won the legal action and on 31 December 2007 representatives from EL.P.ET Balkanike S.A. and the Government of the Republic of Macedonia agreed on a settlement on the matter. As of the date of this report, the Management of the Company understands that EL.P.ET Balkanike S.A. has not confirmed that the settlement agreement has been fully executed and as a result the Company continues to carry the amount as a receivable. We did not receive sufficient appropriate audit evidence to assess whether the Company will be able to fully recover the balance of MKD 769,497,000.

Qualified Opinion

In our opinion, except for the effect of matter referred to in the preceding paragraph, the financial statements give a true and fair view of the financial position of OKTA crude oil refinery A.D. - Skopje as of December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with Laws and Regulations of the Republic of Macedonia.

General Manager

Ljube Gjorgjievski

Certified auditor

Ljube Gjorgjievski

PRICEWATERHOUSECOOPERS DOOEL SKOPJE — Enterprise for auditing and consultant services

Skopje
24 March 2008

PricewaterhouseCoopers dooel Skopje

(all amounts are in thousands of MKD unless otherwise stated)

Income statement

	Note	Year ended 31 December 2007	2006
Sales	3	30,000,393	29,990,412
Cost of sales	4	(28,606,003)	(28,622,307)
GROSS PROFIT		**1,394,390**	**1,368,105**
Administrative expenses	5	(206,508)	(245,481)
Sales and distribution expenses	6	(187,237)	(177,530)
Other income	7	76,365	81,309
Other expenses	8	(91,131)	(255,991)
OPERATING PROFIT		**985,879**	**770,412**
Finance income / (costs) net	9	89,997	181,351
PROFIT BEFORE TAXATION		**1,075,876**	**951,763**
Income tax expense	10	(87,827)	(81,075)
NET PROFIT		**988,049**	**870,688**

(all amounts are in thousands of MKD unless otherwise stated)

Balance sheet

	Note	Year ended 31 December 2007	2006
ASSETS			
Non-current assets			
Intangible assets	12	258	680
Property, plant and equipment	11	2,486,683	2,304,279
Total non-current assets		**2,486,941**	**2,304,959**
Current assets			
Inventory	13	1,620,504	1,566,901
Trade receivables	14	3,751,194	3,223,546
Other receivables	15	817,137	830,459
Available-for-sale financial assets	16	39,937	90,420
Cash and cash equivalents	17	1,406,905	602,516
Prepaid expenses	18	40,888	5,106
Total current assets		**7,676,565**	**6,318,948**
TOTAL ASSETS		**10,163,506**	**8,623,907**
EQUITY AND LIABILITIES			
Paid in share capital		2,472,820	2,472,820
Revaluation and other reserves		1,355,885	115,239
Retained earnings		2,776,260	3,029,204
Total equity		**6,604,965**	**5,617,263**
Trade payables	19	2,800,100	2,393,353
Accrued liabilities	20	19,983	80,477
Other current liabilities	21	738,458	532,814
Total liabilities		**3,558,541**	**3,006,644**
TOTAL LIABILITIES AND EQUITY		**10,163,506**	**8,623,907**

The financial statements of OKTA A.D. – Skopje were authorised for issue by the Management on 29 February 2008. These financial statements are subject to approval of the Management Board and the Company's Annual Shareholders Assembly.

Signed on behalf of the Management of OKTA Crude oil refinery A.D. Skopje:

Рафинерија на нафта OKTA Скопје Акционерско друштво

Ioannis Psychogyos
Chief Executive Officer

Srecko Surkov
Director of Directorate of Finance and Administration

(all amounts are in thousands of MKD unless otherwise stated)

Statement of changes in equity

	Capital	Revaluation and other reserves	Retained Earnings	Total
Balance at 1 January 2006	**2,472,820**	**114,826**	**2,158,981**	**4,746,627**
Net profit for 2006	-	-	870,688	**870,688**
Paid dividends	-	-	(1,349)	**(1,349)**
Retirement benefits obligations	-	-	884	**884**
Other movements	-	413	-	**413**
Balance at 31 December 2006	**2,472,820**	**115,239**	**3,029,204**	**5,617,263**
Appropriation of statutory reserves	-	370,923	(370,923)	**-**
Reinvestment of income	-	869,723	(869,723)	**-**
Net profit for 2007	-	-	988,049	**988,049**
Paid dividends	-	-	(1,349)	**(1,349)**
Retirement benefits obligations	-	-	1,002	**1,002**
Balance at 31 December 2007	**2,472,820**	**1,355,885**	**2,776,260**	**6,604,965**

According to Macedonian regulations, the Company is required to have compulsory general reserve established through apportionment of a portion of its net profits. The annual contribution to the general reserve may not be less than fifteen percent (15%) of the profit, unless or until the company's reserves reach an amount equal to one-fifth of its basic capital.

(all amounts are in thousands of MKD unless otherwise stated)

Cash flow statement

	Year ended 31 December 2007	2006
Operating activities		
Profit before tax for the year	**1,075,876**	**951,763**
Adjustments for:		
Depreciation	152,390	165,473
Impairment on fixed assets	-	239,265
Gain on available for sale financial assets	50,483	(26,409)
Interest income	(153,312)	(111,736)
Interest expense and bank charges	17,358	32,874
Foreign exchange gain	(217,789)	(412,691)
Foreign exchange loss	265,893	312,606
Dividend income	(2,148)	(2,404)
Gain on sale of equipment	(4,188)	(2,142)
Cash generated from operations before changes in working capital	**1,184,563**	**1,146,599**
Increase (decrease) in inventories	(53,603)	225,147
Increase in receivables	(549,050)	(780,743)
Decrease (increase) in payables	551,898	(742,117)
Cash generated from operations	**1,133,808**	**(151,114)**
Interest and bank charges paid	(17,358)	(32,874)
Income taxes paid	(87,884)	(83,597)
Cash flows from operating activities	**1,028,566**	**(267,585)**
Investing activities		
Acquisition of property, plant and equipment	(334,372)	(393,942)
Proceeds from sale of property, plant and equipment	4,188	2,142
Interest received	153,312	111,736
Dividends received	2,148	2,404
Foreign exchange gain	217,789	412,691
Foreign exchange loss	(265,893)	(312,606)
Cash flows from investing activities	**(222,828)**	**(177,575)**
Financing activities		
Dividends paid	(1,349)	(1,349)
Net cash used in financing activities	**(1,349)**	**(1,349)**
Net increase (decrease) in cash and cash equivalents	804,389	(446,509)
Cash and cash equivalents at 1 January	602,516	1,049,025
Cash and cash equivalents at 31 December (note 17)	**1,406,905**	**602,516**

(all amounts are in thousands of MKD unless otherwise stated)

1. General information

OKTA Crude oil refinery A.D. Skopje (hereinafter “the Company”) is a joint stock company established on 26 March 1980. The Company is owned 81.51% by EL.P.ET Balkanike, a company jointly controlled - 63% by Hellenic Petroleum S.A. and 37% by Etep S.A. & Meton S.A. The parent company is incorporated in Greece.

The Company’s main activities involve refining of crude oil and distribution of oil derivatives. The company is of hydroskimming type with a nominal capacity of 2.5 million tons a storage capacity of 250,000 mC. The following products are part of the production range: oil, liquid gas, regular and unleaded petrol, diesel fuels, heating fuel, oils and other derivatives.

In 2007, the Company has 927 employees (2006: 932 employees).

The address of the Company is as follows:
s. Miladinovci,
P.O. Box 66,
1000 Skopje
Republic of Macedonia

The names of the Directors of the Company serving during the financial year and to the date of this report are as follows:

Chief Executive Officer	**Ioannis Psychogyos**
Director of Directorate of Finance and Administration	**Srecko Surkov**

The financial statements of OKTA A.D. – Skopje were authorised for issue by the Management on 29 February 2008. These financial statements are subject to approval of the Management Board and the Company’s Annual Shareholders Assembly.

2. Accounting policies

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

2.1 Basis of preparation

These financial statements are prepared, in all material respects, in accordance with Trade Law (Official Gazette No. 28/2004) and Rule Book for Accounting (Official Gazette No. 94/2004 and 11/2005 and No. 40/1997 and 73/99). The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets and depreciation.

2.2 Foreign currencies

Transaction denominated in foreign currencies has been translated into Macedonian Denars at the middle exchange rate at the date of transaction. Assets and liabilities denominated in foreign currencies are translated into Macedonian Denars (“Denars”) at the National Bank of the Republic of Macedonia middle exchange rate on the reporting period. All gains and losses resulting from foreign currency translation or exchange are included in the Statement of Income as other financial income or expenses in the period in which they arose.

(all amounts are in thousands of MKD unless otherwise stated)

2. Accounting policies (continued)

2.2 Foreign currencies (continued)

Exchange rate:

	31 December 2007 MKD	31 December 2006 MKD
EUR	61.20	61.17
USD	41.65	46.45

2.3 Property, plant and equipment

Property, plant and equipment are recorded at cost and they are revaluated at the year-end by applying official revaluation coefficients based on the general manufactured goods price index. Such coefficients have been applied to historical cost or later valuation and to accumulated depreciation. The effect of the revaluation of property, plant and equipment has been credited to the revaluation reserve.

Additions of the property, plant and equipment are revaluated using by the official indexes of revaluation, which are accumulative, calculated since their acquisition, or construction till the end of the current year. The next year depreciation is based on revalued value of property, plant and equipment stated at year-end.

Additions are recorded at cost. Cost represents the prices by suppliers together with all costs incurred in bringing new property, plant and equipment into use.

Disposal of property, plant and equipment represents expense or technology obsoleteness or other type of elimination of property, plant and equipment, including the accumulated provision. Gains and losses on disposal of property, plant and equipment are recognised in the income statement.

Depreciation of property, plant and equipment is provided at rates not lower than those prescribed by law and is designed to write off the cost or valuation of property, plant and equipment on the straight-line basis over their estimated useful lives.

The depreciation of property, plant and equipment shall start after expiration of the month of the start-up in the year in which the utilization of the property, plant and equipment has started.

The principal useful lives in use are:

Buildings	40 years
Computers	4 years
Equipment	20 years
Other equipment and vehicles	5 - 10 years

The costs of regular maintenance and repairs are charged to operating cost as incurred.

Improvements to existing fixed assets are capitalized as incurred.

2.4 Intangible assets

Developed computer software is capitalised on the basis of the costs incurred to develop and bring to use the specific software. These costs are amortised over their estimated useful lives (4 years).

2.5 Inventories

Inventories are stated at cost. Cost represent purchase price, customs duties, and other purchase costs. The cost of crude oil inventory is determined by using FIFO method, whereas the cost of spare parts is determined on a weighted average cost basis. The cost of finished goods and work in progress comprises the costs of direct materials and labour and a proportion of manufacturing overheads, however excluding borrowing costs.

2.6 Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. 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 in payments are considered indicators that the trade receivable is impaired.
The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

2.7 Available-for-sale financial assets

Available-for-sale financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value trough profit and loss. Gains and losses arising from the changes in the fair value of available-for-sale financial assets are presented in the income statement as income (losses) in the period which they arise. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques such as use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

2.8 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, bank balances in denar and foreign currency, and deposits in banks with original maturity with less than 3 months.

2.9 Share capital

Ordinary shares are classified as equity.

2.10 Trade payables

Trade payables are initially recognised and carried at original invoice amount.

(all amounts are in thousands of MKD unless otherwise stated)

2.11 Income taxes

Taxes currently due are calculated and paid in accordance with the Macedonian Income Tax Law. The estimated tax on monthly profit is paid in advance as determined by the tax authorities. Final taxes on profit of 12% are payable based on the annual profit shown in the statutory Income Statement.

2.12 Employees Benefits

a) Pension

The Company, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax which are calculated according to the statutory rates in force during the year, based on gross salaries and wages. Food allowances travel expenses and holiday allowances are also calculated according to the local legislation. The Company makes these contributions to the Government's health and retirement funds. The cost of these payments is charged to the income statement in the same period as the related salary cost.

The Company does not operate any other pension scheme or post retirement benefits plan and consequently, has no obligation in respect of pensions.

b) Termination and retirement benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Pursuant to the Labour law prevailing in the Republic of Macedonia, the Company is obliged to pay retirement benefits in an amount equal to two average republic salaries. According to the Collective bargaining agreement, the Company is obliged to pay up to one average republic salary for jubilee anniversary award. The number of average republic salaries for jubilee anniversary awards corresponds to the total number of years of service of the employee as presented in the table below:

Total number of Service Years	Percentage from one republic salary
10	50% from one republic salary
20	70% from one republic salary
30	100% from one republic salary

Long-term liabilities arising on severance pay and jubilee employment anniversary awards are stated at the present value of expected future cash payments towards the qualifying employees.

2.13 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of Company's activities.
Sales are recognised upon delivery of products and customer acceptance, net of sales taxes and discounts.

Other revenues earned by the Company are recognised on the following bases:
Interest income - as it accrues unless collectibles is in doubt.
Dividend income – it is recognised when the right to receive payment is established.

(all amounts are in thousands of MKD unless otherwise stated)

2. Accounting policies (continued)

2.14 Dividend distribution

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

2.15 Financial risk management

The Company's activities expose it to a variety of financial risks. The company's risk management approach is focused on unpredictability of the financial market and seeks to minimise potential adverse effects. Risk management is carried out under policies approved by the Board of Directors.

a) Foreign exchange risk

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

b) Credit risk

The Company has no significant concentrations of credit risk. The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any one customer. In addition, to reduce this risk the Company has required as collateral: bank guaranties and deposits.

Recognisable risks are accounted for by adequate provisions on receivables.

2.16 Comparative information

In order to maintain consistency with the current year presentation, where appropriate certain items have been reclassified for comparative purpose. Such reclassifications, however, have not resulted in significant changes of the content and format of the financial information as presented in the financial statements.

3. Analysis of sales

	2007	**2006**
Sales on domestic market	22,303,280	19,794,819
Sales on foreign market	7,697,113	10,195,593
	30,000,393	**29,990,412**

The sales on domestic and foreign market represent sale of oil derivatives.

(all amounts are in thousands of MKD unless otherwise stated)

4. Cost of Sales

	2007	**2006**
Consumed crude oil	25,218,259	26,501,971
Cost of traded goods	1,619,652	1,255,392
Expenses for chemicals	619,574	121,610
Inventory movements	351,745	10,209
Wages and salaries	197,107	167,138
Electricity	171,069	105,881
State contributions	127,130	115,331
Depreciation	126,837	133,932
Maintenance expenses	42,186	52,393
Insurance expenses	33,985	38,495
Other benefits	29,931	54,442
Personnel transportation expenses	19,678	20,680
Consumed food products	17,646	17,568
Miscellaneous expenses	15,561	12,289
Own consumption	4,247	5,975
Other fixed cost	7,916	4,466
Telecommunication expenses	1,644	1,588
Overtime	-	1,278
Office supplies expenses	1,272	1,011
Other variable expenses	564	658
	28,606,003	**28,622,307**

5. Administrative expenses

	2007	**2006**
Salaries, wages, benefits	55,495	41,327
Contribution (social security etc.)	34,132	29,960
Depreciation	17,188	18,257
Public relation and advert expenses	8,121	24,939
Other benefits	9,249	14,611
Membership expenses	14,840	12,418
Personal income tax on other basis	2,644	7,708
Personnel transportation expenses	5,475	5,701
Insurance expenses	4,904	5,176
Audit expenses	5,324	5,083
Consumed food products	4,651	4,655
Rental expenses	6,041	4,342
Telecommunication expenses	3,753	4,286
Withholding tax	-	4,269
Maintenance expenses	2,263	2,108
Business travel	1,748	1,859
Office supplies expenses	1,797	1,474
Management and allocated expenses	1,265	1,348
Redundancy expenses	341	1,063
Other fixed cost	5,376	4,831
Miscellaneous expenses	21,901	50,066
	206,508	**245,481**

(all amounts are in thousands of MKD unless otherwise stated)

6. Sales and distribution expenses

	2007	2006
Transportation of oil products - in the country	60,728	51,029
Other variable expenses	19,298	34,484
Salaries, wages, benefits	24,895	19,120
Transportation of oil products – abroad	20,943	18,787
Depreciation	8,365	13,284
Contribution (social security etc.)	15,907	13,220
Other benefits	5,173	7,950
Miscellaneous expenses	1,850	3,502
Insurance expenses	2,686	2,852
Dues and subscriptions	1,729	2,085
Telecommunication expenses	2,092	1,840
Public relation and advert expenses	12,589	1,702
Consumed food products	1,846	1,680
Personnel transportation expenses	1,680	1,659
Office supplies expenses	1,203	1,127
Electricity	1,173	1,013
Maintenance expenses	1,283	559
Other fixed cost	3,797	1,637
	187,237	**177,530**

7. Other income

	2007	2006
Income from previous years	12,130	37,445
Income from gain on available-for-sale financial assets	21,384	26,409
Other income	1,914	14,973
Income from sale of fixed assets	6,899	2,399
Insurance reimbursements	47	83
Capital gain from sale –shares	33,991	-
	76,365	**81,309**

8. Other expenses

	2007	2006
Net book value of fixed assets written off	2,711	239,523
Pipeline charges	63,955	7,200
Prior year expenses	20,169	5,050
Other expenses	4,296	4,218
	91,131	**255,991**

(all amounts are in thousands of MKD unless otherwise stated)

9. Finance income / (costs)

	2007	2006
Foreign exchange gain	217,789	412,691
Foreign exchange loss	(265,893)	(312,606)
Interest income	153,312	111,736
Interest expenses	(30)	(11,679)
Income from dividends received	2,147	2,404
Bank charges	(17,328)	(21,195)
	89,997	**181,351**

10. Income tax expense

	2007	2006
Income before tax	1,075,876	951,763
Tax calculated at a tax rate of 12%	129,105	142,764
Expenses non tax deductible according to local regulations	1,578	2,073
Income not subject to tax	(5,051)	(4,418)
Tax allowance	(37,805)	(59,344)
Tax charge	**(87,827)**	**(81,075)**

The tax authorities are authorised to carry out a full-scope tax audit at the Company for the year ended 31 December 2007. The tax authorities may at any time inspect the books and records within 5 to 10 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

(all amounts are in thousands of MKD unless otherwise stated)

11. Property Plant and Equipment

	Land	Buildings	Machinery and equipment	Construction in progress	Total
At 1 January 2006					
Cost	126,876	3,226,622	4,582,855	90,117	**8,026,470**
Accumulated depreciation	-	(2,410,064)	(3,302,108)	-	**(5,712,172)**
Net book amount	**126,876**	**816,558**	**1,280,747**	**90,117**	**2,314,298**
Year ended 31 December 2006					
Opening net book amount	126,876	816,558	1,280,747	90,117	**2,314,298**
Additions	**-**	**-**	**-**	393,943	**393,943**
Transfer from construction in progress	**-**	11,409	47,764	(59,173)	**-**
Disposals (net book amount)	**-**	(239,265)	(232)	-	**(239,497)**
Depreciation charge	**-**	(32,473)	(131,992)	-	**(164,465)**
Closing net book amount	**126,876**	**556,229**	**1,196,287**	**424,887**	**2,304,279**
At 31 December 2006					
Cost	126,876	2,998,766	4,611,118	424,887	**8,161,647**
Accumulated depreciation	-	(2,442,537)	(3,414,831)	-	**(5,857,368)**
Net book amount	**126,876**	**556,229**	**1,196,287**	**424,887**	**2,304,279**
Year ended 31 December 2007					
Opening net book amount	126,876	556,229	1,196,287	424,887	**2,304,279**
Additions	**-**	**-**	**-**	337,081	**337,081**
Transfer from construction in progress	**-**	17,224	106,193	(123,417)	**-**
Disposals (net book amount)	**-**		(2,709)	-	**(2,709)**
Depreciation charge	**-**	(32,961)	(119,007)	-	**(151,968)**
Closing net book amount	**126,876**	**540,492**	**1,180,764**	**638,551**	**2,486,683**
At 31 December 2007					
Cost	126,876	3,015,990	4,714,602	638,551	**8,496,018**
Accumulated depreciation	-	(2,475,498)	(3,533,838)	-	**(6,009,336)**
Net book amount	**126,876**	**540,492**	**1,180,764**	**638,551**	**2,486,683**

(all amounts are in thousands of MKD unless otherwise stated)

12. Intangible assets

	Software	Construction in progress	Total
At 1 January 2006			
Cost	-	-	-
Accumulated amortisation and impairment	-	-	-
Net book amount	**-**	**-**	**-**
Year ended 31 December 2006			
Opening net book amount	-	-	-
Additions	-	1,688	1,688
Transfer from construction in progress	1,688	(1,688)	-
Disposal	-	-	-
Amortisation charge	(1,008)	-	(1,008)
Closing net book amount	**680**	**-**	**680**
At 31 December 2006			
Cost	1,688	-	1,688
Accumulated amortisation and impairment	(1,008)	-	(1,008)
Net book amount	**680**	**-**	**680**
Year ended 31 December 2007			
Opening net book amount	680	-	680
Additions	-	-	-
Transfer from construction in progress	-	-	-
Disposal	-	-	-
Amortisation charge	(422)	-	(422)
Closing net book amount	**258**	**-**	**258**
At 31 December 2007			
Cost	1,688	-	1,688
Accumulated amortisation and impairment	(1,430)	-	(1,430)
Net book amount	**258**	**-**	**258**

Total depreciation expense (of the tangible and intangible assets) in amount of MKD 126,837 (2006: MKD 133,932) has been charged in cost of sales, MKD 17,187 (2006: MKD 18,257) in administrative costs and MKD 8,365 (2006: MKD 13,284) in selling and distribution expenses.

13. Inventory

	2007	2006
Finished goods	640,664	701,079
Raw materials - crude oil	742,884	332,210
Work in progress	179,073	470,403
Trade goods	38,236	45,000
Spare parts in storage	19,249	17,848
Tools and consumables stores - inventory	398	361
	1,620,504	**1,566,901**

(all amounts are in thousands of MKD unless otherwise stated)

14. Trade receivables

	2007	2006
Trade receivables domestic	3,492,441	2,954,860
Trade receivables foreign	273,094	287,380
Impairment for bad and doubtful debts	(14,341)	(18,694)
	3,751,194	**3,223,546**

The ageing analysis of these trade receivables is as follows:

	2007	2006
Up to 3 months	3,716,989	3,108,252
3 to 6 months	26,326	3,348
6 months to 1 year	1,728	19,584
Over 1 year	98,866	111,056
	3,843,909	**3,242,240**

Movements on the provision for impairment of trade receivables are as follows:

	2007	2006
At 1 January	(14,341)	(18,694)
Provision for receivables impairment	-	-
At 31 December	**(14,341)**	**(18,694)**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The company holds bank guarantees as collateral.

15. Other receivables

	2007	2006
Receivable from Escrow account	769,497	769,497
Advance payments	2,791	2,282
Input VAT taxes	321	2,308
Receivable from workers	1,180	724
Other receivables	43,348	55,648
	817,137	**830,459**

16. Available-for-sale financial assets

	2007	2006
Beginning of the year	90,420	64,011
Disposals	(71,867)	-
Gains recognised in Income statement	21,384	26,409
End of the year	**39,937**	**90,420**

(all amounts are in thousands of MKD unless otherwise stated)

16. Available-for-sale financial assets (continued)

There were no impairment provisions on available-for-sale financial assets in 2007 and 2006. Available-for-sale financial assets are denominated in Macedonian denars and include the following:

	2007	2006
Investments in companies	23,449	12,438
Investments in banks	16,488	77,982
	39,937	**90,420**

17. Cash and cash equivalents

	2007	2006
Bank accounts in domestic currency	126,701	155,631
Foreign accounts	98,756	120,052
Cash on hand	420	306
Other cash and cash equivalents	5,833	4,830
Checks	738	1,240
Bank deposits	1,174,457	320,457
	1,406,905	**602,516**

Short-term bank deposits relate to time deposits up to one month in domestic and foreign currency. Deposits in domestic and foreign currency are placed in Stopanska banka and Alfa Banka with up to one month maturity and interest rate of 6% for domestic deposits.

18. Prepaid expenses

	2007	2006
Prepaid expenses	40,869	8,268
Prepaid excise duties on border	19	(3,162)
	40,888	**5,106**

19. Trade payables

	2007	2006
Domestic trade payables	56,881	50,849
Foreign trade payables	2,742,217	2,340,439
Payables for non-invoiced goods	1,002	2,065
	2,800,100	**2,393,353**

20. Accrued liabilities

	2007	2006
Retirement benefit obligations	19,983	20,602
Accrued expenses for pipeline	-	59,875
	19,983	**80,477**

(all amounts are in thousands of MKD unless otherwise stated)

21. Other current liabilities

	2007	2006
Advances received	27,277	20,277
Excise taxes payable	228,217	350,617
Other acc. payable - Chamber of commerce fee	244	151
Income taxes payable	19,159	19,215
Wages payable	27,020	21,659
Employee illness fund	293	306
VAT taxes payables	434,138	118,986
Withholding tax	2,110	1,603
	738,458	**532,814**

22. Related party transactions

The Company is controlled by EL.P.ET Balkanike, which owns 81.51% of the Company's shares. Ultimate parent is Hellenic Petroleum S.A, incorporated in Greece. The remaining 7.41% of the shares are held by the minor shareholders and 11.08% of shares are held by the Pension and Disability Fund.

The following transactions were carried out with related parties:

i) Sales of goods and services

Sales of goods	**2007**	**2006**
Eko Yu A.D. Beograd	26,658	146,040
GLOBAL -Albania	3,219	-
	29,877	**146,040**

	2007	**2006**
Sales of services		
EL.P.ET Balkanike S.A.	-	343
Vardax S.A.	2,887	1,280
Hellenic Petroleum S.A.	52,069	47,375
Eko Yu A.D. Beograd	77	585
	55,033	**49,583**

ii) Purchases of raw material, goods and services

	2007	**2006**
Purchases of raw material and goods		
Hellenic Petroleum S.A.	26,518,928	25,885,134
Hellenic Petroleum Chemicals S.A.	5,336	5,109
Eko Elda S.A.	2,308	892
Asprofos S.A.	7,047	10,721
	26,533,619	**25,901,856**

	2007	**2006**
Purchases of services		
Vardax S.A.	1,103,003	1,191,594
EL.P.ET Balkanike S.A.	3,392	9,081
	1,106,395	**1,200,675**

(all amounts are in thousands of MKD unless otherwise stated)

22. Related party transactions (continued)

iii) Outstanding balances arising from sale/purchase of goods/services

	2007	2006
Receivables arising from sale of goods		
Hellenic Petroleum S.A	7,971	7,971
Eko Yu A.D. Beograd	-	3,219
GLOBAL Albania	3,219	-
	11,190	**11,190**

Receivables arising from sale of services	2007	2006
Hellenic Petroleum S.A	35,221	45,819
Vardax S.A.	3,336	449
EL.P.ET Balkanike S.A.	2	-
	38,559	**46,268**

	2007	2006
Payables arising from purchase of goods		
Hellenic Petroleum S.A.	2,397,124	1,837,714
Asprofos S.A.	-	9,837
Vardax S.A.	137,091	193,540
	2,534,215	**2,041,091**

	2007	2006
Payables arising from purchase of services		
EL.P.ET Balkanike S.A.	11,965	9,081
	11,965	**9,081**

23. Contingencies

a) Contingencies with respect to bank guarantees

The company has contingent liabilities in respect of bank guarantees arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities. The company has bank guarantees in the amount of MKD 591,000,000 as at 31.12.2007 (2006: MKD 640,000,000). No additional payments are anticipated at the date of the financial statements.

b) Litigations

The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated by the management of the Company that any material liabilities will arise from the contingent liabilities.

24. Subsequent events

a) Changes in the Profit Tax and Personal Income Tax at 1 January 2007

Starting from 1 January 2008 the Profit Tax rate of 12% will be decreased to 10%. The same flat tax rate will be applicable for Personnel Income Tax.