EKO SERBIA A.D., BEOGRAD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH THE INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and 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 2016 and the income statement, statement of other comprehensive income, statement of changes equity and cash flow statement for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

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 accounting regulation effective in the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Law on Auditing and auditing regulation effective in the Republic of Serbia. This regulation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eko Serbia a.d. Beograd as of 31 December 2016, 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 accounting regulation effective in the Republic of Serbia.

Refer to the original signed Serbian version

Biljana Bogovac
Licensed Auditor

Refer to the original signed Serbian version

PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 22 June 2017

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BALANCE SHEET

As at 31 December 2016

in RSD thousand

Code of accounts	ITEM	EDP	Note No.	Amount		
					Previous year	
				Current year	Closing balance at 31 December 2015	Opening balance as at 1 January 2015
1	2	3	4	5	6	7
	ASSETS					
0	A. UNPAID SUBSCRIBED CAPITAL	1				
	B. NON-CURRENT ASSETS (0003 + 0010 + 0019 + 0024 + 0034)	2		**5,944,321**	**5,945,717**	
1	I. INTANGIBLE ASSETS (0004 + 0005 + 0006 + 0007 + 0008 + 0009)	3		**583,698**	**527,557**	
010 and a portion of 019	1. R&D Investments	4				
011, 012 and a portion of 019	2. Concessions, patents, licences, trademarks, software and similar rights	5		5,233	6,050	
013 and a portion of 019	3. Goodwill	6				
014 and a portion of 019	4. Other intangibles	7		3,715	4,696	
015 and a portion of 019	5. Intangible Assets under construction	8		574,750	516,811	
016 and a portion of 019	6. Advances for an intangible asset	9				
2	II. PROPERTY, PLANT AND EQUIPMENT (0011 + 0012 + 0013 + 0014 + 0015 + 0016 + 0017 + 0018)	10		**5,307,585**	**5,418,160**	
020, 021 and a portion of 029	1. Land	11		2,569,102	2,545,164	
022 and a portion of 029	2. Buildings	12		2,404,730	2,496,135	
023 and a portion of 029	3. Plants and equipment	13		103,770	125,729	
024 and a portion of 029	4. Investment property	14		34,466	36,551	
025 and a portion of 029	5. Other Property, Plant and Equipment	15				
026 and a portion of 029	6. Construction in progress (CIP)	16		109,275	65,671	
027 and a portion of 029	7. Investments in third party PP&E	17		45,256	54,939	
028 and a portion of 029	8. Prepayments for PP&E	18		40,986	93,971	
3	III. BIOLOGICAL ASSETS (0020 + 0021 + 0022 + 0023)	19		**0**	**0**	
030, 031 and a portion of 039	1. Forest farming	20				
032 and a portion of 039	2. Livestock	21				
037 and a portion of 039	3. Biological assets in production	22				
038 and a portion of 039	4. Prepayments for biological assets	23				
04. exclusive of 047	IV. LONG-TERM FINANCIAL INVESTMENTS (0025 + 0026 + 0027 + 0028 + 0029 + 0030 + 0031 + 0032 + 0033)	24		**53,038**	**0**	
040 and a portion of 049	1. Investments in subsidiary	25				
041 and a portion of 049	2. Investments in associates and joint ventures	26				
042 and a portion of 049	3. Investments in other legal entities and other available for sales financial assets	27				
a portion of 043, a portion of 044 and a portion of 049	4. Long term investments in parent and subsidiaries	28				
a portion of 043, a portion of 044 and a portion of 049	5. Long-term investments in other related parties	29				
a portion of 045 and a portion of 049	6. Long term investments- domestic	30				
a portion of 045 and a portion of 049	7. Long term investments- abroad	31				
046 and a portion of 049	8. Securities held to maturity	32				
048 and a portion of 049	9. Other long-term financial investments	33		53,038		
5	V. LONG TERM RECEIVABLES (0035 + 0036 + 0037 + 0038 + 0039 + 0040 + 0041)	34		**0**	**0**	
050 and a portion of 059	1. Receivables from parent and subsidiaries	35				
051 and a portion of 059	2. Receivables from other related parties	36				
052 and a portion of 059	3. Receivables arising out of commodity loans	37				
053 and a portion of 059	4. Receivables arising out of finance lease contracts	38				
054 and a portion of 059	5. Receivables arising out of collateral pledges	39				
055 and a portion of 059	6. Bad and doubtful debts	40				
056 and a portion of 059	7. Other long term receivables	41				
298	V. DEFERRED TAX ASSETS	42				
	G. CURRENT ASSETS (0044 + 0051 + 0059 + 0060 + 0061 + 0062 + 0068 + 0069 + 0070)	43		**1,690,809**	**1,501,901**	
Class 1	I. INVENTORY (0045 + 0046 + 0047 + 0048 + 0049 + 0050)	44		**915,793**	**738,296**	
10	1. Material, spare parts, tools and inventory	45				
11	2. Work in progress and ongoing services	46				
12	3. Finished goods	47				
13	4. Merchandise	48		886,634	726,810	
14	5. Fixed assets held for sale	49				
15	6. Prepaid inventory and services	50		29,159	11,486	

20	II. TRADE RECEIVABLES (0052 + 0053 + 0054 + 0055 + 0056 + 0057 + 0058)	51		**504,922**	**507,167**	
200 and a portion of 209	1. Domestic trade receivables– parents and subsidiaries	52				
201 and a portion of 209	2. Foreign trade receivables– parents and subsidiaries	53		3,523		
202 and a portion of 209	3. Domestic trade receivables– other related parties	54				
203 and a portion of 209	4. Foreign trade receivables– other related parties	55		4,158		
204 and a portion of 209	5. Trade receivables – domestic	56		497,241	506,459	
205 and a portion of 209	6. Trade receivables – foreign	57			708	
206 and a portion of 209	7. Other trade receivables	58				
21	III. RECEIVABLES FROM SPECIFIC OPERATIONS	59		2,535	13,641	
22	IV. OTHER RECEIVABLES	60		17,417	20,916	
236	V. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT AND LOSS	61				
23 exclusive of 236 and 237	VI. SHORT TERM FINANCIAL INVESTMENTS (0063 + 0064 + 0065 + 0066 + 0067)	62		**0**	**0**	
230 and a portion of 239	1. Short term loans and investments – parent and subsidiaries	63				
231 and a portion of 239	2. Short term loans and investments – other related parties	64				
232 and a portion of 239	3. Short-term loans and borrowings - domestic	65				
233 and a portion of 239	4. Short-term loans and borrowings - foreign	66				
234, 235, 238 and a portion of 239	5. Other short term financial investments	67				
24	VII. CASH AND CASH EQUIVALENTS	68		209,634	142,663	
27	VIII. VALUE ADDED TAX	69		4,003		
29 exclusive of 298	IX. ACCRUALS	70		36,505	79,218	
	D. TOTAL ASSETS = OPERATING ASSETS (0001 + 0002 + 0042 + 0043)	71		**7,635,130**	**7,447,618**	
88	Đ. OFF-BALANCE SHEET ASSETS	72		24,586	20,000	
	LIABILITIES					
	A. EQUITY (0402 + 0411 – 0412 + 0413 + 0414 + 0415 – 0416 + 0417 + 0420 – 0421) ≥ 0 = (0071 – 0424 – 0441 – 0442)	401		**2,543,723**	**2,085,896**	
30	I. BASIC CAPITAL (0403 + 0404 + 0405 + 0406 + 0407 + 0408 + 0409 + 0410)	402		**6,961,115**	**6,961,115**	
300	1. Share capital	403		4,980,000	6,961,115	
301	2. Stakes of limited liability companies	404				
302	3. Stakes	405				
303	4. State-owned capital	406				
304	5. Socially owned capital	407				
305	6. Stakes in cooperatives	408				
306	7. Share premium	409		1,981,115		
309	8. Other equity	410				
31	II. UNPAID SUBSCRIBED CAPITAL	411				
047 and 237	III. REPURCHASED TREASURY SHARES	412				
32	IV. RESERVES	413				
330	V. REVALUATION RESERVES ARISING FROM REVALUATION OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT	414				
33 exclusive of 330	VI. UNREALIZED PROFIT FROM SECURITIES AND OTHER ITEMS OF OTHER COMPREHENSIVE INCOME (accounts receivable / acc. 33 exclusive of 330)	415				
33 exclusive of 330	VII. UNREALIZED LOSSES FROM SECURITIES AND OTHER ITEMS OF OTHER COMPREHENSIVE INCOME (accounts payable / acc. 33 exclusive of 330)	416		1,772	1,012	
34	VIII. RETAINED EARNINGS (0418 + 0419)	417		**1,160,283**	**701,696**	
340	1. Prior years' retained earnings	418		701,696	71,015	
341	2. Current year retained earnings	419		458,587	630,681	
	IX. NON-CONTROLING INTEREST	420				
35	X. LOSS (0422 + 0423)	421		**5,575,903**	**5,575,903**	
350	1. Prior years' loss	422		5,575,903	5,575,903	
351	2. Current year loss	423				
	B. LONG-TERM PROVISIONS AND LIABILITIES (0425 + 0432)	424		**18,836**	**4,652**	
40	I. LONG-TERM PROVISIONS (0426 + 0427 + 0428 + 0429 + 0430 + 0431)	425		**18,836**	**4,652**	
400	1. Provisions for warranty claims	426				
401	2. Provisions for environmental rehabilitation	427				
403	3. Provisions for restructuring costs	428				
404	4. Provisions for employee benefits	429		5,816	4,652	
405	5. Provisions for litigations	430		13,020		
402 and 409	6. Other long term provisions	431				
41	II. LONG-TERM LIABILITIES (0433 + 0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)	432		0	0	
410	1. Liabilities convertible to equity	433				
411	2. Liabilities to parent and subsidiaries	434				
412	3. Liabilities to other related parties	435				
413	4. Liabilities for issued long-term securities	436				

414	5. Long term borrowings - domestic	437				
415	6. Long-term borrowings - foreign	438				
416	7. Finance lease liabilities	439				
419	8. Other long-term liabilities	440				
498	V. Deferred tax liabilities	441				
42 to 49 (exclusive of 498)	G. SHORT-TERM LIABILITIES (0443 + 0450 + 0451 + 0459 + 0460 + 0461 + 0462)	442		**5,072,571**	**5,357,070**	
42	I. SHORT-TERM FINANCIAL LIABILITIES (0444 + 0445 + 0446 + 0447 + 0448 + 0449)	443		**2,457,446**	**2,853,346**	
420	1. Short term borrowings from parent and subsidiaries	444				
421	2. Short term borrowings from other related parties	445				
422	3. Short-term loans and borrowings - domestic	446		2,457,446	2,853,346	
423	4. Short-term loans and borrowings - foreign	447				
427	5. Liabilities relating to current assets and held-for-sale assets attributable to discounted operations	448				
424, 425, 426 and 429	6. Other short term liabilities	449				
430	II. CUSTOMER PREPAYMENTS	450		49,177	19,399	
43 exclusive of 430	III. OPERATING LIABILITIES (0452 + 0453 + 0454 + 0455 + 0456 + 0457 + 0458)	451		**2,426,239**	**2,359,304**	
431	1. Trade payables – parent and subsidiaries - domestic	452				
432	2. Trade payables – parent and subsidiaries - foreign	453		1,235	12,072	
433	3. Trade payables – other related parties - domestic	454				
434	4. Trade payables – other related parties - foreign	455		15,936		
435	5. Trade payables - domestic	456		2,355,225	2,343,154	
436	6. Trade payables - foreign	457		45,811	402	
439	7. Other operating liabilities	458		8,032	3,676	
44, 45 and 46	IV. OTHER SHORT-TERM LIABILITIES	459		13,873	7,976	
47	V. LIABILITIES FOR VAT	460			9,267	
48	VI. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND DUTIES	461		2,971		
49 exclusive of 498	VII. ACCRUED EXPENSES	462		122,865	107,778	
	D. LOSS EXCEEDING EQUITY (0412 + 0416 + 0421 – 0420 – 0417 – 0415 – 0414 – 0413 – 0411 – 0402) ≥ 0 = (0441 + 0424 + 0442 – 0071) ≥ 0	463				
	Đ. TOTAL LIABILITIES (0424 + 0442 + 0441 + 0401 – 0463) ≥ 0	464		**7,635,130**	**7,447,618**	
89	E. OFF-BALANCE SHEET LIABILITIES	465		24,586	20,000	

INCOME STATEMENT

for the period between 1 January 2016 and 31 December 2016

in RSD thousand

Code of accounts	ITEM	EDP	Note No.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	INCOME FROM REGULAR OPERATING ACTIVITIES				
60-65, exclusive of 62 and 63	A. OPERATING INCOME (1002 + 1009 + 1016 + 1017)	1001		16,572,314	18,543,024
60	I. INCOME FROM THE SALE OF GOODS (1003 + 1004 + 1005 + 1006 + 1007+ 1008)	1002		16,455,076	18,446,994
600	1. Income from the sale of goods to parent and subsidiaries on local market	1003			
601	2. Income from the sale of goods to parent and subsidiaries on foreign market	1004			
602	3. Income from the sale of goods to other related parties on local market	1005			
603	4. Income from the sale of goods to other related parties on foreign market	1006			
604	5. Income from the sale of goods on local market	1007		16,455,076	18,446,994
605	6. Income from the sale of goods on foreign market	1008			
61	II. INCOME FROM THE SALE OF GOODS AND SERVICES (1010 + 1011 + 1012 + 1013 + 1014 + 1015)	1009		0	0
610	1. Income from the sale of goods to parent and subsidiaries on local market	1010			
611	2. Income from the sale of goods to parent and subsidiaries on foreign market	1011			
612	3. Income from the sale of goods and services to other related parties on local market	1012			
613	4. Income from the sale of goods and services to other related parties on foreign market	1013			
614	5. Income from the sale of goods and services on local market	1014			
615	6. Income from the sale of goods and services on foreign market	1015			
64	III. INCOME FROM PREMIUMS, SUBVENTIONS AND DONATIONS	1016			
65	IV. OTHER OPERATING INCOME	1017		117,238	96,030
	EXPENSES FROM REGULAR OPERATING ACTIVITIES				
50 - 55, 62 and 63	B. OPERATING EXPENSES (1019 – 1020 – 1021 + 1022 + 1023 + 1024 + 1025 + 1026 + 1027 + 1028+ 1029) ≥ 0	1018		15,930,561	17,623,325
50	I. COST OF GOODS SOLD	1019		14,320,277	16,049,103
62	II. WORK PERFORMED BY THE ENTITY AND CAPITALISED	1020		2,301	
630	III. INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES	1021			
631	IV. DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES	1022			
51 exclusive of 513	V. COST OF MATERIAL	1023		30,999	30,419
513	VI. COST OF FUEL AND ENERGY	1024		111,520	109,652
52	VII. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1025		174,300	163,435
53	VIII. COST OF PRODUCTION SERVICES	1026		492,939	475,435

540	IX. DEPRECIATION/AMORTISATION EXPENSE	1027		214,802	217,118
541 to 549	X. COST OF LONG-TERM PROVISIONING	1028		13,424	470
55	XI. NON-MATERIAL COSTS	1029		574,601	577,693
	V. OPERATING GAIN (1001 – 1018) ≥ 0	1030		641,753	919,699
	G. OPERATING LOSS (1018 – 1001) ≥ 0	1031			
66	D. FINANCIAL INCOME (1033 + 1038 + 1039)	1032		927	9,087
66, exclusive of 662, 663 and 664	I. FINANCIAL INCOME FROM RELATED PARTIES AND OTHER FINANCIAL INCOME (1034 + 1035 + 1036 + 1037)	1033		0	0
660	1. Financial income from parent and subsidiaries	1034			
661	2. Financial income from other related parties	1035			
665	3. Share of profit of associates and joint ventures	1036			
669	4. Other financial income	1037			
662	II. INTEREST INCOME (FROM THIRD PARTIES)	1038		588	8,538
663 and 664	III. FOREIGN EXCHANGE GAINS AND GAINS ON FOREIGN CURRENCY CLAUSE INSURANCE (THIRD PARTIES)	1039		339	549
56	Đ. FINANCIAL EXPENSES (1041 + 1046 + 1047)	1040		185,985	322,443
56, exclusive of 562, 563 and 564	I. FINANCIAL EXPENSES ARISING FROM RELATED PARTY TRANSACTIONS AND OTHER FINANCIAL EXPENSES (1042 + 1043 + 1044 + 1045)	1041		13,635	69
560	1. Financial expenses arising from transactions with parent and subsidiaries	1042			
561	2. Financial expenses arising from transactions with other related parties	1043			
565	3. Share of loss of associates and joint ventures	1044			
566 and 569	4. Other financial expenses	1045		13,635	69
562	II. INTEREST EXPENSE (THIRD PARTIES)	1046		171,782	321,648
563 and 564	III. FOREIGN EXCHANGE LOSSES AND LOSSES ARISING FROM FOREIGN CURRENCY CLAUSE INSURANCE (THIRD PARTIES)	1047		568	726
	E. INCOME FROM FINANCING ACTIVITIES (1032 – 1040)	1048			
	Ž. LOSS FROM FINANCING ACTIVITIES (1040 – 1032)	1049		185,058	313,356
683 and 685	Z. INCOME FROM PROPERTY VALUE ADJUSTMENTS OF OTHER ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	1050			
583 and 585	I. EXPENSES FROM PROPERTY VALUE ADJUSTMENTS OF OTHER ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	1051		1,363	
67 and 68, exclusive of 683 and 685	J. OTHER INCOME	1052		84,996	115,777
57 and 58, exclusive of 583 and 585	K. OTHER EXPENSES	1053		81,741	91,439
	L. OPERATING PROFIT BEFORE TAX (1030 – 1031 + 1048 – 1049 + 1050 – 1051 + 1052 – 1053)	1054		458,587	630,681
	LJ. OPERATING LOSS BEFORE TAX (1031 – 1030 + 1049 – 1048 + 1051 – 1050 + 1053 – 1052)	1055			
69-59	M. NET INCOME ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS	1056			
59-69	N. NET LOSS ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS	1057			
	NJ. PROFIT BEFORE TAX (1054 – 1055 + 1056 – 1057)	1058		458,587	630,681
	O. LOSS BEFORE TAX (1055 – 1054 + 1057 – 1056)	1059			
	. INCOME TAX				
721	I. TAX EXPENSE FOR THE PERIOD	1060			
a portion of 722	II. DEFERRED TAX EXPENSE FOR THE PERIOD	1061			

a portion of 722	III. DEFERRED TAX INCOME FOR THE PERIOD	1062			
723	R. SALARIES PAID TO EMPLOYER	1063			
	S. NET PROFIT (1058 – 1059 – 1060 – 1061 + 1062)	1064		458,587	630,681
	T. NET LOSS (1059 – 1058 + 1060 + 1061 – 1062)	1065			
	I. NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1066			
	II. NET INCOME ATTRIBUTABLE TO MAJORITY SHAREHOLDER	1067			
	III. EARNINGS PER SHARE				
	1. Basic earnings per share	1068			
	2. Diluted earnings per share	1069			

CASH FLOW STATEMENT

for the period between 01.01.2016 and 31.12.2016

in RSD thousand

Item	EDP	Amount	
		Current year	Previous year
1	2	3	4
A. CASH FLOWS FROM OPERATING ACTIVITIES			
I. Cash generated from operating activities (1 to 3)	3001	19,330,217	21,870,855
1. Sales and advances received	3002	19,325,136	21,859,095
2. Interests from operating activities	3003	588	6,946
3. Other inflows from operating activities	3004	4,493	4,814
II. Cash outflows from operating activities (1 to 5)	3005	18,751,248	21,313,340
1. Payments and prepayments to suppliers	3006	18,087,811	20,454,257
2. Salaries, fringe benefits and other personal expenses	3007	174,300	163,435
3. Interests paid	3008	174,397	321,648
4. Income tax	3009		
5. Payments for other public revenues	3010	314,740	374,000
III. Net cash inflow from operating activities (I-II)	3011	578,969	557,515
IV. Net cash outflow from operating activities (I-II)	3012		
B. CASH FLOWS FROM INVESTING ACTIVITIES			
I. Cash generated from investing activities (1 to 5)	3013	113	2,733
1. Sale of shares and stakes (net inflow)	3014		
2. Sale of intangible assets, property, plant, equipment and biological assets	3015	113	2,733
3. Other financial investments (net inflows)	3016		
4. Interests received from investing activities	3017		
5. Dividends received	3018		
II. Cash outflows from investing activities **(**1 to 3**)**	3019	116,400	99,855
1. Purchase of shares and stakes (net outflow)	3020		
2. Purchase of intangible assets, property, plant, equipment and biological assets	3021	116,400	99,855
3. Other financial investments (net outflows)	3022		
III. Net cash inflow from investing activities (I-II)	3023		
IV. Net cash outflow from investing activities (I-II)	3024	116,287	97,122
V. CASH FLOWS FROM FINANCING ACTIVITIES			
I. Cash generated from financing activities (1 to 5)	3025	3,176,395	3,396,347
1. Capital stock increase	3026		
2. Long-term borrowings (net proceeds)	3027		
3. Short-term borrowings (net proceeds)	3028	3,176,395	3,396,347
4. Other long-term liabilities	3029		
5. Other short-term liabilities	3030		
II. Cash outflows from financing activities (1 to 6)	3031	3,572,295	3,935,762
1. Purchase of treasury shares and equity investments	3032		
2. Long-term loans (outflows)	3033		
3. Short-term loans (outflows)	3034	3,572,295	3,935,762
4. Other liabilities (outflows)	3035		
5. Finance lease	3036		
6. Dividends paid	3037		
III. Net cash inflow from financing activities (I-II)	3038		
IV. Net cash outflow from financing activities (II-I)	3039	**395,900**	**539,415**
G. TOTAL CASH INFLOWS (3001 + 3013 + 3025)	3040	**22,506,725**	**25,269,935**
D. TOTAL CASH OUTFLOWS (3005 + 3019 + 3031)	3041	**22,439,943**	**25,348,957**
Đ. NET CASH INFLOWS (3040 – 3041)	3042	66,782	
E. NET CASH OUTFLOWS (3041 – 3040)	3043		79,022
Ž. CASH AT THE BEGINNING OF THE ACCOUNTING PERIOD	3044	142,663	221,671
Z. FOREIGN EXCHANGE GAINS ON TRANSLATION OF CASH	3045	189	14
I. FOREIGN EXCHANGE LOSSES ON TRANSLATION OF CASH	3046		
J. CASH AT THE END OF THE ACCOUNTING PERIOD (3042 – 3043 + 3044 + 3045 – 3046)	3047	209,634	142,663

OTHER COPREHENSIVE INCOME

for the period between 1 January 2016 and 31 December 2016

- in RSD thousand -

Code of account, account	ITEM	EDP	Note number	Amount Current year	Amount Previous year
1	2	3	4	5	6
	A. OPERATING INCOME/NET				
	I. PROFIT/NET (EDP 1064)	2001		458,587	630,681
	II. LOSS/NET (EDP 1065)	2002			
	B. OTHER COMPREHENSIVE PROFIT OR LOSS				
	b) Items that will not be reclassified to profit or loss				
330	1. Changes in the revaluation of intangible assets, property, plant and equipment				
	a) increase in revaluation reserves	2003			
	b) decrease in revaluation reserves	2004			
331	2. Actuarial gains and losses arising from defined benefit plans				
	a) gains	2005			
	b) losses	2006		1,772	1,012
332	3. Gains and losses arising from equity investments				
	a) gains	2007			
	b) losses	2008			
333	4. Gains or losses arising from a share in the associate's other comprehensive profit or loss				
	a) gains	2009			
	b) losses	2010			
	b) Items that may be subsequently reclassified to Profit and Loss				
334	1. Foreign exchange gains or losses on translating foreign operations				
	a) gains	2011			
	b) losses	2012			
335	2. Gains or losses on hedges of net investments in foreign operations				
	a) gains	2013			
	b) losses	2014			
336	3. Gains and losses on cash flow hedges				
	a) gains	2015			
	b) losses	2016			
337	4. Gains or losses on available-for-sale securities				
	a) gains	2017			
	b) losses	2018			
	I. OTHER COMPREHENSIVE INCOME, GROSS (2003 + 2005 + 2007 + 2009 + 2011 + 2013 + 2015 + 2017) – (2004 + 2006 + 2008 + 2010 + 2012 + 2014 + 2016 + 2018) ≥ 0	2019			
	II. OTHER COMPREHENSIVE LOSS, GROSS (2004 + 2006 + 2008 + 2010 + 2012 + 2014 + 2016 + 2018) – (2003 + 2005 + 2007 + 2009 + 2011 + 2013 + 2015 + 2017) ≥ 0	2020		**1,772**	1,012
	III. TAX ON OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD	2021			
	IV. OTHER COMPREHENSIVE INCOME, NET (2019 – 2020 – 2021) ≥ 0	2022			
	V. OTHER COMPREHENSIVE LOSS, NET (2020 – 2019 + 2021) ≥ 0	2023		1,772	1,012
	V. TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET				
	I. TOTAL COMPREHENSIVE INCOME, NET (2001 – 2002 + 2022 – 2023) ≥ 0	2024		**456,815**	**629,669**
	II. TOTAL COMPREHENSIVE LOSS, NET (2002 – 2001 + 2023 – 2022) ≥ 0	2025			
	G. TOTAL COMPREHENSIVE INCOME OR LOSS, NET (2027 + 2028) = EDP 2024 ≥ 0 or EDP 2025 > 0	2026		**0**	**0**
	1. Attributable to majority shareholders	2027			
	2. Attributable to non-controlling interests	2028			

STATEMENT OF CHANGES IN EQUITY

for the period between 1 January 2016 and 31 December 2016

No.	DESCRIPTION	Items of equity											
			30		31		32		35		047 and 237		34
		EDP	Basic capital	EDP	Unpaid subscribed capital	EDP	Reserves	EDP	Loss	EDP	Repurchased treasury shares	EDP	Retained earnings
1	2		3		4		5		6		7		8
	Opening balance as at 01.01.2015												
1	a) accounts payable	4001							5,575,903				
	b) accounts receivable	4002	6,961,115										71,015
	Adjustments of material errors and changes in accounting policies												
2	a) adjustments of accounts payable	4003											
	b) adjustments of accounts receivable	4004											
	Restated opening balance as at 01.01 2015												
3	a) restated accounts payable (1a + 2a – 2b) ≥ 0	4005							5,575,903				
	b) restated accounts receivable (1b – 2a + 2b) ≥ 0	4006	6,961,115										71,015
	Movements in 2015												
4	a) transactions in accounts payable	4007											
	b) transactions in accounts receivable	4008											630,681
	Closing balance as at 31.12.2015												
5	a) accounts payable (3a + 4a – 4b) ≥ 0	4009							5,575,903				
	b) accounts receivable (3b – 4a + 4b) ≥ 0	4010	6,961,115										701,696
	Adjustments of material errors and changes in accounting policies												
6	a) adjustments of accounts payable	4011											
	b) adjustments of accounts receivable	4012											
	Restated opening balance or balance as at 01.01.2016												
7	a) restated accounts payable (5a + 6a – 6b) ≥ 0	4013							5,575,903				
	b) restated accounts receivable (5b – 6a + 6b) ≥ 0	4014	6,961,115										701,696
	Movements in 2016												
8	a) transactions in accounts payable	4015											
	b) transactions in accounts receivable	4016											458,587
	Closing balance as at 31.12. 2016												
9	a) accounts payable (7a + 8a – 8b) ≥ 0	4017							5,575,903				
	b) accounts receivable (7b – 8a + 8b) ≥ 0	4018	6,961,115										1,160,283

STATEMENT OF CHANGES IN EQUITY

for the period between 1 January 2016 and 31 December 2016

in RSD thousand

Items of other comprehensive income																	
EDP	330	EDP	331	EDP	332	EDP	333	EDP	334 and 335	EDP	336	EDP	337				
	Revaluation reserves		Actuarial gains and losses		Gains and losses on equity investments		Gains or losses arising from a share in the associate's other profit or loss		Gains or losses arising from foreign operations and financial statements translation		Gains and losses on cash flow hedges		Gains or losses on available-for-sale securities	EDP	Total equity [∑(line 1b col. 3 to col. 15) - ∑(line 1a col. 3 to col. 15)] ≥ 0	EDP	Loss exceeding equity [∑(line 1a col. 3 to col. 15) - ∑(line 1bs col. 3 to col. 15)] ≥ 0
	9		10		11		12		13		14		15		16		17
			900												1,455,327		
			900												1,455,327		
			112												630,569		
			1,012												2,085,896		
			1,012												2,085,896		
			760												457,827		
			1,772												2,543,723		

Notes to the financial statements

1. General information

EKO Serbia a.d. is engaged in the following business activities: the wholesale and retail sale of motor fuel, other commodities (supermarket goods, oils), carwash and coffee shop services. The Company was established on 6 September 2002, and is wholly owned by EKO-ELDA from Greece. In December 2007, the ownership of the Company changed and HELLENIC PETROLEUM SERBIA (HOLDINGS), a Cyprus company, became a 100% owner of EKO SERBIA AD.

The Company's parent is Hellenic Petroleum (headquartered in Greece).

The Company's registered office is in Belgrade, at 274a Tošin Bunar st.

The Company has been registered as a closed joint stock company and is not listed on the Belgrade stock exchange.

The number of employees with the Company as at 31 December 2016 was 46 (2015: 38).

The Company's stand alone financial statements were approved for issue by company Management on 28 February 2017.

2. Summary of significant accounting policies

Basic accounting policies used for preparation of the financial statements are reffered to in the text below. These policies are consistently applied for all stated years, if not otherwise stated.

2.1 Basis of preparation

The Company has prepared these financial statements in accordance with the Law on Accounting of the Republic of Serbia (the "Law"), published in Official Gazette No. 62/2013, which requires full scope of International Financial Reporting Standards ("IFRS") to be applied as translated into Serbian up to 31 July 2013. The specific requirements of the Law result in departures from IFRS due to the fact that as only translated standards are adopted, these accounts do not reflect the impact of IFRS which have been issued since 31 July 2013. Additionally, the Law requires certain presentations and treatments of accounts and balances which results in the following additional departures from IFRS:

1. The financial statements are prepared in the format prescribed by the Ministry of Finance of the Republic of Serbia, which does not comply with IAS 1 (revised) – "Presentation of Financial Statements" requirements and IAS 7 – "Statement of cash flows".

2. The Decision of the Ministry of Finance of the Republic of Serbia No. 401-00-896/2014-16 of 13 March 2014 (RS Official Gazette Nos. 35/2014) states that the official standards are the official translations of International Accounting Standards (IAS) and International Standards of Financial Reporting (IFRS) issued by the International Accounting Standards Board (IASB), as well as interpretations of standards issued by the International Financial Reporting Interpretations Committee (IFRIC) up to 31 July 2013. Up to the date of the accompanying financial statements preparation, no amendments and supplements to existing standards, revised standards and new interpretations issued by IASB and IFRIC subsequent to 31 July 2013.

2.1 Basis of preparation (continued)

2 The standards and interpretations for which there is no official translation in the Republic of Serbia are: Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (issued in November 2013 and effective for annual periods beginning 1 July 2014), Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below), Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014), IFRS 9, "Financial Instruments" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018), IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016), Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016), Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016), IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018), Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016), Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016), Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB), Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016), Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016), Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016), IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019), Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017), Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017), Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018), Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018), Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach), Annual Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12, and on or after 1 January 2018 for amendments to IFRS 1 and IAS 28), IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018), Transfers of Investment Property - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

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

2.1.1 Going concern

The Company's activities are financed through short term borrowings from Nacionalna banka Grčke, Beograd (NBG) Note17.
The Company obtained from NBG a new revolving line of credit, which it began using in December 2014.
All lines of credit are collateralised with deposit or guarantee provided by Hellenic Petroleum SA.
The Company's Net Debt of RSD 2.247.812 (2015; RSD 2.710.683) is lower than Equity amounting to RSD 2.543.723 (2015: 2.085.896).

Company liabilities are lower than assets, thus as of 31 December 2016 Eqyity of the Company amount to RSD 2.543.723. The Management believes that the Company will continue its business operations in the foreseeable future and will not start the liqudation process, cease its operations nor seek creditors' protection in accordance with applicable legislations.

2.1 Foreign currency translation

a) *Functional and presentation currency*

Items included in the financial statements of the Fund are measured and presented in Serbian dinars ("RSD") irrespective of whether the RSD is the Company's functional currency.

b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions in foreign currency and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.2 Intangible assets

(a) *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

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

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

2. Summary of significant accounting policies (continued)

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.

The borrowing costs incurred on asset construction that meet the criteria of a qualifying asset are capitalized during the period of time required for assets to get ready for their intended use or sale. Other borrowing costs are expensed as incurred.

Land is not depreciated. City construction plots leased out on a long-term basis are depreciated in the same manner as buildings constructed on such plots at an annual depreciation rate of 4%.

The depreciation of 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	20%
Furniture	10%
Machinery and equipment	15%
Telecommunications equipment	20%
Computers, software, movable property	30%
Leasehold improvements	10%

The assets' residual value is the estimated amount that the Company could obtain on asset disposal, less estimated selling expenses, if the asset is old and in a condition expected at the end of its useful life. The assets' residual value is equal to zero if the Company expects to the asset until the end of its useful 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 income/expenses in the income statement.

2.5 Impairment of non-financial assets

Assets with indefinite useful lives are not subject to amortisation and are tested annually for impairment. Assets subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less 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 inflows (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. Summary of significant accounting policies (continued)

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.

Land held under operating lease is classified and accounted for as investment property when the rest of the definition of investment property is met.

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 the value in use and the 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.

2.7 Inventory

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 design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. The net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of row materials.

2.8 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets.
Alternatively, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and are subsequently measured at amortized 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 in accordance with the original terms of receivables. Significant financial difficulties of the debtor, the 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 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' (Note 28).

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to 'other income' (Note 22).

2. Summary of significant accounting policies (continued)

2.9 Cash and cash equivalents

Cash and cash equivalents comprise: 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 presented in the balance sheet, and are included in current liabilities as borrowings.

2.10 Off-balance sheet liabilities

Off balance sheet liabilities relate to deferred payment guarantees issued to a supplier.

2.11 Basic capital

a) *Share capital*

Ordinary and preference shares are classified as equity. Mandatory redeemable preference shares are classified as liabilities. The Company's shares are internally issued, not listed on the Belgrade stock exchange since the Company has been 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 from the share issue.

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 (and attributed to shareholders) 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, which is attributed to company shareholders.

2.12 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.

2.13 Borrowings

Borrowings are recognised initially at 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.

Loan origination fees are recognized as transaction costs.

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

2. Summary of significant accounting policies (continued)

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Alternatively, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

2.15 Current and deferred income tax

The current income tax charge is calculated based on the tax laws applicable at the balance sheet date in the Republic of Serbia where the Company operates and generates taxable profit. Management periodically evaluates positions presented in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, 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 (tax loss).

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted up to 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 profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Employee benefits

The Company operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

(a) *Retirement benefit obligation*

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 recognized as employee benefit expenses 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. (Note 15)

(a) Retirement benefit obligation (continued)

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 or the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. The defined benefit obligation is calculated annually and provision is made in proportion to employee service period (Note 15)

2. Summary of significant accounting policies (continued)

(b) Profit-sharing and bonuses

The Company recognises a liability and an expense for awards (bonuses) 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 it is contractually obliged to do so or where there is a past practice that has created a constructive obligation.

2.17 Revenue recognition

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

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and 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 contingencies 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 fuels and petroleum products in the wholesale market. Sales of goods are recognised when the Company has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with volume discounts. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts. The volume discounts are assessed based on 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 income recorded is the amount of gross sales including credit card commission.

2.18 Leases

(a) *Leases: Accounting by lessee*

*L*eases 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*

The right of use of land acquired as a separate transaction through payment to the relevant Local Authority is treated as an intangible asset and is amortised over 25 years.

2. Summary of significant accounting policies (continued)

2.19 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 (foreign exchange risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on minimising the potential adverse effects on the Company's financial performance in unforeseeable market circumstances. Risk management is carried out by 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*

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

The management of the Company has set up a policy to manage its foreign exchange risk in relation to its functional currency. In order to hedge from the potential foreign exchange loss, the Group passed a decision that all new borrowings will be effected in the Company's functional currency. Foreign exchange risk arises when future transactions or recognized assets and liabilities are denominated in a currency that is not the Company's functional currency.

RSD '000	Effect on Profit Before Tax
2016	
10%	(5,535)
-10%	5,535
2015	
10%	(1,184)
-10%	1,184

(b) *Credit risk*

The Company has no significant concentrations of credit risk. The Company 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. Receivables from major wholesale customers are secured with bank guarantees, which cover 50% of total receivables (Note 8)

Credit risk arises from cash and cash equivalents with banks and financial institutions, as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions. The Company uses internal credit quality ratings, taking into account financial position of a customer, annual turnover, year-end balance, terms of payment, past experience and other factors. The utilisation of credit limits is regularly monitored.

(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's finance department aims to maintain flexibility in funding by maintaining availability under committed credit lines. (Note 17)

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 flows[1]. Balances due within 12 months equal their carrying amounts as the impact of discounting is not material.

[1] The amounts disclosed in the table are the contractual discounted cash flows; as a result, these amounts do not reconcile to the amounts disclosed on the balance sheet i.e. borrowings, derivative financial instruments, and trade and other payables. Entities can choose to add a reconciling column and a final total that ties with the balance sheet, if they wish.

(all the amounts are stated in 000 RSD, unsless stated otherwise)

3. Financial risk management (continued)

As at 31 December 2016	**Less than 1 year[1]**
Borrowings	2.457.446
Trade and other payables	2.426.239

(d) *Cash flow interest rate risk*

The Company has short-term borrowings issued at variable rates, which expose it to cash flow interest rate risk. Any change in the base interest rate (one month BELIBOR) has a proportionate effect on the Company's performance. The Company believes that possible changes in interest rates would not have a material effect on the Financial Statements.

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 the Company's net debt divided by its 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.

During 2016, the Company's strategy remained unchanged compared to its 2015 strategy. As at 31 December 2016 and 2015 the gearing ratio was as follows:

	2016	**2015**
Borrowings – Total (Note 17)	2.457.446	2.853.346
Less: cash and cash equivalents (Note 11)	209.634	142.663
Net debt	2.247.812	2.710.683
Capital resources	2.556.743	2.085.896
Total capital	4.804.555	4.796.579
Gearing ratio	**46,8%**	**56,5%**

As presented in the table, the Company's Net Debt is lower than Equity as at 31 December 2016. Based on the above, the Company management believes that the Company will continue to operate in the foreseeable future without the intention of or the need for initiating liquidation procedure, terminating trade activities or seeking protection from creditors in accordance with law.

[1] The specific time buckets presented are not mandated by the standard but are based on a choice by management based on how the business is managed.

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 outlined below.

a) Pension obligations

The present value of the pension obligations depends on a number of factors that are determined using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

b) Useful lives of property, plant and equipment

The Company management determines the estimated useful lives and related depreciation charge for its property, plant and equipment. These estimates are based on the projected product life cycle. The product life cycle may change significantly due to technological innovations and competitors' actions in response to strict industry cycles. Management will increase the depreciation charge where useful lives are shorter than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

c) Provisions for termination benefits

Other key assumptions for other employee benefits are based in part on current market conditions. Provisions for termination benefits were calculated based on the assumption that all employees will stay in the Company until the termination benefit is paid. Additional information is disclosed in Note 15.

(a) Financial crisis

Banking sector liquidity

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

Customer liquidity

Borrowers may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for 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.

e) Impairment of fixed assets

The Company management reviews the indicators of impairment of fixed assets with a view to ensuring that the carrying amounts of these assets are not materially different from their recoverable amounts. The review is performed for individual petrol stations by discounting future cash flows.

(all the amounts are stated in 000 RSD, unsless stated otherwise)

5. Intangible assets

	Software and Licences	Other Intangible assets	Intangible Assets Under Construction	Total
As at 1 January 2015				
Cost	24.792	9.649	590.332	624.773
Accumulated amortisation	(18.143)	(4.147)	(23.834)	(46.124)
Net book value	**6.649**	**5.502**	**566.498**	**578.649**
Year ended 31 Decemer 2015				
Opening Net Book Value	6.649	5.502	566.498	578.649
Additions	-	162	-	162
Transfers	650	-	-	(72.871)
Transfer to Land	-		(46.991)	26.530
Allowance for impairment (Note 23)	(1.248)	(969)	(2.696)	(4.913)
Net book Value as at 31 December 2015	**6.051**	**4.695**	**516.811**	**527.557**
As at 31 December 2015				
Cost	25.442	9.811	543.341	578.594
Accumulated amortisation	(19.391)	(5.116)	(26.530)	(51.037)
Net Book Value	**6.051**	**4.695**	**516.811**	**527.557**
Year ended 31 December 2016				
Opening Net Book Value	6.051	4.695	516.811	527.557
Additions	513	-	57.939	58.452
Allowance for impairment (Note 23)	(1.331)	(980)	-	(2.070)
Net Book Value as at 31 December 2016	**5.233**	**3.715**	**574.750**	**583.698**
As at 31 December 2016				
Cost + transfers	25.955	9.811	601.280	637.046
Accumulated amortisation	(20.722)	(6.096)	(26.530)	(53.348)
Net Book Value	**5.233**	**3.715**	**574.750**	**583.698**

Amortisation expense of RSD 2.070 (2015: RSD 4.913) was recorded in the Income Statement under Operating costs (Note 23) net of RSD 241 (adjustment due to write off).

Other intangible assets relate to the right of use of land, which is undergoing the legislation procedure.
In 2015, the Company received from the Land Administration and Cadastre the Decision on the reclassification of land into property ownership. Land, the present value of which amounts to RSD 46.991, was transferred from Other intangible assets into Land.

6. Property, plant and equipment

	Land	Buildings and Investment Property	Equipment	PPE Under Construction and Advances Paid	Investments in third party PPE	Total
As at 1 January 2015						
Cost	2.497.397	3.833.757	860.476	161.658	127.302	7.480.590
Accumulated Depreciation		(1.181.359)	(729.613)		(71.699)	(1.982.671)
Net Book Value	**2.497.397**	**2.652.398**	**130.863**	**161.658**	**55.603**	**5.497.919**
Year ended 31 December 2015						
Opening Net Book Value	2.497.397	2.652.398	130.863	161.658	55.603	5.497.919
Additions	776	33.890	39.079	241	13.777	87.763
Transfers	-	301	(450)	(2.257)	1.755	(651)
Transfer from Intangible Assets	46.991	-	-	-	-	46.991
Deductions – Cost	-	-	(41.787)	-	-	(41.787)
Deductions – Accumulated depreciation	-	-	40.905	-	-	40.905
Accumulated Depriciation	-	(153.903)	(42.880)	-	(16.197)	(212.980)
Net Book Value as at 31 December 2015	**2.545.164**	**2.532.686**	**125.730**	**159.642**	**54.938**	**5.418.160**
Year ended 31 December 2016						
Opening Net Book Value	2.545.164	2.532.686	125.730	159.642	54.938	5.418.160
Additions	-	31.124	19.206	44.389	10.408	105.127
Transfers	23.938	32.320	9.106	(53.770)	(11.594)	-
Deductions – write off	-	-	(16.157)	-	(17.558)	(33.715)
Allowance for impairment (note 23)	-	(156.934)	(34.115)	-	9.062	(181.987)
Net Book Value as at 31 December 2016	**2.569.102**	**2.439.196**	**103.770**	**150.261**	**45.256**	**5.307.585**
As at 31 December 2016						
Cost	2.569.102	3.931.392	869.473	150.261	124.090	7.644.318
Accumulated Depreciation	-	(1.492.196)	(765.703)		(78.834)	(2.336.733)
Net Book Value	**2.569.102**	**2.439.196**	**103.770**	**150.261**	**45.256**	**5.307.585**

Depreciation expense of RSD 181.987 (2015. RSD: 212.980) was presented in the income statement under Operating expenses (allowance for impairment is lower by RSD 30.504 due to adjustment for deductions and write off).

7. Financial instruments by category

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

	Receivables
Assets	
31 December 2015	
Trade and other receivables (Note 10)	541.724
Cash and cash equivalents (Note 11)	142.663
Total	**684.387**

	Other financial liabilities
Payables	
Trade and other payables	2.503.725
Borrowings	2.853.346
Long-term liabilities	4.652
Total	**5.361.723**

	Receivables
Assets	
31 December 2015	
Trade and other receivables (Note 10)	524.874
Cash and cash equivalents (Note 11)	209.634
Total	**734.508**

	Other financial liabilities
Payables	
Trade payables and other current liabilities	2.615.125
Borrowings	2.457.446
Long-term liabilities	5.816
Total	**5.078.387**

(all the amounts are stated in 000 RSD, unsless stated otherwise)

8. Credit quality of financial assets

The credit quality of trade receivables exclusive of receivables past due and receivables that have been written-off may be assessed based on historical information on counterparty default rates:

	2016	2015
Trade receivables		
Group 1	155.386	453.570
Group 2	349.536	53.597
Total	**504.922**	**507.167**

Within Group 1 the Company classifies trade receivables from customers secured by bank guarantees and other collaterals.

Within Group 2 the Company classifies other trade receivables.

	2016	2015
Trade receivables		
Receivables not due	384,612	369,358
Receivables less than 30 days past due	74,770	45,931
Receivables over 30 days past due	47,785	127,923
Total	**507,167**	**543,212**

9. Inventory

	2016	2015
Merchandise	886.634	726.810
Advances paid	29.159	11.486
Total	**915.793**	**738.296**

Based on the 2016 stock-take, the total shortage of RSD 79.889 was recorded in the Income Statement within Other expenses (Note 28), whereas the surplus of RSD 83.612 was recorded within Other income (Note: 22).

(all the amounts are stated in 000 RSD, unsless stated otherwise)

10. Receivables

	2016	2015
Trade receivables	**504.922**	**507.167**
- Trade receivables – domestic	496.477	505.773
- Bad and doubtful debts	18.737	17.296
- Allowance for impairment	(17.973)	(16.610)
- Trade receivables – foreign related parties	7.681	-
- Trade receivables – foreign	-	708
Other receivables	**17.417**	**20.916**
- Receivables from the Pension and Disability Insurance Fund	5.275	6.792
- Receivables from COMO managers	3.469	5.199
- Receivables from employees	98	66
- Other receivables	8.575	8.859
Receivables from specific operations	**2.535**	**13.641**
	524.874	**541.724**

As at 31 December 2016 trade receivables amounting to RSD 231.337 (2015: RSD 382.934) are collectable in its entirety.

As at 31 December 2016 trade receivables amounting to RSD 273.594 (2015: RSD 124.2233) are overdue but not impaired. These trade receivables relates to a number of independent customers with good payment history.

Ageing structure of these trade receivables is as follows:

	2016	2015
Up tp 1 month	40.410	75.458
1 – 2 months	69.440	3.601
2 – 3 months	38.824	609
3 - 6 months	23.276	23.256
Over 6 months	101.644	21.309
	273.594	**124.233**

As at 31 December 2016 trade receivables amounting to RSD 17.973 (2015: RSD 16.610) were impaired and provided for. The estimate was that part of these reciavables is collectable. Againg structure of these receivables is as follows:

	2016	2015
Over 6 months	17.973	16.610
	17.973	**16.610**

Movements within bad and doubtful trade receivables were as follows:

	2016	2015
Opening balance	16.610	16.874
Provision for impairement	1.363	264
As at 31 December	17.973	**16.610**

(all the amounts are stated in 000 RSD, unsless stated otherwise)

11. Cash and cash equivalents

	2016	2015
Receivables based on payment cards	41.320	42.685
Current accounts – RSD	72.753	35.987
Cash in hand - petrol stations	84.188	44.737
Cash on special account	8.270	6.769
Foreign currency account	3.103	12.485
Total	**209.634**	**142.663**

The credit quality of financial assets – cash and cash equivalents has been assessed for banks with no external credit rating, however, management believes that these banks have an acceptable level of risk.

	2016	2015
Current accounts		
Vojvodjanska banka	57.500	18.654
Euro bank	14.728	13.210
Intesa banka	525	4.123
Foreign currency account - Vojvodjanska banka	3.103	12.485
Foreign currency account - Euro banka	-	-
Total	**75.856**	**48.472**

Foreign currency cash funds are denominated in EUR.

12. VAT and prepaid expenses

	2016	2015
Prepaid expenses	28.322	75.982
Other accruals	8.183	3.236
Total	**36.505**	**79.218**

VAT	**2016**	**2015**
Total	**4.003**	**-**

13. Off balance sheet assets and liabilities

The Company has issued the following instruments to third parties:

- Bank guarantee of RSD 20,000 in favour of NELT, in accordance with contract provisions.
- Bank guarantees to tender customers (state owned companies) in the amount of RSD 4.586 in accordance with the contracts

(all the amounts are stated in 000 RSD, unsless stated otherwise)

14. Equity

The table below summarises movements within equity:

	Basic Capital	Retained Earnings (loss)	Total
As at 1 January 2015	**6.961.115**	**(5.505.788)**	**1.455.327**
Profit/(loss) for the year		630.681	630.681
Unrealised losses		(112)	(112)
As at 31 December 2015	**6.961.115**	**(4.875.219)**	**2.085.896**
As at 1 January 2016	**6.961.115**	**(4.875.219)**	**2.085.896**
Share Capital	4.980.000	-	4.980.000
Share Premium	1.981.115	-	1.981.115
Profit/(loss) for the year		458.587	458.587
Unrealised losses		(760)	(760)
As at 31 December 2016	**6.961.115**	**(4.417.392)**	**2.543.723**

15. Long-term provisions

(a) Employee benefits

The Company has a legal obligation to pay a sum of three average monthly salaries in the Republic of Serbia to retiring employees. A portion of retirement benefits to be charged to current year costs is subject to annual assessment. If an employee has 10 years of service (out of the expected 40 years), that employee has so far generated 25% of the value of future retirement benefits.

(b) Provision for litigations

The Company has been involved in the number of court cases both as plaintif and as defendant. The Management believes that the outcome of some of these court cases might have materially significant effect on the business results and financial position of the Company, so it has decided to make a provision in the total amount of RSD 13.020.

	2016	2015
Retirement benefit	5.816	4.652
Provision for litigations (Note 22)	13.020	-
Total	**18.836**	**4.652**

The amounts recognized in the Income Statement:

	2016	2015
Net actuarial gains/(losses) recognized during the year	(760)	(112)
Total (Note 23)	**(760)**	**(112)**

(all the amounts are stated in 000 RSD, unsless stated otherwise)

16. Short-term financial liabilities

Short-term financial liabilities as at 31 December 2016 amounting to 2.457.446 (2015: RSD 2.853.346) relates to revolving credit facility obtained from Vojvodjanska bank for liquidity of the Company.

Interest rate as at 31 December 2016 is 1M BELIBOR+2,3% per annum.

The total amount is denominated in RSD.

	2016	**2015**
Short-term loans	2.457.446	2.853.346
	2.457.446	**2.853.346**

Bank	**31 decembar 2016**	**31 decembar 2015**
Vojvodjanska bank Beograd	1.147.867	1.072.762
Vojvodjanska bank Beograd	16.000	661.894
Vojvodjanska bank Beograd	1.293.579	76.585
Vojvodjanska bank Beograd	-	1.042.105
Total	**2.457.446**	**2.853.346**

Bank		**Limit**	**Used**	**Interest Rate**
Vojvodjanska bank Beograd	Ug.02-21161	1.200.000	1.147.867	1mBelibor+2,3%
Vojvodjanska bank Beograd	Ug.02-21162	1.157.894	16.000	1mBelibor+2,3%
Vojvodjanska bank Beograd	Ug.02-21163	1.300.000	1.293.579	1mBelibor+2,3%
Vojvodjanska bank Beograd	Ug.02-21164	1.042.105	-	1mBelibor+2,3%

(all the amounts are stated in 000 RSD, unsless stated otherwise)

17. Operating liabilities

	2016	2015
Customer prepayments, deposits and caution money	**49.177**	**19.399**
Other operating liabilities	8.032	3.676
Trade payables - domestic	2.355.225	2.343.154
Trade payables - foreign	62.982	12.474
Trade payables and operating liabilities	**2.426.239**	**2.359.304**
Total	**2.475.416**	**2.378.703**

Trade payables amounting to RSD 62.982 are denominated in foreign currency (EUR) at 31 December 2016.
Related party transactions are disclosed in Note 31.
Trade receivables - domestic are related to the purchase of fuel from the Company's major supplier.

18. Other current liabilities and accrued expenses

18.1 Other current liabilities

	2016	2015
Interest and fees	12.577	6.679
Other taxes	2.971	-
Deposit liabilities	1.296	1.297
Total	**16.844**	**7.976**

18.2 Liabilities for VAT and other public revenue and accrued expenses

	2016	2015
VAT	-	9.267
Other accrued expenses	122.865	107.778
Total	**122.865**	**117.045**

19. Operating income

	2016	2015
Sales	16.554.325	18.539.562
Rebates	(99.249)	(92.568)
Total	**16.455.076**	**18.446.994**

(all the amounts are stated in 000 RSD, unsless stated otherwise)

20. Other operating income

	2016	2015
Income from advertising and marketing activities	70.901	64.113
Rental income	27.716	16.649
Income from consulting services	12.317	12.073
Other income	6.304	3.195
Total	**117.238**	**96.030**

21. Other income

	2016	2015
Income – Surplus of goods	83.612	113.044
Other income	1.384	2.733
Ukupno	**84.996**	**115.777**
Total	**115,777**	**154,377**

22. Operating expenses

	2016	2015
Cost of goods sold	14.320.277	16.049.103
Own consumption	(2.301)	-
Cost of material	30.999	30.419
Fuel and energy	111.520	109.652
Wages and salaries and other personal expenses (Note 24)	174.300	163.435
Depreciation (Notes 5, 6)	214.802	217.118
Cost of production services (Note 25)	492.939	475.435
Provision costs (Note 15)	13.424	470
Other operating expenses (Note 25)	574.601	577.693
Total	**15.930.561**	**17.623.325**

Costs of fuel and energy comprise:

	2016	2015
Electricity	101.701	101.321
Fuel	5.197	4.244
Heating	4.622	4.087
Total	**111.520**	**109.652**

24. Wages and salaries and other personal expenses

	2016	2015
Costs of salaries and fringe benefits (gross)	111.948	119.754
Taxes and contributions on wages and salaries paid by employer	16.793	16.115
Fees paid to management board members	1.782	1.026
Cost of special service and temporary service agreements	16.206	16.216
Other personal fees and expenses	27.571	10.324
Total	**174.300**	**163.435**

(all the amounts are stated in 000 RSD, unsless stated otherwise)

25. Cost of production services

	2016	2015
Cost of communication network	3.063	4.744
Cost of postal services	1.467	2.006
Telephone charges	5.819	8.550
Security charges	19.336	20.254
Cost of repairs and maintenance	133.592	110.621
Rental costs	85.232	73.911
Utilities	22.972	21.248
Advertising and marketing costs	213.961	226.677
Internet charges	674	812
Costs of other services	1.025	1.255
Cost of services sales process	5.798	5.357
Total	**492.939**	**475.435**

Other operating expenses

	2016	2015
Non-production services	411.906	403.190
Cost of audit services	4.222	4.377
Cost of legal services	5.461	13.755
Taxes and a fee for displaying company signboard	27.409	28.437
Fees and charges for roads	18.021	13.602
Consulting services	26.325	15.676
Entertainment	5.302	4.335
Payment operations	62.301	75.148
Employees training expenses	1.348	531
Costs of other services	5.620	7.003
Insurance premium	1.160	2.158
Health Service costs	1.100	5.114
Membership fees	1.498	1.893
Court and administration fees	2.928	2.474
Total	**574.601**	**577.693**

26. Financial income

	2016	2015
Interest income	588	8.538
Foreign exchange gains	339	549
Total	**927**	**9.087**

27. Financial expenses

	2016	2015
Interest expense	171.782	321.648
Foreign exchange losses	568	726
Other financial expenses	13.635	69
Total	**185.985**	**322.443**

(all the amounts are stated in 000 RSD, unsless stated otherwise)

28. Other expenses

	2016	2015
Shortages	79.889	87.466
Write-offs	1.077	2.747
Allowance for impairment (Note 10)	1.363	264
Direct write-off of receivables	-	80
Loss arising from a write-off of assets	775	882
Total	**83.104**	**91.439**

29. Income tax

	2016	2015
Profit/(loss) before tax	458.587	630.681
Income tax calculated at a statutory tax rate of 15%	68.788	94.602
Expenses not deductible for tax purposes	-	-
Tax losses for which no deferred income tax assets was recognised	68.788	94.602
Tax charge	-	-

In 2016, the Company's profit amounted to RSD 458.587. A prior period loss was used to cover current profit therefore, the Company's taxable profit is zero. The Company's prior years' tax losses, which may be used in the future, amount to RSD 2.969.117.

Contingent liabilities

(a) *Transfer pricing*

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

As the Company has significant transactions with related parties, in the moment of preparation of the financial statements for the year ended 31 December 2016 the Company is in the process of preparing the study of transfer pricing. Based on the previous year result the Company believes that potential annual tax return correction arising as a result of transactions with related parties will not have materially significant effects on the financial statements.

(b) *Insurance policies*

The Company has property insurance against all risks concluded with Generali Insurance.

(c) *Environmental issues*

Environmental regulations in the Republic of Serbia are being developed, therefore by 31 December 2016, the Company did not record liabilities for any projected costs, including fees for legal and consulting services, site investigation, design and implementation of corrective measures relating to environmental issues. Management believes that environmental costs are not material.

(d) *Litigations*

During the year, the Company has been involved in a number of lawsuits (as both the defendant and the plaintiff) arising in the ordinary course of business. Management believes that there are no current legal proceedings or outstanding claims that could have a material effect on the result of operations and the financial position of the Company.

(e) *Bank and other guarantees*

(all the amounts are stated in 000 RSD, unsless stated otherwise)

The Company has contingent liabilities for bank and other guarantees as well for other issues arising from the ordinary course of business. Significant liabilities are not expected to arise from contingent liabilities. In its ordinary course of business, the Company issued guarantees amounting to RSD 24.586 (Note 13).

30. Commitments

The Company leases ten petrol stations under non-cancellable operating lease agreements. The lease agreements have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016	**2015**
Less than 1 year	64.206	46.668
1 to 5 years	150.921	68.334
Over 5 years	186.099	96.176
	401.226	**211.178**

31. Related party transactions

The Company' majority owner is HELLENIC PETROLRUM SERBIA (HOLDINGS) registered in Cyprus, with a 100% share in the Company. The Company's ultimate controlling party is Hellenic – Petroleum (registered in Greece).

The Company had the following related party transactions:

a) *Purchase of goods and services*

Purchase of goods and services	**2016**	**2015**
- EKO A.B.E.E.	35.937	60.813
- EKO BULGARIA	1.312	-
- HELLENIC-PETROLEUM	76.689	
- JUGOPETROL	2.906	
- ELPE CONSULTING	4.935	3.649
Total	**121.779**	**64.462**

b) *Sale of goods and services*

Sale of goods and services	**2016**	**2015**
- OKTA	7.728	8.027
- HELLENIC-PETROLEUM	3.523	-
- EKO A.B.E.E.	4.103	
Total	**15.354**	**8.027**

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

Payables to related parties	**2016**	**2015**
- ELPE PETRALIA	1.235	
- EKO A.B.E.E.	15.936	12.072
Total	**17.171**	**12.072**

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

(all the amounts are stated in 000 RSD, unsless stated otherwise)

31 Related party transactions (continued)

d) *Year end balance arising from purchases of goods/services*

Receivable from related parties	**2016**	**2015**
HELLENIC-PETROLEUM	3.523	
EKO A.B.E.E.	4.103	
EKO BULGARIA	55	55
Ukupno	**7.681**	**55**

e) Key management personnel compensation

Key management personnel compensation in 2016 amounted to RSD 29.822 (RSD 26.989 in 2015).

f) Payments made to members the Supervisory Boards

	2016	**2015**
Payments made to members of the Supervisory Boards	1.782	1.026
	1.782	**1.026**

Events after the balance sheet date

There were no events after the balance sheet date that could significantly impact the Company's financial statements for the year ended 31 December 2016. After the balance sheet date two court orders were received by which the Company has to pay RSD 13.040 that were already provided for.

Chief Accounting Officer ***Director***

Milka Vrtikapa Vuk Radović