MIRKAT DOOEL - Skopje

Financial Statements
Year ended
December 31, 2009
and Independent Auditors' Report

Draft – for discussion purposes only

This is an English translation of the original Report issued in the Macedonian language

CONTENTS:

INDEPENDENT AUDITOR'S REPORT

To the Management and Stakeholder of
MIRKAT DOOEL - Skopje

We have audited the accompanying financial statements of MIRKAT DOOEL - Skopje (hereinafter referred to as "the Company"), which comprise the balance sheet as of December 31, 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards applicable in 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 the Audit Law of the Republic of Macedonia and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company'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.

(Continued)

This is an English translation of the original Report issued in Macedonian language

INDEPENDENT AUDITOR'S REPORT

To the Management and Stakeholder of
MIRKAT DOOEL - Skopje (Continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2009, and its financial performance and cash flows for the year then ended in accordance with accounting regulations of the Republic of Macedonia.

Emphasis of Matter

Without qualifying our opinion we draw attention that the Company incurred net loss of Denar 10,014 thousand for the year ended December 31, 2009 and has accumulated losses in amount of Denar 29,516 thousand as of December 31, 2009, then had a decrease in revenues of 32% in 2009 compared to sales in 2008, and has net cash flow decrease in amount of Denar 5,258 thousand for the year than ended. These factors indicate the existence of material uncertainty which may cast doubts about the Company's ability to continue as a going concern.

Deloitte DOO, Skopje

Lidija Nanus
Certified Auditor
Director

Aleksandar Arizanov
Certified Auditor

Skopje,
March 1, 2010

INCOME STATEMENT
Year Ended December 31, 2009
(In Thousands of Denars)

	Note	Year ended December 31, 2009	2008
Revenue	3	65,864	95,348
Other income	4	2,360	6,159
		68,224	101,507
Cost of goods sold		(54,992)	(82,269)
Depreciation and amortization expense		(3,818)	(3,482)
Employee benefits expense	5	(4,315)	(4,180)
Carrying value of fixed assets sold		(2,718)	(5,274)
Other expenses	6	(12,775)	(14,918)
Total operating expenses		(78,618)	(110,123)
Loss from operations		(10,394)	(8,616)
Net finance income/(expenses)	7	390	(113)
Loss before tax		(10,004)	(8,729)
Income tax	8	(10)	-
Net loss		(10,014)	(8,729)

The accompanying notes on the following pages
are an integral part of these financial statements.

BALANCE SHEET
As of December 31, 2009
(In Thousands of Denars)

	Note	December 31, 2009	December 31, 2008
ASSETS			
Non-current assets			
Equipment	9	8,980	11,995
Intangible assets	10	2,675	3,693
		11,655	15,688
Current assets			
Inventories	11	18,060	22,376
Trade and other receivables	12	10,938	18,613
Cash and cash equivalents	13	10,143	15,401
		39,141	56,390
TOTAL ASSETS		50,796	72,078
EQUITY AND LIABILITIES			
Capital and reserves			
Paid-in capital	14	40,066	40,066
Accumulated losses		(29,516)	(19,502)
		10,550	20,564
Current liabilities			
Trade and other payables	15	40,246	51,514
TOTAL EQUITY AND LIABILITIES		50,796	72,078

The accompanying notes on the following pages
are an integral part of these financial statements.

These financial statements were adopted and approved by the Company's management on February 26, 2010.

Approved by,

Simon Stankovski
Director

STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2009
(In Thousands of Denars)

	Paid-in Capital	Accumulated Losses	Total
As of December 31, 2008	40,066	(19,502)	20,564
Net loss for the year	-	(10,014)	(10,014)
As of December 31, 2009	40,066	(29,516)	10,550

The accompanying notes on the following pages
are an integral part of these financial statements.

CASH FLOWS STATEMENT
Year Ended December 31, 2009
(In Thousands of Denars)

	Note	Year Ended December 31, 2009	2008
Cash flow from operating activities			
Net loss before income tax		(10,004)	(8,729)
Adjustments for:			
Depreciation		2,799	2,463
Amortization		1,018	1,019
Gain on sale of vehicle		(245)	(855)
Interest income		(447)	(190)
Operating loss before working capital changes		(6,879)	(6,292)
Decrease/(increase) in inventories		4,316	(4,149)
Decrease/(increase) in trade and other receivables		7,675	(12,100)
(Decrease)/increase in trade and other payables		(11,268)	21,309
Net cash flows used in operating activities		(6,156)	(1,232)
Cash flows from investing activities			
Purchase of equipment		(2,503)	(8,528)
Proceeds from sale of vehicle		2,954	6,253
Interest income received		447	190
Net cash flows used in investing activities		898	(2,085)
Net decrease in cash and cash equivalents		(5,258)	(3,317)
Cash and cash equivalents at the beginning of the year	13	15,401	18,718
Cash and cash equivalents at end of the year	13	10,143	15,401

The accompanying notes on the following pages
are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

1. GENERAL INFORMATION

MIRKAT DOOEL - Skopje (hereinafter referred to as “the Company”) is a limited liability company incorporated in Republic of Macedonia. The address of its registered office and principal place of business is Skupi 1, 1000 Skopje.

The principal activities of the Company are sale of motor vehicles and provision of after-sales support relating to repairing and maintenance services.

The Company is controlled by Sfakianakis - Athens, Greece which has a 100% shareholding in the Company and represents the ultimate parent Company.

As of December 31, 2009 the Company has 7 employees (2008: 5 employees).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The Company maintains its accounting records and prepares its legal financial statements in accordance with the Article 469, paragraph 3 of the Trade Company Law (“Official Gazette of the Republic of Macedonia” no. 28/2004 and 84/2005) and the Rulebook for chart of accounts ("Official Gazette of RM" no.94/04, 11/2005 and 116/05). Following this Rulebook, the accounting standards applied in the Republic of Macedonia are the International Accounting Standards (IAS) as of 2003 published by the International Accounting Standards Board. Addition to the Rulebook relates to the adoption of the International Financial Reporting Standard (IFRS) 1, published on February 10, 2005, as well as IFRS 2, 3, 4, 5, 6, and 7, published on December 29, 2005.

The accompanying financial statements are presented in the format prescribed by the Ministry of Finance (“Official Gazette” 113/06), which in some respects differs from the presentation of certain balances as required under International Accounting Standards (IAS) 1 - Presentation of Financial Statements. Certain reclassifications have been made to present the accompanying financial statements in the format prescribed by that standard.

Beginning from December 29, 2009, a new Rule of accounting is set into force (“Official Gazette” 159/2009) where the changes of IAS as well as the new IFRS, and the interpretation issued by IASB by January 1, 2009 are published. This rule of accounting is applicable from January 1, 2010 consequently cannot be applied in the preparation of the financial statements of the Company for 2009.

Management is responsible for analyzing the standards and interpretations that will be applicable stating from January 1, 2010 and after deciding which standards and interpretations are relevant for the Company intense to apply them in the preparation of the financial statements for the period starting from January 1, 2010.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of Preparation (Continued)

In connection with the above mentioned, taking into consideration the potential effects of material misstatements from the difference between the previous accounting standards which were in force in Republic of Macedonia as of December 31,2009 and IFRS/IAS, that may have an effect on the validity and objectivity of the financial statements of the Company, the accompanying financial statements cannot be treated as financial statements prepared in accordance with IFRS and IAS.

In the preparation of these financial statements, the Company has adhered to the accounting policies described below, which are in conformity with the accounting and tax regulations prevailing in the Republic of Macedonia.

Functional currency of the Company is the Macedonian denar ("Denar").

The financial statements have been prepared on a historical cost basis and all amounts are presented in thousands of Denars, unless otherwise stated.

2.2 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of vehicles is recognized when all of the following conditions are satisfied:

- the Company has transferred to the buyer the significant risk and rewards of ownership of the vehicle;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of the revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from services is recognized when services are rendered to the customers.

2.3 Leasing

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign Currency Translation

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Foreign exchange differences arising on translation are recognized in profit or loss.

2.5 Taxation

Current Tax

Income tax payable is calculated and paid pursuant to the provisions of Income Tax Law. The payment of monthly income tax liability is made in advance as determined by the tax authorities. The final income tax is calculated at rate of 10% based on the profit as determined from the income statement adjusted for certain not tax deductible expenses in accordance with local regulations.

In accordance with the changes in income tax regulations effective in the fiscal year 2009, income earned is exempted from taxation if it is not used for dividend payment or other pecuniary and non-pecuniary profit allocations taxable upon their payment. This change has no effect on the allocation of retained earnings dating from the previous year – 2008 or earlier. The 10% rate is applied only to expenses which are not recognized for tax purposes.

Deferred Tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and it is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Value Added Tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the assets or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables and payables in the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Equipment

Equipment is carried at cost, less accumulated depreciation and any accumulated impairment loss.

Expenditure incurred to replace a component of an item of equipment is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of equipment. All other expenditure is recognized in the income statement as an expense as incurred.

Depreciation is charged at prescribed local rates so as to write off the cost of assets over their estimated useful lives, using the straight-line method.

The annual depreciation rates applied are the following:

Specialized service equipment	10%
Vehicles	25%
Computers	25%
Furniture and fixtures	20-25%

2.7 Intangible Assets

Intangible assets include leasehold improvements and are stated at cost less accumulated amortization and accumulated impairment losses.

The leasehold improvements are amortized on a straight-line basis over the relevant contract period, which is five years.

2.8 Impairment of Tangible and Intangible Assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

2.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs are assigned to inventories by the method most appropriate to the particular class of inventory bringing them to their existing location and condition, with the majority being valued on a weighted average cost basis, except vehicles which costs is assigned by using specific identification of their individual costs. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Retirement Benefit Costs

Health, pension and social insurance contributions from gross wages and salaries are being paid by the Company during the year to the national organizations at the statutory rates. Such contributions represent defined contribution benefit plans and are recognized as an expense when employees have rendered services entitling them to the contributions. There is no additional liability to these plans.

In accordance with the statutory requirements, the Company is obliged to pay to its employees a termination pay upon retirement equal to two monthly average salaries. The Company has not provided for the employees' accrued entitlement to severance pay on retirement as it is considered that the amount that eventually would be included for post-retirement benefits obligations as of December 2009 would be not material. Any such expenses will be accounted for on a cash basis.

Provisions for restoring the leased locations to their original condition

The Company's business premises are set up on leased property. When concluding leased contracts, the Company undertook the obligation to restore the property to its original condition upon expiration of the contract and withdrawal from the location. The Company does not recognize the cost of restoration of the location to its original condition as a component of the cost of leasehold improvements as determined through discounting to present value and related amortization, as it is considered that the provision required would not have material effect on the financial statements.

2.11 Trade and Other Receivables

Trade receivables are recognized at original invoiced amount less an allowance for uncollectible amounts. A provision is made when there is objective evidence that Company will not be able to collect the debts. The provision is calculated as the difference between the carrying amount of the doubtful trade receivables and their recoverable amount. As a general rule, trade receivables over three months are not considered doubtful.

2.12 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Trade and Other Payables

Trade and other payables are stated at fair value on initial recognition and subsequently measured at amortized cost.

2.14 Financial Instruments and Risk Management

Financial assets and liabilities carried on the balance sheet include trade and other receivables, trade and other payables and cash and cash equivalents.

Financial instruments are initially measured at cost, when the Company becomes party to the contractual arrangements. The subsequent measurement of financial instruments is dealt with in the individual policy statements associated with the relevant item.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the related contractual arrangement. Gains and losses relating to financial instruments classified as assets or liabilities are reported as income or expense, respectively. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

The Company's risk management approach is focused on unpredictability of the financial market and seeks to minimize potential adverse effects. Risk management is carried out under the policies approved by the Sfakianakis Group.

3. REVENUE

	In Thousands of Denars Year Ended December 31, 2009	2008
Revenue from sale of vehicles on domestic market	59,925	90,767
Revenue from sale of services (maintenance and repairs)	5,939	4,300
Revenue from sale of other services (re-export of vehicles)	-	281
	65,864	95,348

4. OTHER REVENUE

	In Thousands of Denars Year Ended December 31, 2009	2008
Fixed assets sold	2,260	6,129
Other revenues	100	30
	2,360	6,159

5. EMPLOYEES BENEFITS EXPENSE

	In Thousands of Denars Year Ended December 31, 2009	2008
Wages and salaries	3,044	2,372
Social security contributions	1,271	1,472
Food allowance	-	173
Travel allowance	-	86
Other allowance	-	77
	4,315	4,180

6. OTHER EXPENSES

	In Thousands of Denars Year Ended December 31, 2009	2008
Advertising and promotion	5,278	5,967
Rent	2,870	2,954
Consulting and other intellectual services	1,058	1,522
Maintenance	1,057	1,151
Write-off of small inventories	29	165
Transportation and communication cost	430	465
Insurance	396	688
Court and administrative taxes	27	66
Other taxes	233	233
Utilities	35	324
Bank charges	236	229
Other	1,126	1,154
	12,775	14,918

The expenses for rent refer to rented business premises according to agreement from August 21, 2006. The monthly expense for rent amounts 4,200 EUR. The agreement covers the period from September 1, 2006 to August 31, 2012. There is an option to increase the monthly rent expense for 3% in case of extension of the agreement.

7. NET FINANCE INCOME/(EXPENSE)

	In Thousands of Denars Year Ended December 31, 2009	2008
Interest income	447	190
Exchange gains	196	98
Exchange losses	(253)	(401)
	390	(113)

8. INCOME TAX

The reconciliation of income tax accrued on profit before tax for the year ended as of December 31, 2009 was as follows:

	In Thousands of Denars Year Ended December 31, 2009	2008
Loss before tax	(10,004)	(8,729)
At statutory income tax rate of 10%	-	(873)
Tax on expenses not allowed for tax purposes	10	24
Unrecognized tax losses	-	849
Income tax	10	-

In accordance with the changes in income tax regulations effective in the fiscal year 2009, income earned is exempted from taxation. The 10% rate is applied only to expenses which are not recognized for tax purposes.

According to income tax regulation, income tax losses may be carried forward to be set off against taxable profits of the next three years following the year in which tax loss was incurred. No provision for deferred tax asset has been accounted for in these financial statements, since the Company cannot, at this stage, determine with any reasonable accuracy to what extent, if any, the above tax asset will be utilized in the future.

9. EQUIPMENT

	In Thousands of Denars		
	Vehicles	Other Equipment	Total
Cost			
Balance as of January 1, 2009	6,902	7,460	14,362
Additions	2,470	33	2,503
Disposals	(3,134)	-	(3,134)
Balance as of December 31, 2009	6,238	7,493	13,731
Accumulated depreciation			
Balance as of January 1, 2009	485	1,882	2,367
Additions	(416)	-	(416)
Charge for the year	1,656	1,144	2,800
Balance as of December 31, 2009	1,725	3,026	4,751
Carrying amount			
As of December 31, 2008	6,417	5,578	11,995
As of December 31, 2009	4,513	4,467	8,980

10. INTANGIBLE ASSETS

	Leasehold improvements
Cost	
Balance as of January 1, 2009	5,094
Additions	-
Balance as of December 31, 2009	5,094
Accumulated amortization	
Balance as of January 1, 2009	1,401
Charge for the year	1,018
Balance as of December 31, 2009	2,419
Carrying amount	
As of December 31, 2008	3,693
As of December 31, 2009	2,675

11. INVENTORIES

	In Thousands of Denars	
		December 31,
	2009	2008
Vehicles at own warehouse	14,298	12,193
Vehicles at Custom warehouse	-	6,939
Spare parts	3,762	3,244
Small inventory	642	613
Provision for small inventory	(642)	(613)
	18,060	22,376

12. TRADE AND OTHER RECEIVABLES

	In Thousands of Denars	
		December 31,
	2009	2008
Trade debtors	4,305	8,030
VAT receivable	10	-
Deposit in bank	6,000	10,583
Advances to suppliers	602	-
Prepaid expenses	21	-
	10,938	18,613

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

13. CASH AND CASH EQUIVALENTS

	In Thousands of Denars	December 31,
	2009	**2008**
Cash at banks - Denars	8,656	15,365
Cash at banks - Foreign currency	1,445	14
Cash at hand	37	20
Other cash equivalents	5	2
	10,143	15,401

14. PAID-IN CAPITAL

	In Thousands of Denars	December 31,
	2009	**2008**
Authorized, issued and fully paid	40,066	40,066

Sfakianakis, Athens - Greece holds 100% ownership of the Company.

15. TRADE AND OTHER PAYABLES

	In Thousands of Denars	December 31,
	2009	**2008**
Trade creditors	1,549	4,786
Payables to related party (Note 16)	37,817	45,980
Advances received	112	259
VAT	768	489
	40,246	51,514

16. RELATED PARTY DISCLOSURE

	Year	**Purchases**	**Sales**	**Amounts owed to**	**Amounts owed from**
Sfakianakis - Athens, Greece	2008	80,358	-	45,980	-
	2009	54,992	-	37,817	-

Sfakianakis, Athens - Greece holds 100% ownership of the Company.

The Company enters into these transactions with the above related party in the normal course of business and at mutually agreed terms.

17. FINANCIAL INSTUMENTS

Fair Values

Set out below is a comparison by category of carrying amounts and fair values of the Company's financial instruments that are carried in the financial statements

	Carrying amount In Thousands of Denars		Fair value In Thousands of Denars	
	2009	2008	2009	2008
Financial assets				
Cash and cash equivalents	10,143	15,401	10,143	15,401
Trade and other receivables	10,938	18,613	10,938	18,613
Financial liabilities				
Trade and other payables	40,246	51,514	40,246	51,514

Interest Rate Risk

The Company's financial instruments are non-interest bearing and therefore not subject to interest rate risk.

Foreign Currency Risk

The Company is exposed to foreign exchange risk arising from local currency exposure to foreign currencies. To reduce this exposure the Company maintains sufficient cash on foreign currency bank account to meet its current trade payables in foreign currency.

The Company undertakes certain transactions denominated in foreign currency. Exchange rate exposures are measured within approved policy parameters. The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities In Thousands of Denars		Assets In Thousands of Denars	
	2009	2008	2009	2008
Cash at bank in foreign currency	-	-	1,445	14
Trade payables in foreign currency	37,817	45,980	-	-

17. FINANCIAL INSTUMENTS (Continued)

Foreign Currency Risk (Continued)

The following table details the Company's sensitivity analysis to a 10% increase and decrease in the Currency Unit ("CU") against the relevant foreign currency. 10% us the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and equity where the CU strengthens 10% against the relevant currency. For a 10% weakening of the CU against the relevant currency, there would be an equal and opposite impact on the profit and equity.

	Increase of 10% in CU In Thousands of Denars		Decrease of 10% in CU In Thousands of Denars	
	2009	2008	2009	2008
Cash at bank in foreign currency	145	1	(145)	(1)
Trade payables in foreign currency	(3,782)	(4,598)	3,782	4,598
Profit and loss and equity	(3,637)	(4,597)	3,637	4,597

The Company's sensitivity to foreign currency has increased during the current period mainly due to increase of purchases which has resulted in an increase of payables to related party denominated in Euro.

Credit Risk

The Company has no significant concentrations of credit risk. The Company has policies in place to ensure that sales are made to customers with an appropriate credit history.

Liquidity Risk

Ultimate responsibility for liquidity risk management rest with the board of directors at the ultimate parent level, which built liquidity risk management framework for the management of the Company's short and medium funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves to pay third party creditors. At any time, the Company can draw additional facilities from its Parent Company to reduce further liquidity risk.

Majority of the maturity for its trade and other payables lies within 1-3 months.

17. FINANCIAL INSTUMENTS (Continued)

Taxation Risk

Macedonian tax legislation is subject to varying interpretations and changes occur frequently. The interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Company may not coincide with that of the management. As a result, transactions may be challenged by tax authorities and the Company may be assessed with additional taxes, penalties and interest, which can be significant. The periods remain open to review by the tax and customs authorities with respect to tax liabilities for ten years. The Company's management is not aware of any circumstances that may give rise to a potential material liability in this respect.

18. POST BALANCE SHEET EVENTS

As previously mentioned in Note 2, as of December 29, 2009, a new Rule for accounting is set into force (“Official Gazette” 159/2009) where the changes of IAS as well as the new IFRS, and the interpretation issued by IASB by January 1, 2009 are published. This rule of accounting is applicable from January 1, 2010 consequently, which enable conditions and oblige application of IFRS and IAS

19. GLOBAL MARKET CRISIS

The Company has been impacted by the recent financial crisis and deteriorating economic conditions. Due to the current global crisis in the market and its effects on the local market in Macedonia, the Company will probably operate in more difficult and uncertain economic environment in 2010, and possibly beyond. The impact of this crisis on the Company’s business operations is currently not possible fully to predict, and therefore there is an element of general uncertainty.

So far, the ongoing financial crisis has had a limited impact on the financial position and performance of the Company, mainly due to the decreased demand on the market for purchase of new vehicles. The Company monitors closely the credit and liquidity risks on a regular basis.

The deteriorating of the economic situation in the country will probably impact the position of this industry and the abilities of some clients to meet their obligations.

This may consequently influence the amount of the Company’s calculation of provisions in 2010 and other areas that require estimates to be made by management. The financial statements for the year 2009 contain significant estimates with respect to provisions. Actual results may differ from these estimates. The key priorities of the Company in 2010 will be to find a way to increase the sale, adopted to the changed economic environment and maintaining the Company’s position on the market.

19. EXCHANGE RATES

Official exchange rates as of December 31, 2009 and 2008 for 1 foreign currency unit in the table below were as follows:

		In Denars **December 31,**
	2009	**2008**
USD	42.6651	43.5610
EUR	61.1732	61.4123