JUGOPETROL AD KOTOR

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

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

Content | **Page**

Content	Page
Independent Auditor's Report	
Consolidated Balance Sheet	
Consolidated Income Statement	
Consolidated Cash Flow Statement	
Consolidated Statement of Changes in Equity	
Consolidated Statistical Annex	
Notes to the Consolidated Financial Statements	4-38

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Jugopetrol a.d. Kotor

We have audited the accompanying consolidated financial statements of Jugopetrol a.d. Kotor and its subsidiary Jugopetrol d.o.o. Trebinje (the "Group") which comprise the consolidated balance sheet as of 31 December 2011 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies, other explanatory notes and the consolidated statistical annex.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the requirements of the Law on accounting and auditing of the Republic of Montenegro and Note 2 to these financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with the requirements of the Law on accounting and auditing of the Republic of Montenegro and Note 2 to these consolidated financial statements.

PricewaterhouseCoopers d.o.o., Poslovni centar Kruševac, Rimski Trg 50, 20000 Podgorica, Crna Gora
T: +382 20 234 352, F:+382 20 234 324, www.pwc.rs

This version of our report/ the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Emphasis of matter

We draw the attention to:

a) Note 2 to consolidated financial statements which describes the fact that the consolidated financial statements do not comply with all of the requirements of International Financial Reporting Standards. Accordingly, the consolidated financial statements are not intended to present the financial position and results of operations and cash flows of the Company in accordance with accounting principles generally accepted in jurisdictions outside the Republic of Montenegro.

b) Note 33 to the consolidated financial statements, which discloses the fact that the Company is defendant in a number of court proceedings. The ultimate outcome of these and other cases cannot presently be determined, and, other than as described in that note, no provision for any liability that may result has been recorded in these consolidated financial statements.

Our audit opinion is not modified with respect of the above matters.

PricewaterhouseCoopers d.o.o. Podgorica

PricewaterhouseCoopers d.o.o., Podgorica

Podgorica, 10 May 2012

This version of our report/ the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

ID number:02013258	Business code: 4671

Name of company: Jugopetrol AD Headquarter: Kotor, Trg Mata Perovica

BALANCE SHEET / CONSOLIDATED

As at 31.12.2011

Group of account	ITEM	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
00 (part)	**Assets**				
	A. UNPAID SUBSCRIBED EQUITY	001			
	B. NON CURRENT ASSETS (002+003+004+005+009)	002		**53,484,073**	**53,379,248**
012	I. GOODWILL	003			
01 except '012	II. INTANGIBLE ASSETS	004		5,247,122	5,270,366
	III. PROPERTY, PLANT & EQUIPMENT and BIOLOGICAL ASSETS (006+007+008)	005		44,958,164	45,605,007
020, 022, 023, 026, 027 (part), 028 (part), 029	1. Property, plant &equipment	006		44,820,285	45,449,047
024, 027 (part), 028 (part)	2. Investment property	007		137,879	155,960
021, 025, 027 (part), 028 (part)	3. Biological assets	008			
	IV. LONG TERM FINANCIAL INVESTMENTS (010+011)	009		3,278,787	2,503,875
030 ,031 (part),to 032 (part), 039 (part)	1. Investments in equity	010		1,300,969	1,240,800
031 (part), 032 (part)	2. Investment in affiliated companies using equity method	011			
032 (part), 033 to 038, 039 (part)	3. Other long term investments	012		1,977,818	1,263,075

This version of our report/ the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

288	C. DEFERRED TAX ASSETS	013		57,095	66,485
04	D. NON-CURRENT ASSETS HELD FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS	014			
	E. CURRENT ASSETS (013+014+015+021016+017)	015		**50,776,404**	**52,626,439**
10-13,15	I. INVENTORIES	016		23,800,163	15,548,331
	II. SHORT TERM RECEIVABLES, INVESTMENTS AND CASH AND CASH EQUIVALENTS (018 to 022)	017		26,976,241	37,078,108
20, 21, 22, except 223	1. Receivables	018		20,032,746	16,193,645
223	2. Overpaid tax receivables	019			
23 minus 237	3. Short term financial investments	020		216,089	120,628
24	4. Cash and cash equivalents	021		6,703,117	20,724,648
27 and 28 except 288	5. Value added tax and accruals	022		24,289	39,187
	F. TOTAL ASSETS (001+002+013+014+015)	023		**104,317,572**	**106,072,171**
	LIABILITIES				
	A. EQUITY *(from 102 to 109)*	101		**91,092,666**	**89,758,526**
30	I. SHARE CAPITAL	102		67,986,605	67,986,605
31	II. UNPAID SUBSCRIBED CAPITAL	103			
32	III. RESERVES	104		6,949,534	6,349,534
330,331,333	IV. POSITIVE REVALUATION RESERVE AND UNREALIZED GAINS FROM FINANCIAL ASSETS AVAILABLE FOR SALE	105		240,587	185,833
332 and 334	V. NEGATIVE REVALUATION RESERVE AND UNREALIZED LOSS FROM FINANCIAL ASSETS AVAILABLE FOR SALE	106			
34	VI. RETAINED EARNINGS	107		15,915,940	15,236,554
35	VII. LOSS	108			
237	VIII. REPURCHASE OF OWN SHARES AND SHARE EQUITY	109			
	B. LONG TERM PROVISIONS AND LIABILITIES (111+112)	110		**2,082,292**	**3,150,075**
40 (part)	I. LONG TERM PROVISIONS	111		2,082,291	3,150,075
41	II. LONG TERM LIABILITIES (113+114)	112		1	1
414, 415	1. Long term loans	113			
41 except 414 & 415	2. Other long term liabilities	114		1	1
498	**C. DEFERRED TAX LIABILITIES**	115		**23,794**	**18,379**
	D. SHORT TERM PROVISIONS AND LIABILITIES (117+124)	116		**11,118,819**	**13,145,191**
	I. Short term liabilities (118 to 123)	117		11,118,819	13,145,191
42 except 427	1. Short term financial liabilities	118			
427	2. Liabilities attributable to the assets held for sale and discontinued operations	119			
43 and 44	3. Trade payables	120		4,018,837	8,225,178

This version of our report/ the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

45,46 and 49, except 498	4. Other short term liabilities and accruals	121		583,987	194,222
47, 48 except 481	5. Liabilities for VAT and other public revenues	122		5,741,743	4,436,918
481	6. Income tax payable	123		774,252	288,872
40 (part)	II. SHORT TERM PROVISIONS	124			
	E. *TOTAL EQUITY AND LIABILITIES (101+110+115+116)*	125		**104,317,571**	**106,072,171**

This form is aligned with Article 3 of the Law on Accounting and Auditing (Official gazette nr. 80/08) and EU Directive IV.

In Kotor

Responsible person for the preparation of accounts

Legal representative

Date:

This version of our report/ the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

ID number:02013258	Business code: 4671

Name of company: Jugopetrol AD
Headquarter: Kotor, Trg Mata Perovica

INCOME STATEMENT / CONSOLIDATED

As at 31.12.2011

Code of accounts	ITEM	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	I. OPERATING INCOME (202 to 206)	201		195,197,304	162,424,131
60 and 61	1. Revenues	202		194,824,732	162,236,788
62	2. Revenue from usage of finished goods and merchandise	203			
630	3. Inventories - Value increase	204			
631	4. Inventories - Value decrease	205			
64 and 65	5. Other operating revenue	206		372,572	187,343
	II. OPERATING EXPENSES (208 to 212)	207		187,296,199	152,728,940
50	1. Cost of goods sold	208		169,856,669	136,582,941
51	2. Cost of materials	209		1,372,929	1,446,419
52	3. Cost of salaries, fringe benefits and other personal expenses	210		5,772,693	5,129,095
54	4. Cost of depreciation and provisions	211		3,317,316	3,226,896
53 and 55	5. Other operating expenses	212		6,976,592	6,343,589
	A. OPERATING RESULT (201 – 207)	213		**7,901,105**	**9,695,191**
66	I. FINANCIAL INCOME	214		192,496	276,803
56	II. FINANCIAL EXPENSES	215		100,497	326,508
	B. FINANCIAL RESULT (214-215)	216		**91,999**	**(49,706)**
67,68,691 and 692	I. OTHER INCOME	217		1,251,853	704,582
57,58,591 and 592	II. OTHER EXPENSES	218		1,181,929	1,135,401
	C. RESULT FROM OTHER BUSINESS ACTIVITIES (217-218)	219		**69,924**	**(430,820)**
	D. NET RESULT FOR THE YEAR FROM CONTINUING OPERATIONS (213-214+215-216+217-218)	220		**8,063,028**	**9,214,666**

This version of our report/ the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

690-590	**E. NET RESULT ATTRIBUTABLE TO DISCONTINUED BUSINESS**	221			
	F. NET RESULT BEFORE TAX (219-220+221-222)	222		**8,063,028**	**9,214,666**
	G. Other comprehensive income attributable to equity	223		**54,753**	**(583,689)**
	1. Change of revaluation reserves from financial assets available for sale	224		54,753	(583,689)
	2. Change of revaluation reserves from PPE and intangible assets	225			
	3. Change of revaluation reserves from participation in equity	226			
	4. Change of revaluation reserves from actuarial gains (loss) in line with pensions	227			
	5. Change of revaluation reserves from cash flow hedging	228			
	H. INCOME TAX EXPENSE (230+231)	229		**783,642**	**866,914**
721	**1.** Income tax expense for the period	230		774,252	845,218
722	**2.** Deferred income expense for the period	231		9,390	21,696
		232			
	I. NET RESULT (222+223-229)	233		**7,334,139**	**7,764,063**
	J. EARNINGS PER SHARE	234		**1.56**	**1.79**
	1. Earnings per share	235			
	2. Diluted earnings per share	236			

This form is aligned with Article 3 of the Law on Accounting and Auditing (Official gazette nr. 80/08) and EU Directive IV.

In Kotor   Responsible person for the preparation of accounts   Legal representative

Date: ______________________   ______________________________

This version of our report/ the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

ID number:02013258	Business code: 4671

Name of company: Jugopetrol AD
Headquarter: Kotor, Trg Mata Perovica

CASH FLOW/CONSOLIDATED
As at 31.12.2011

ITEM	EDP	Amount	
		Current year	Previous year
1	2	3	4
A. CASH FLOWS FROM OPERATING ACTIVITIES Cash generated from operations			
1. Result before tax	301	8,063,028	9,214,666
2. Depreciation	302	3,317,316	3,226,896
3. Change in inventory value	303	(8,251,832)	(1,297,349)
4. Change in receivables	304	(3,839,153)	(2,168,670)
5. Change in payables to suppliers	305	(4,206,341)	(2,717,956)
6. Change in accruals	306	1,006,713	(3,184,724)
7. Paid interest	307	91,928	376,615
8. Income tax	308	(288,872)	-
9. Payment for other public contributions	309		
10. Changes in deferred tax and other not listed items which had effect on cash flow from operating activities	310		
Net cash flow from operating activities (1-10)	311	(4,107,161)	3,449,478
B. CASH FLOWS FROM INVESTMENT ACTIVITIES **I.** Proceeds from investing activities (1 to 5)	312	148,429	237,378
1. Sale of shares/stakes (net inflow)	313		
2. Proceeds from sale of intangible assets, PPE and biological assets	314	31,000	156,706
3. Other financial investments (net inflow)	315		
4. Interest received	316	117,429	80,672
5. Dividends received	317		
II. Cash outflows from investing activities (1 to 3)	318	3,217,269	4,061,276
1. Purchase of shares/stakes (net outflow)	319		
2. Purchase of intangible assets, property, plant and equipment and biological assets	320	3,217,269	4,061,276
3. Other financial investments (net outflow)	321		
III. Net proceeds from investment activities (I-II)	322	(3,068,839)	(3,823,898)

This version of our report/ the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

C. CASH FLOWS FROM FINANCING ACTIVITIES **I. Proceeds from financing activities (1to3)**	323	156,099	-
1. Increase of equity	324		
2. Proceeds from long term and short term loans (net inflow)	325	156,099	-
3. Other long term and short term liabilities	326		
II. Cash outflows from financing activities (1 to 4)	327	6,966,301	8,212,666
1. Purchase of treasury shares and stakes	328		
2. Long term, short term and other liabilities (net outflow)	329	966,301	212,666
3. Financial lease	330		
4. Dividends paid	331	6,000,000	8,000,000
III. Net outflow from financing activities (II-I)	332	(6,810,202)	(8,212,666)
D. **TOTAL OUTFLOW** (311+322+332)	333	(13,986,202)	(8,587,086)
E. CASH AT THE BEGINNING OF ACCOUNTING PERIOD	334	20,724,648	29,512,916
F. FOREIGN CURRENCY GAINS ON TRANSLATION OF CASH AND CASH EQUIVALENTS	335	-	-
G. FOREIGN CURRENCY LOSSES ON TRANSLATION OF CASH AND CASH EQUIVALENTS	336	35,328	201,182
H. CASH AT THE END OF ACCOUNTING PERIOD (333+334+335+336)	337	6,703,117	20,724,648

This form is aligned with Article 3 of the Law on Accounting and Auditing (Official gazette nr. 80/08) and EU Directive IV..

In Kotor Responsible person for the preparation of accounts Legal representative

Date: ______________________________ ______________________

This version of our report/ the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

ID number:02013258	Business code: 4671
Name of company: Jugopetrol AD	
Headquarter: Kotor, Trg Mata Perovica	

STATEMENT OF CHANGES IN EQUITY / CONSOLIDATED

As at 31.12.2011

Consolidated

DESCRIPTION	Nr	Share capital (Group 30 less 309)	Nr	Other capital (Acc. 309)	Nr	Unpaid subscribed capital (Group 31)	Nr	Share premium (Acc. 320)	Nr	Reserves (Acc. 321, 322)	Nr	Revaluation reserves (Acc. 33)	Nr	Retained earnings	Nr	Loss (Group 35)	Nr	Treasury shares and stakes (Acc. 237)	Nr	Total (column 2+3+4+5+6+7+8-9-10)
1		2		3		4		5		6		7		8		9		10		11
1. Balance as at 01.01.2010	**401**	67,986,605	410		419		428		437	6,184,258	446	769,523	455	15,054,078	464		473		482	89,994,464
2. Adjustments of material errors and changes in accounting policies in previous year	402		411		420		429		438		447		456		465		474		483	0
3. Adjusted opening balance as at 01.01.2010 (1+2)	403	67,986,605	412	0	421	0	430	0	439	6,184,258	448	769,523	457	15,054,078	466	0	475	0	484	89,994,464 0
4. Net changes in 2010	404		413		422		431		440	165,276	449	-583,690	458	182,476	467		476		485	-235,938
5. Balance as at 31.12.2010 (3+4)	405	67,986,605	414	0	423	0	432	0	441	6,349,534	450	185,834	459	15,236,554	468	0	477	0	486	89,758,527
2. Adjustments of material errors and changes in accounting policies in previous year	406		415		424		433		442		451		460		469		478		487	0
7. Adjusted opening balance as at 01.01.2011 (5+6)	407	67,986,605	416	0	425	0	434	0	443	6,349,534	452	185,834	461	15,236,554	470	0	479	0	488	89,758,526
8. Net changes in 2011	408		417		426		435		444	600,000	453	54,753	462	679,387	471		480		489	1,334,140
9. Balance as at 31.12.2011 (7+8)	409	67,986,605	418	0	427	0	436	0	445	6,949,534	454	240,587	463	15,915,941	472	0	461	0	490	91,092,666

This form is aligned with Article 3 of the Law on Accounting and Auditing (Official gazette nr. 80/08) and EU Directive IV.

In Kotor

Date:

Responsible person for the preparation of accounts

____

Legal representative

____

This version of our report/ the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

ID number:02013 258		Business code: 4671

Name of company: Jugopetrol AD

Headquarter: Kotor, Trg Mata Perovica

STATISTICAL ANNEX/CONSOLIDATED

As at 31.12.2011

Code of Account	DESCRIPTION	Amount	
		Current year	Previous year
1	2	5	6
	Average number of employees (total number of employees as at each month's end divided by the numer of months)	278	284
60	Sales of merchandise	194,127,964	161,994,490
61	Sales of products and services	696,768	242,298
62	Revenue from undertaking of outputs and goods for own purpose		
640	Revenues from subventions, grants, donations		
650	Revenues from land-rental fees	190,190	141,740
673	Sales of material		
501	Cost of sales	169,856,669	136,423,925
511	Cost of material	41,326	57,477
512	Cost of other material (overheads)	352,257	385,465
513	Cost of fuel and energy	979,345	1,003,476
520	Cost of salaries and fringe benefits (gross)	4,153,408	3,279,544
529	Other personal fees and expenses	157,935	226,197
53	Production services cost		
531 and 532	Transport and maintenance expenses	1,256,629	1,243,522
533	Rental cost	174,203	116,634
534 and 535	Fair and advertising cost	122,331	113,448
536	Research cost		
550 and 551	Non production and representation costs	884,539	815,265
552 and 553	Insurance and payment transaction costs	547,259	547,259
573	Losses from sales of material		
10	Stock of material	644,039	596,970
11	Work in progress		
12	Finished goods		
13	Merchandise	20,231,648	14,639,960

This version of our report/ the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

NR	Account	Ananlytical view of revenues and expenses of intangible assets	
		Revenue:	
1	652	Revenue on basis of patents	
2	652	Revenue on basis of copyrights	
3	652	Revenue on basis of licences	
		Expenses:	
		0103 Other expenses for development	
		0108 Impairment of investment in development	
		0109 Write off investment in development	
5	11	Concessions, patents, licenses and similar rights	
		0110 Concessions	
		0111 Patents	
		0112 Licenses	
		0113 Right to industrial design, brand, model, trademark, etc.	
		0114 Other similiar rights	
		0118 Impairment of concessions, patents, licenses and similar rights	
		0119 Write off concessions, patents, licenses and similar rights	
6	12	Goodwill	
		0120 Goodwill occured on basis of the acquired net assets	
		0121 Goodwill occured on basis of purchase of shares	
		0129 Write off goodwill	
7	14	Other intangibles investments	
		0140 Software	
		0141 Right of use of urban land	
		0142 Investments in leasing	
		0145 Other intangibles assets	7,586
		0148 Impairment of other intangible investments	30,830
		0149 Write off other intagible investments	
8	15	Intangible investments in progress	
		0150 Investments in development in progress	
		0151 Internal generated intangible investments in progess	
		0155 Other intangible investments in progress	
		0159 Write off intangible investments in progress	
9	16	Advances for intangible investments	
		0160 Advances for intangible investments in development	
		0161 Advances for other intangible investments	

This form is aligned with Article 3 of the Law on Accounting and Auditing (Official gazette nr. 80/08) and EU Directive IV.

In Kotor

Responsible person for the preparation of accounts

Legal representative

Date:

______________________________ ______________________________

This version of our report/ the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

JUGOPETROL AD KOTOR

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

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

CONTENTS

1	Corporate information	4
2	Summary of significant accounting policies	4
3	Financial risk management	17
4	Critical accounting estimates and assumptions	19
5	Operating segments	21
6	Intangible assets	22
7	Property, plant and equipment	23
8	Long-term financial investments	24
9	Other long-term financial assets	24
10	Financial instruments by category	25
11	Credit quality of financial assets	25
12	Inventories	26
13	Trade and other receivables	26
14	Cash and cash equivalents	26
15	VAT and accruals	27
16	Equity	27
17	Long term provisions	29
18	Trade payables	30
19	Other short terms liabilities and accruals	30
20	Liabilities for VAT and other public revenue	30
21	Revenues	31
22	Other operating revenue	31
23	Operating expenses	31
24	Other operating expenses	31
25	Financial income	32
26	Financial expenses	32
27	Other income	32
28	Other expenses	32
29	Costs of salaries, frine benefits and other personnel expenses	33
30	Income tax expenses	33
31	Earnings per share	35
32	Related party transactions	35
33	Commitments and contingencies	36
34	Events after the balance sheet date	38

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

GENERAL INFORMATION

Board of Directors
From 1 January 2011 to 31 December 2011

1. Petros Karalis – President of the Board
2. Vuk Rajkovic - member
3. Dragan Radusinovic - member
4. Stamatia Psyllaki - member
5. Alexandros Panourgias - member
6. Victor Papakonstantinou - member
7. Matthaios Matthaiou – member

Group headquarters
Mata Petrovića 2
85330 Kotor
Montenegro

Lawyer
Raičević Radovan
Mata Petrovića 2
85330 Kotor
Montenegro

Banks
Crnogorska Komercijalna Banka
Hipotekarna Banka A.D. Podgorica
NLB Montenegro Banka
Prva banka Crne Gore (Niksicka Banka)
Podgorička Banka (Societe General)

Audit Company
PricewaterhouseCoopers doo
Rimski trg 50
81000 Podgorica
Montenegro

1. Corporate information

Jugopetrol A.D. Kotor (hereinafter also referred to as “the Parent Company”) was established in 1947 as a state-owned company based on the decision of the Government of the Socialistic Federal Republic of Yugoslavia. The registered Company’s address is Trg Mata Petrovica number 2, Kotor. On 1 January 1996, following the Company’s ownership transformation, the Company was re-registered as a shareholding company under its present name. In October 2002, Hellenic Petroleum International S.A. acquired 54.4% of the Company’s share capital from the Government and certain government agencies of the Montenegro.

The Parent Company is presently the main supplier of oil products in the Montenegro. Its main activities include wholesale of oil products through the operation of storage facilities at Bar and two airport fueling stations at Tivat and Podgorica, as well as retail and distribution of oil products through the operation of thirty six petrol stations and three yachting petrol stations. The Company is also involved in the research and exploration of oil and natural gas through joint ventures with foreign partners.

Jugopetrol Trebinje d.o.o., Trebinje (hereinafter also referred to as “JPT”) was established in June 2003 as a wholly owned subsidiary of the Company. JPT’s headquarters are located in Trebinje, Bosnia and Herzegovina and its main activity is the trading of oil products. The Company as the sole shareholder of JPT, approved the capital increase of JPT up to EUR 4 million until 31 December 2004 as required for investments in Jugopetrol Trebinje. JPK has invested EUR 692,556 and EUR 2,800,000 during the years ended 31 December 2003 and 2004, respectively, bringing its total investment to EUR 3,492,556 as of 31 December 2004. JPT has acquired three petrol stations in Bosnia and Herzegovina for EUR 3,350,000 (PS Lukavica in December 2003; PS Mrkonjic Grad in April 2004 and PS Sokolac in June 2004).

As of 31 December 2011, Jugopetrol AD Kotor and Jugopetrol Trebinje d.o.o. (hereinafter also referred to as “the Group”) employed 275 employees (2010: 286 employees).

The Parent Company’s shares are traded on Montenegro stock market.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

These financial statements have been prepared in accordance with the Law on Accounting and Auditing of Montenegro (“Official Gazette of the Republic of Montenegro”, no 69/05 and “Official Gazette of Montenegro”, No. 80/08 and No. 32/11), which requires that financial statements are prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standars (IFRS) as pronounced by IASB and translated and published by the relevant body which is authorized for translation and publishing by International Federation of Accountants (IFAC). These financial statements have been prepared under the historical cost convention.

In accordance with the Law on Public Administration (“Official Gazette of Republic of Montenegro”, 38/03 and “Official Gazette of Montenegro”, 22/08), the Ministry of Finance of Montenegro has issued Decree on Delegating Tasks of the State administration in charge of accounting and auditing (“Official Gazette of Montenegro”, 33/10) transferring certain powers to the Institute of Certified Accountants of Montenegro as the holder of contracts Consortium,

2. Summary of significant accounting policies (continued)

together with the Faculty of Economics and Association of Accountants and Auditors Serbia, as a signatory of the same. Institute of Certified Accountants of Montenegro holds the right to adopt, translate and publish the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and International and International Standards on Auditing (ISAs) published by the IASB, in accordance with the Law on Accounting and Auditing of Montenegro.

The Company has prepared these financial statements in accordance with the Rules on the content and form of financial statements form issued by the Institute of Certified Accountants of Montenegro on the basis of Article 1 of Regulation amending the Regulation on the assignation of affairs of state administration in charge of accounting and auditing ("Official Gazette of Republic of Montenegro", 44/07 and "Official Gazette of Montenegro", 33/10).

Due to the difference between the statutory requirements, these financial statements differ from IFRS in the following respects:

- The financial statements are prepared in format which does not comply with IAS 1 (revised) – “Presentation of Financial Statements” requirements.

- Presentation of operating segments is prepared in format which does not comply with IFRS 8 – “Operating segments” requirements.

The preparation of financial statements requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.1 Changes in accounting policy and disclosures

(a) New and amended standards and interpretations mandatory for the financial year beginning 1 January 2011 but not currently relevant to the Group, nor translated into Montenegrin (although they may affect the accounting for future transactions and events) :

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

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

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

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

2. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted, nor translated into Montenegrin:

IFRS 9, Financial Instruments - I: Classification and Measurement. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

2. Summary of significant accounting policies (continued)

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 “Consolidated and separate financial statements” and SIC-12 “Consolidation - special purpose entities”. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Company is currently assessing the impact of the new standard on its financial statements.

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities—Non-Monetary Contributions by Ventures”. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Company is currently assessing the impact of the new standard on its financial statements.

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)**,** applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 “Investments in associates”. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in Company activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Company is currently assessing the impact of the new standard on its financial statements.

IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2015)**,** aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Company is currently assessing the impact of the standard on its financial statements.

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

2. Summary of significant accounting policies (continued)

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013)***,*** was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements. The Company is currently assessing the impact of the amended standard on its financial statements.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The Company is currently assessing the impact of the amended standard on its financial statements.

Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The Company is currently assessing the impact of the amended standard on disclosures in its financial statements.

Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012)***,*** changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two Companies, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Company expects the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances.

Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013)***,*** makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Company is currently assessing the impact of the amended standard on its financial statements.

Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

2. Summary of significant accounting policies (continued)

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Company is considering the implications of the amendment, the impact on the Company and the timing of its adoption by the Company.

Other revised standards and interpretations: The amendments to IFRS 1 "First-time adoption of IFRS", relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, the amendment to IAS 12 "Income taxes", which introduces a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, and IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine", which considers when and how to account for the benefits arising from the stripping activity in mining industry, will not have any impact on these financial statements.

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

2.3 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The financial statements are presented in EUR, which is the Group's functional and presentational 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. 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 recognized in the income statement.

Changes in fair value of monetary securities denominated in foreign currencies, which are classified as available for sale, are treated as exchange rates based on changes in depreciation value of securities, and as other changes in the carrying value of securities. Exchange rates relating to changes in depreciation value are recognized in the income statement, whereas other changes in carrying value are recognized in equity.

Exchange rates on non-monetary financial assets and liabilities, such as securities at fair value whose changes in fair value are recorded in the income statement, are recognized in the income statement as part of the loss or gain on fair value.

Exchange rates on non-monetary financial assets such as proprietary securities classified as financial assets available for sale are included in reserves in revaluation reserves in equity.

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

2. Summary of significant accounting policies (continued)

2.4 Intangible assets

Licenses

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (which do not exceed 5 years).

Computer software

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets.

Costs include the software development employee costs and an appropriate portion of relevant overheads.

Other development costs that do not meet these criteria are recognized as an expense as incurred. Development costs initially recognized as an expense cannot be recognized as an asset in future.

Computer software development costs recognized as an asset is amortized over their estimated useful lives (which do not exceed 3 years).

Right of use of land

Right of use relates to building-slope protection works made at installation Bar (note 2.18). The asset is recognized at cost including other direct attributable costs.

2.5 Property, plant, and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

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

Land is not depreciated. Depreciation on other assets is calculated using the straight-line and the diminishing-balance methods to allocate their cost to residual values over their estimated useful lives, as follows:

Buildings and structures	5%
Machinery and equipment	5-15%
Office furniture and fittings	20-30%

The straight-line method is used to calculate depreciation on buildings, while reducing-balance method is used to calculate depreciation on all other assets.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (note 2.7).

2. Summary of significant accounting policies (continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized within "Other income/expenses", in the income statement (Notes 26 and 27).

2.6 Investment property

Investment property is a property (land or building or both) held (as owner or as lessee under a finance lease) to earn rentals or for capital appreciation or both.

Investment property is initially measured at cost, including transaction costs.

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists, those investment properties may be impaired; the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through profit or loss. An impairment loss recognized 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 Group 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 Impairment of non-financial assets

Assets with indefinite useful service life are not subject to amortization and are tested for impairment annually. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any indication exists and where the carrying values exceed recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash - generating units), being the individual petrol stations and installations. Impairment losses are recognized in the income statement. If the circumstances that caused the impairments have been changed, previously recognized impairment losses are cancelled for previous years.

2.8 Long-term financial investments

The Group classifies its financial assets in the following categories: loans and receivables, investments in subsidiary, joint venture and available-for-sale assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Classification

(a) Loans and receivables

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

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

2. Summary of significant accounting policies (continued)

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and measurement

Regular purchases and sales of the investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Loans and receivables are carried at amortized cost using the effective interest method. Available-for-sale financial assets listed at Montenegroberza Stock Exchange are carried at fair value.
Changes in the fair value of securities classified as available-for-sale are recognized in equity. The fair values of quoted investments are based on current bid prices. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as gains and losses from investment securities.

Interest on available for sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available for sale equity instruments are recognized in the income statement as part of other income when the Group's right to receive payments is established.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment, as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine whether there is objective evidence of impairment loss include:

- Significant financial difficulty of the issuer;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
    i. Adverse changes in the payment status of borrowers in the portfolio; and
    ii. National or local economic conditions that correlate with defaults on the assets in the portfolio.

2. Summary of significant accounting policies (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of oil and oil derivatives comprises purchase value, transportation and insurance cost, import duties and other direct costs.

Carrying value of inventories is adjusted for surpluses/losses identified at stock counts organized at petrol stations and reservoirs on a monthly basis. Inventory surpluses/losses are recognized in within "Other income/expense" in the income statement.

2.10 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, trade receivables are presented as non-current assets.

Trade receivables are recognized initially at fair value and 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 Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'Other expenses' (note 28). When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amount previously written off are credited to 'Other income' in the income statement (note 27). Estimated future cash flows and the amount of provision is assessed by the management of the Group.

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

2. Summary of significant accounting policies (continued)

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand and current accounts with commercial banks.

2.12 Basic capital

(a) *Share Capital*

Ordinary shares are classified as equity.

(b) *Statutory reserves*

Statutory reserves are recognized as 5% of the Group's profit after tax, based on decisions of the Board of Directors and the Shareholders' Assembly.

(c) *Other reserves*

Based on decision of the Shareholders' Assembly, portion of retained earnings, if needed, is allocated to the housing fund. The purpose of this fund is to finance housing needs of the employees and accompanying expenses.

(d) *Revaluation reserves*

Revaluation reserves arise from an increase in fair value measurement of available-for-sale assets.

2.13 Provisions

Provisions are recognised when: the Group 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 employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.14 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). If not, they are presented as non-current liabilities.

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

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

2. Summary of significant accounting policies (continued)

2.15 Employee benefits

(a) *Pension obligations*

The Group pays contributions to publicly administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Other employee benefits*

The Group provides jubilee awards and retirement employee benefit schemes. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and/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 valued annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, are charged or credited to income over the expected average remaining working lives of the related employees.

(c) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case, it is also recognized in equity.

Income taxes currently due are calculated and paid in accordance with the Montenegrin Tax Law (“Official Gazette of Republic of Montenegro”, 80/04), by applying the tax rate of 9%. The estimated tax on monthly profit is paid in advance, as determined by the tax authorities.

Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for, if it, on condition that it has not previously been accounted for, arises from an initial recognition of an asset or liability in a transaction other than a business combination, which at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

2. Summary of significant accounting policies (continued)

2.16 Current and deferred income tax (continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legal basis to offset current tax assets against current tax liabilities, when deferred tax assets and liabilities relate to the income tax established by tax authorities to one or a number of taxpayers, and in case of an intention to settle accounts on net basis.

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 Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as describe below. The amount of the revenue is not considered to be reliably measurable until all contingences relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2. 17 Revenue recognition (continued)

(a) *Sales of goods – wholesale*

The Group sells petrol in the wholesale market. Sales of goods are recognized when the Group 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 Group has objective evidence that all criteria for acceptance have been satisfied.

(b) *Sales of goods – retail*

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

(c) *Sales of services*

Income from rent of storage facilities is generally recognized in the period the services are provided, using a straight-line basis over the term of the contract.

(d) *Interest income*

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

2. Summary of significant accounting policies (continued)

2.18 Leases

(a) *Where the* Group *is the 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 recognized over the term of the lease on a straight-line basis.

(b) *Right of use of land*

The right of use of land at Installation Bar, Lipci and Air depot in Tivat is regulated by „Law on Costal Zone Protection Area" from 1992. These land lots were acquired via purchase in the late 1960's and early 1970's, and due to the then legal framework (the case of public ownership), the Group could not be registered as an owner of land. Instead, these land lots were registered as in public ownership with the right of use of land lots held by the Group. Right of use of land is treated as an intangible asset.

2.19 Distribution of dividends

The distribution of dividends to the shareholders of the Group is recognized in the period when the dividends were approved by the shareholders.

3. Financial risk management

3.1 Financial risk factors

The Group's activities are exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the Group's management under policies approved by the parent company. The management identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

(a) *Market risk*

i. Foreign exchange risk

The Group operates and sells mainly in Montenegro and neighboring countries. The Group is exposed to foreign currency risk in purchases and sales transactions and thereof arising short-term liabilities. The Group purchased oil products in US dollars until the end of the first quarter 2011. As of April 2011, the Group purchases and sells oil products in EUR denominated prices. The Group does not hedge its foreign exchange exposure risk.

ii. *Price risk*

The Group has significant exposure to the risk of commodity prices of oil. The Group largely offsets this exposure by passing on price increase to customers (cost plus).

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

3. Financial risk management (continued)

iii. *Cash flow and fair value interest rate risk*

The Group has no significant interest bearing assets and cash flows are largely independent of changes in market interest rates.

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short-term investments included within cash and cash equivalents.

(b) *Credit risk*

The Group has no significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. Counterparties and cash transactions are limited to high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

Credit risk is managed on the Group's level basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. If banks and financial institutions are independently rated, these ratings are used, and only those counterparties which have been listed to A category are accepted. These ratings are used also for wholesale customers. Otherwise, if there is no independent rating, risk management includes assessment of credit quality, taking into account financial position of a customer, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with the limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

(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 possibility of settling of the market position.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group'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 Group 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 Group monitors capital on the basis of the gearing ratio. In 2011 and 2010 the Group did not use any borrowings from the banks. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

Group did not have any borrowings (either current or non-current) as of December 31, 2011 (2010: nil).

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

3. Financial risk management (continued)

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance sheet date.

The carrying value less impairment provision of receivables and liabilities is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Critical accounting estimates and judgments

Estimates and judgments 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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely 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) *Useful lives of property, plant and equipment*

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. Management will amend the depreciation charge where useful lives are changed from previous estimates or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. This is a permanent policy of the Group.

(b) *Other employee benefit schemes*

This is implemented in cases where the Group's policy is to recognize all actuarial gains and losses directly in Income statement. The present value of the obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for other employee benefits include the expected discount rate. Any changes in these assumptions will impact the carrying amount of these obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations for other employee benefits. In determining the appropriate discount rate, the Group considers the interest rates of high-quality commercial papers that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability.

Other key assumptions for obligations for other employee benefits are based partially in the current market conditions. Additional information is disclosed in Note 29.

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

4. Critical accounting estimates and judgments (continued)

(c) *Tax legislation*

Deferred income tax asset recognition

The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded on the balance sheet. Deferred income tax assets are recorded to the extent to which realization of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future management makes judgments and applies estimation based on last three years taxable profits and expectations of future income that are believed to be reasonable under the circumstances.

Value added tax

The Group assumes that all VAT reclaimable from the Tax authorities will be received within one year, unless specific impairment provision is created.

(d) *Litigation*

As disclosed in note 33, the Group is involved in several litigation proceedings, the ultimate outcome of which could not be determined. Based on internal and external legal advice, the Company raises provisions where an outflow of resources is expected.

4.2. Critical accounting judgments

(a) *Impairment of fixed assets*

The Group tests fixed assets for impairment at least annually. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates which are determined based on a historical data corrected for the projected changes in the market conditions.

(b) *Impairment of available - for sale financial assets*

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(e) *Financial crisis*

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group’s business in the current circumstances.

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

4. Critical accounting estimates and judgments (continued)

Impact on customers

Debtors of the Group may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers 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 has properly reflected revised estimates of expected future cash flows in their impairment assessments.

The fair values of quoted investments in active markets are based on current bid prices (financial assets) or offer prices (financial liabilities). If there is no active market for a financial instrument, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. The valuation models reflect current market conditions at the measurement date which may not be representative of market conditions either before or after the measurement date. As at the balance sheet date management has reviewed its models to ensure they appropriately reflect current market conditions, including the relative liquidity of the market and credit spread.

5. Operating segments

Operating segments are defined based on monthly business report prepared for Chief Executive Officer, Board of Directors and Hellenic Petroleum SA Directorate General for International Activities, who are considered as chief-operating decision makers.

The Management considers the business from product and distribution channel perspective. Product channel perspective includes revenue from sales of fuel products and revenue from sales of non-fuel merchandise sold at petrol stations. From distribution channel perspective, the management reviews retail and wholesale segments.

Other revenues (lease, receivables) are not included in these segments, since they are not reported as such, and are displayed in the column "other revenue" in the following table:

	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	Retail		Wholesale		Other revenues	
Sales income	93,382,721	77,166,729	101,363,202	84,202,698	1,703,234	980,110
Costs of petrol and other goods	76,554,475	61,570,963	93,302,193	75,011,979		
Gross margin	**16,828,246**	**15,595,766**	**8,061,007**	**9,190,719**	**1,703,234**	**980,110**

The allocation of total assets and liabilities is not executed according to the nature of segments' business activities.

Sales of goods relate to sales of goods in domestic market in amount of EUR 162,534,038 (2010: EUR 140,467,664) and sales of goods abroad in the amount of EUR 32,290,694 (2010: EUR 21,769,125).
Sales of goods in domestic market comprise sale of petrol in amount of EUR 155,010,890 (2010: EUR 134,219,906), sale of bottled LPG in amount of EUR 825,073 (2010: EUR 757,409), sale of lubricants in amount of EUR 571,970 (2010: EUR 575,893) and sale of merchandise of EUR 6,047,296 (2010: EUR 4,826,270). Revenue from services in the amount of EUR 78,809 (2010: EUR 88,186) was realized in the domestic market.

Exports in the amount of EUR 32,290,694 (2010: EUR 21,769,035) relate to the sale of fuel.

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

6. Intangible assets

	Licences and similar rights	Software	Intangible assets under construction	Other intangibles	Total
Year ended 31 December 2010					
Opening net book amount	-	24,208	1,895	5,276,310	5,302,413
Amortization	-	(7,260)	-	(24,786)	(32,046)
Closing net book amount	**-**	**16,948**	**1,895**	**5,251,524**	**5,270,367**
Year ended 31 December 2010					
Cost	-	270,673	1,895	5,317,364	5,589,931
Accumulated amortization	-	(253,724)	-	(65,840)	(319,565)
Net book amount	**-**	**16,947**	**1,895**	**5,251,524**	**5,270,366**
Year ended 31 December 2011					
Opening net book amount	-	16,947	1,895	5,251,524	5,270,366
Additions	7,586	-	-	-	7,586
Amortization charge	(961)	(5,084)	-	(24,787)	(30,830)
Closing net book amount	**6,625**	**11,865**	**1,895**	**5,226,737**	**5,247,122**
Year ended 31 December 2011					
Cost	7,586	270,673	1,895	5,317,364	5,597,518
Accumulated amortization	(961)	(258,808)	-	(90,625)	(350,391)
Net book amount	**6,625**	**11,865**	**1,895**	**5,226,737**	**5,247,122**

Intangibles in the amount of EUR 4.852.604 (2010: EUR 4.852.604) relate to the right of use of land located along the Adriatic coast in the towns of Bar, Tivat and Kotor.

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

7. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Construction in progress (CIP)	Total
Year ended 31 December 2010					
Opening net book amount	21,204,362	15,795,549	4,351,258	3,544,118	44,895,287
Additions	91,972	3,762	10,017	3,955,526	4,061,277
Transfer from CIP	-	3,373,727	3,161,613	(6,535,340)	-
Disposals	-	(79,616)	(77,091)	-	(156,707)
Depreciation charge	-	(1,881,816)	(1,313,034)	-	(3,194,850)
Closing net book amount	**21,296,334**	**17,211,606**	**6,132,762**	**964,304**	**45,605,007**
Year ended 31 December 2010					
Cost	21,296,334	54,622,597	24,125,068	964,304	101,008,303
Accumulated depreciation	-	(37,410,991)	(17,992,305)	-	(55,403,296)
Net book amount	**21,296,334**	**17,211,606**	**6,132,762**	**964,304**	**45,605,007**
Year ended 31 December 2011					
Opening net book amount	21,296,334	17,211,606	6,132,762	964,304	45,605,006
Additions	70,950	2,392	1,737	2,622,899	2,697,978
Transfer from CIP	-	1,759,487	1,000,916	(2,760,403)	-
Disposals	(18,600)	(12,209)	(28,020)	-	(58,829)
Depreciation charge	-	(2,090,451)	(1,195,540)		(3,285,991)
Closing net book amount	**21,348,684**	**16,870,825**	**5,911,855**	**826,800**	**44,958,164**
Year ended 31 December 2011					
Cost	21,348,684	56,104,842	24,983,571	826,800	103,263,897
Accumulated depreciation	-	(39,234,018)	(19,071,716)	-	(58,305,734)
Net book amount	**21,348,684**	**16,870,824**	**5,911,855**	**826, 800**	**44,958,164**

8. Long term financial investments

a) Investments

	2011	2010
Investment in joint venture	2,349	2,349
Available for sale financial assets	1,298,620	1,238,451
Other long-term financial investments	1,977,818	1,263,075
Total	**3,278,787**	**2,503,875**

b) Available for sale financial assets

The changes of financial assets' value in 2011 are as follows:

	2011	2010
Balance as at 1 January	1,238,451	1,879,868
Fair value adjustment	60,168	(641,417)
Balance as at 31 December	**1,298,620**	**1,238,451**

9. Other long-term financial assets

Other long-term financial assets include:

	2011	2010
Prepaid employee benefits	316,861	391,428
Housing loans to employees	1,660,957	871,646
Housing loans, total	**1,977,818**	**1,263,074**

Housing loans are issued for the period from 5 to 20 years with interest rate of the lower between EURIBOR less 2% margin or 2%. The Group, in most cases, holds property title as collateral and payment is secured via payroll deductions.

Maturity of receivables from housing loans is as follows:

	2011	2010
More than 1 year	1,761,729	1,142,443
Up to 1 year	216,089	120,631
Total	**1,977,818**	**1,263,074**

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

10. Financial instruments by category

	Loans and receivables	**Available for sale**	**Total**
As at 31 December 2010			
Available-for-sale financial assets	-	1,238,451	1,238,451
Housing loans to employees	871,646	-	871,646
Trade and other receivables	16,193,645	-	16,193,645
Cash and cash equivalents	20,724,648	-	20,724,648
Total	**37,789,939**	**1,238,451**	**39,028,390**

	Loans and receivables	Other financial liabilities	Total
As at 31 December 2010			
Liabilities as per balance sheet	-	8,418,826	8,418,826.0
Total	**-**	**8,418,826**	**8,418,826.0**

As at 31 December 2011	Loans and receivables	Available for sale	Total
Available-for-sale financial assets	-	1,298,620	1,298,620
Housing loans to employees	1,660,957	-	1,660,957
Trade and other receivables	20,032,746	-	20,032,746
Cash and cash equivalents	6,703,117	-	6,703,117
Total	**28,396,820**	**1,298,620**	**29,695,440**

	Loans and receivables	Other financial liabilities	Total
As at 31 December 2011			
Liabilities as per balance sheet	-	4,018,837	4,018,837
Total	**-**	**4,018,837**	**4,018,837**

11. Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by historical information about counterparty default rates:

Trade receivables	**2011**	**2010**
Counterparties without external credit rating		
Group 1	142,831	111,519
Group 2	18,030,584	16,212,575
Trade receivables, total	**18,173,415**	**16,324,094**

In Group 1, the Group classifies credit cards sales in retail’s operations, not older than 1 year, new private petrol stations and foreign customers,

In Group 2 the Group classifies existing customers: private petrol stations’ receivables, State and Municipality related customers and foreign customers (more than 1 year), which do not have a history of default or major break of contractual terms,

Cash at bank	**2011**	**2010**
Prva Banka CG	2,681,315	2,584,421
Podgorička Banka	1,890,142	16,014,734
Crnogorska Komercijalna Banka	1,318,309	1,364,902
Hipotekarna Banka	172,568	102,519
NLB	151,433	125,131
Unicredit Banka Ad Banja Luka	59,179	38,172
Cash at bank, Total	**6,272,946**	**20,229,879**

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

12. Inventories

	2011	2010
Goods for resale-wholesale	16,304,966	11,728,708
Goods for resale-retail	3,926,682	2,910,150
Spare parts	644,039	596,970
Advances to suppliers	2,924,476	308,273
Goods in transit	-	4,230
Inventories, total	**23,800,163**	**15,548,331**

13. Trade and other receivables

	2011	2010
Domestic trade receivables	15,999,791	14,719,600
Foreign trade receivables	1,937,213	1,604,383
Receivables from related parties (Note 32)	236,411	114
Trade receivables, total	**18,173,415**	**16,324,097**
Prepaid VAT and customs duties	4,004,692	2,731,062
Receivables from government agencies	42,680	22,275
Receivables for deposits and tenders	24,770	470
Interest receivable	35,281	84,033
Receivables from employees	15,103	27,769
Other receivables	143,055	36,692
Receivables from bank	550,000	6,710
Receivables from insurance companies	7,100	7,131
Total other receivables	**4,822,681**	**2,916,142**
Receivables, total	**22,996,096**	**19,240,239**
Provision for impairment domestic	(2,697,314)	(2,778,187)
Provision for impairment foreign	(266,036)	(268,407)
Provision for impairment	**(2,963,350)**	**(3,046,594)**
Receivables net	**20,032,746**	**16,193,645**

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

	2011	2010
As at 1 January	3,046,594	2,978,128
Provision for receivables impairment (Note 28)	309,607	128,050
Reversal of provision (Note 27)	(392,850)	(58,635)
Direct write-off	-	(949)
As at 31 December	**2,963,350**	**3,046,594**

Provision for impaired receivables is included within other expenses, and reversal of provision is included in other income. Difference of EUR 10,511 between provision for impairment and bad debt provision relates to direct write-off of receivables from Hipotekarna Bank and other direct write-offs.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

14. Cash and cash equivalents

Treasury and cash registers of retail outlets	430,171	494,769
Bank account	6,272,946	20,229,879
	6,703,117	**20,724,648**

Current accounts with commercial banks earn interest at weighted average deposit interest rate which was 2.78% per annum in December 2011 (2.78% per annum in December 2010).

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

15. VAT and accruals

	2011	2010
VAT	(13)	-
Prepaid expenses	24,302	39,187
Total	**24,289**	**39,187**

16. Equity

	Share capital	Reserves	Revaluation reserves	Retained earnings	Total
As at 01.01. 2010	67,986,605	6,184,258	769,523	15,054,078	89,994,464
Effects of retroactive changes and material corrections and change in accounting politics	-	-	-	-	-
Corrected state as at 01/01/2010	**67,986,605**	**6,184,258**	**769,523**	**15,054,078**	**89,994,464**
Change in fair value of financial assets available for sale	-	-	(641,417)	-	(641,417)
Deferred tax	-	-	57,727	-	57,727
Year income	-	-	-	8,347,752	8,347,752
Transfer to other reserves	-	165,276	-	(165,276)	-
Paid dividends	-	-	-	(8,000,000)	(8,000,000)
Balance as at 31.12.2010	**67,986,605**	**6,349,534**	**185,833**	**15,236,554**	**89,758,526**
Effects of retroactive changes and material corrections and change in accounting politics	-	-	-	-	-
Corrected state as at 01/01/2011	**67,986,605**	**6,349,534**	**185,833**	**15,236,554**	**89,758,526**
Change in fair value of financial assets available for sale	-	-	60,168	-	60,168
Deferred tax	-	-	(5,415)	-	(5,415)
Year income	-	-	-	7,279,386	7,279,386
Transfer to other reserves	-	600,000	-	(600,000)	-
Paid dividends	-	-	-	(6,000,000)	(6,000,000)
Balance as at 31.12.2011	**67,986,605**	**6,949,534**	**240,586**	**15,915,940**	**91,092,666**

16. Equity (continued)

16.1. Share capital

The structure of the Group's share capital and shareholders as of 31 December 2011 is as follows:

	Number Of shares	Percentage shareholding	31/12/2011
Hellenic Petroleum Int'l S.A.	2,529,489	54,4%	36,951,534
Privatizacioni fond "MIG"	426,704	9,2%	6,233,420
Fond zajednickog ulaganja "TREND"	277,711	6,0%	4,056,886
HB Zbirni kastodi racun 3	202,515	4,4%	2,958,400
Fond zajednickog ulaganja "ATLAS MONT"	87,298	1,9%	1,275,275
CK - Zbirni kastodi racun 5	69,834	1,5%	1,020,156
Nm - Zbirni kastodi racun 6	54,557	1,2%	796,985
Republic of Crna Gora	1	0,0%	15
Other legal entities	323,016	6,9%	4,718,715
Individuals	682,846	14,7%	9,975,219
Total	**4,653,971**	**100%**	**67,986,605**

Each share has a nominal value of EUR 14.6083 per share and equal voting rights.

16.2. Reserves

	2011	2010
Housing fund	4,479,555	3,879,555
Statutory reserves	2,469,979	2,469,979
Reserves	**6,949,534**	**6,349,534**

Statutory reserves of EUR 2,469,979 (2010: EUR 2,469,979) were formed based on the decision of the Board of Directors and the Shareholders' Assembly and represent 5% of the Group's statutory after tax profit starting from year 2001 (note 2.12 b).

Based on the decision of the General Assembly, the Group allocates, as necessary, a portion of its retained earnings to the housing fund. This fund is used for financing housing needs of the Group's employees and/or covers other expenses in relation to residential needs.

Changes were as follows:

	2011	2010
As at 1 January	**3,879,555**	**3,714,281**
Allocations for housing fund (note 9)	600,000	165,274
As at 31 December	**4,479,555**	**3,879,555**

16.3 Revaluation reserves for financial assets available for sale

The movement on revaluation reserves accounts was as follows:

	2011	2010
As at 01. January	**185,834**	**769,523**
Fair value gains on AFS financial assets	431,320	169,135
Fair value loss on AFS financial assets	(371,152)	(810,553)
Deferred tax charged directly to equity	(5,415)	57,728
Total	**240,586**	**185,833**

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

16. Equity (continued)

16.4 Retained earnings

The movement on retained earnings accounts was as follows:

	2011	2010
At 1 January	15,236,554	15,054,077
Profit for period	7,279,386	8,347,752
Transfer to other reserves	(600,000)	(165,275)
Dividends paid	(6,000,000)	(8,000,000)
As at 31 December	**15,915,940**	**15,236,554**

17. Long term provisions

Long term provisions include:

	2011	2010
Provision for retirement indemnities	860,240	853,450
Provision for jubilee awards	159,519	164,404
Provision for legal cases	1,062,532	2,132,220
Total	**2,082,291**	**3,150,074**

The movement on long term provision account was as follows:

	Other benefits to the employees	Provisions for legal cases	Total
As at 01/01/2010	1,133,475	4,100,000	5,233,475
Charged / credited to P& L	(20,472)	-	(20,472)
Used during the year	(95,149)	(1,967,779)	(2,062,928)
As at 31/12/2010	**1,017,854**	**2,132,221**	**3,150,074**
As at 01/01/2011	1,017,854	2,132,221	3,150,074
Charged / credited to P& L	252,081	-	252,081
Used during the year	(250,180)	(1,069,688)	(1,319,868)
As at 31/12/2011	**1,019,759**	**1,062,533**	**2,082,291**

a) Provision for long term employee benefits

In accordance with the Collective Agreement, the Group is obliged to pay employees staff leaving indemnities on retirement and jubilee awards upon completion of 10, 20 and 30 years of service, for which provision is made.

Movement in the accounts is as follows:

	Retirement		Jubilee awards	
	2011	2010	2011	2010
Current service cost	42,126	47,827	36,011	23,872
Past service cost	188,940	(92,171)	(14,996)	-
Used during the year	(224,280)	(63,249)	(25,900)	(31,900)
Total	**6,790**	**(107,593)**	**(4,885)**	**(8,028)**

17. Long term provisions (continued)

Income from cancellation of provisions for jubilee awards is included under other income, and the cost of benefit paid is included under retirement indemnities and jubilee awards (note 17).

The principal actuarial assumptions used for post-retirement benefits calculations were as follows:

- *Financial assumptions*

	2011	2010
Discount rate	5,60%	6,10%
Increase of average salary	1,00%	1,00%
Individual pay increase	Actual seniority increase	

- *Demographic assumptions*

Mortality:	Men: standard table EVK2000 for males
	Women: standard table EVK2000 for females
Disability:	Men: standard table EVK2000 for males
	Women: standard table EVK2000 for females
Retirements:	At earliest possible age under Montenegrin law

b) Provision for legal cases

Long term provisions for legal cases (note 3) in the amount of EUR 1,062,532 (2010: EUR 2,132,220) relate to court claim raised by Dunav Insurance Company from Serbia in the amount of EUR 1,000,000 (2010: EUR 1,000,000) and court claims raised by former employees in the amount of EUR 62,532 (2010: EUR 1,132,220). The movement during the year of EUR 1,069,688 is explained in Note 33 (4)

18. Trade payables

	2011	2010
Domestic trade payables	2,187,201	1,518,065
Foreign trade payables	318,710	5,871,020
Advances, deposits and securities	1,412,993	803,974
Other liabilities	99,933	32,119
Total	**4,018,837**	**8,225,178**

19. Other short term liabilities and accruals

	2011	2010
Salaries and wages payable	104,776	16,501
Payroll taxes payables	34,476	3,125
Liabilities for jubilee awards	44,857	824
Liabilities for salary and benefits-CEO cabinet	43,562	5,555
Liabilities for contributions	24,133	-
Liabilities for other compensations	113,718	7,582
Liabilities for dividends	18,595	18,738
Liabilities for enforcement of court decisions	26,211	-
Liabilities for employees vacation allowance	32,970	-
Other short term liabilities and accruals	140,689	141,896
Total	**583,987**	**194,221**

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

20. Liabilities for VAT and other public revenues

	2011	2010
VAT liability	285	8,618
Liabilities for other taxes, contributions and custom	5,726,625	4,426,156
Other liabilities for taxes and social security contributions	14,833	2,144
Total	**5,741,743**	**4,436,918**

21. Revenues

	2011	2010
Sales of goods	194,824,732	162,236,788
Other income	372,572	187,343
Total	**195,197,304**	**162,424,131**

22. Other operating revenue

	2011	2010
Rental income	190,190	141,740
Other income	182,382	45,603
Total	**372,572**	**187,343**

23. Operating expenses

	2011	2010
Cost of sales	169,856,669	136,582,941
Cost of materials	1,372,929	1,446,418
Cost of payroll	5,772,693	5,129,096
Cost of depreciation and reservation	3,317,316	3,226,896
Other costs	6,976,592	6,343,589
Total	**187,296,199**	**152,728,940**

24. Other operating expenses

	2011	2010
Petrol station management fees (COMO)	2,787,716	2,608,848
Transportation cost	468,229	484,176
Telecommunications and postal expenses	140,674	152,660
Maintenance	647,726	606,686
Rental expense	174,203	116,634
Marketing expense	122,331	113,448
Third party’s services	800,668	751,903
Training and seminars	9,304	6,261
Donations and sponsorships	81,431	14,500
Hospitality expenses	36,060	44,426
Insurance	105,331	149,438
Bank commissions and fees	441,928	321,964
Indirect taxes and contributions	676,994	474,524
Scholarships	19,718	46,974
Licenses	178,442	181,460
Other operating expenses	285,837	269,686
Other expenses	**6,976,592**	**6,343,589**

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

24. Other operating expenses (continued)

In the COMO operations system, the provider of the service is managing the petrol station and using the services of the petrol station including the accompanying equipment, which are in the ownership of JUGOPETROL AD KOTOR and under its brand name and trademark, with the sole purpose of placing products and services as an independent legal entity. Service provider is compensated for its services on a monthly basis, based on achieved turnover, in accordance with the contract signed with the Group.

25. Financial income

	2011	2010
Interest income	148,975	171,236
Foreign exchange gains	43,521	105,567
Financial income	**192,496**	**276,803**

26. Financial expense

	2011	2010
Interest expense	5,630	9,644
Foreign exchange losses	78,849	306,748
Other financial expense	16,018	10,116
Total	**100,497**	**326,508**

Decrease of foreign exchange losses is the result of changes in invoicing currency by Hellenic Petroleum, starting from April 2010. Since then, the billing account is carried out in EUR instead of USD.

27. Other income

	2011	2010
Reversal of bad debt provision (Note 13)	389,305	58,635
Reversal of long-term provisions for legal cases (Note 33)	401,474	350,000
Income from insurance	2,110	392
Gains on sale of property, plant and equipment	12,400	-
Inventory surpluses	389,601	277,781
Other income	56.963	17,774
Total	**1,251,853**	**704,582**

28. Other expenses

	2011	2010
Provision for bad debts	320,117	154,217
Loss on sale and disposal of fixed assets	39,211	145,486
Write-off of inventory	18,480	2,204
Inventory shortages	730,303	754,720
Penalties	46,292	4,739
Other expenses	27,526	74,035
Total	**1,181,929**	**1,135,401**

29. Cost of salaries, fringe benefits and other personnel expenses

	2011	2010
Gross salaries and wages	4,153,408	3,279,544
Social security contributions – on behalf of employer	628,084	586,677
Food allowances	-	344,703
Transportation allowances	30,373	75,627
Winter food allowances	184,437	182,834
Social contribution to employees	34,836	25,215
Holiday allowance	190,995	357,208
Retirement indemnities and jubilee awards (Note 17)	293,208	-
Temporary staff costs	36,226	27,650
Travel expenses	127,562	150,570
Board of Directors' compensation	86,864	99,067
Other personnel expenses	6,700	-
Total	**5,772,693**	**5,129,095**

Due to the changes in legislation, food allowances and vacation benefits for holidays in the amount of EUR 586,483 (2010:EUR 531,096) are included in gross wages and salaries.

30. Income tax expense

	2011	2010
Current tax:		
Current tax on profit for the year	774,252	845,218
Current tax	**774,252**	**845,218**
Deferred tax:		
Arising from temporary differences for the year	9,390	21,696
Deferred tax	**9,390**	**21,696**
Total	**783,642**	**866,914**

Current tax

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

	2011	2010
Profit before income taxes	8,063,028	9,214,666
Theoretical tax calculated at statutory tax rate – 9%	(725,673)	829,320)
Unrecognised tax loss carry forwards (JPT)	(48,579)	(15,898)
Tax charge	**(774,252)**	**(845,218)**

30. Income tax expense (continued)

Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2011	**2010**
Deferred income tax assets:		
- to be recovered after more than 12 months	123,533	123,533
- to be recovered within 12 months	-	-
Deferred tax liabilities:		
- to be recovered after more than 12 months	90,232	75,427
- to be recovered within 12 months	-	-
Deferred income tax assets, net	**33,301**	**48,106**

The gross movement on the deferred income tax account is as follows:

	2011	**2010**
At 1 January	48,106	12,073
Income statement charge	(9,390)	(21,696)
Tax (charged)/credited directly to equity	(5,415)	57,728
At 31 December	**33,301**	**48,106**

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	**Tax losses carried forward**
At 1 January 2010	123,533
Credited to the income statement	-
At 31 December 2010	**123,533**
Charged/(credited) to the income statement	-
Charged directly to equity	-
At 31 December 2011	**123,533**

Deferred tax liabilities	**Accelerated tax depreciation**	**Fair value gains**	**Total**
At 1 January 2010	35,352	76,107	111,459
Charged/(credited) to the income statement	21,696	-	21,696
Charged directly to equity	-	(57,728)	(57,728)
At 31 December 2010	**57,048**	**18,379**	**75,427**
Charged/(credited) to the income statement	9,390	-	9,390
Charged directly to equity	-	5,415	5,415
At 31 December 2011	**66,438**	**23,794**	**90,232**

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. Management is not aware of any circumstances which may give rise to a potential material liability in this respect.

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

31. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group (the parent entity) by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares.

	2011	2010
Profit attributable to equity holders of the Company	7,279,386	8,347,752
Weighted average number of ordinary shares in issue	4,653,971	4,653,971
Basic diluted earnings per share	**1,56**	**1,79**

32. Related party transactions

The Group is ultimately controlled by Hellenic Petroleum S.A., a company incorporated in Greece, which owns 54.4% of the Group's share capital through Hellenic Petroleum International S.A., a company incorporated in Austria. Since the acquisition date, Hellenic Petroleum has been the Group's exclusive supplier of oil products. EKO ELDA ABEE, a wholly-owned subsidiary of Hellenic Petroleum S.A., supplies the Group with lubricants. Furthermore, two other Hellenic companies, Asprofos and HELPE International Consulting, both of which are wholly owned subsidiaries of Hellenic Petroleum S.A., provide the Group with various technical and consulting services.

The following transactions were carried out with related parties:

(a) Sales of goods and services

	Relationship	Nature of transactions	2011	2010
Eko Serbia, Belgrade	Group company	Sales of oil products	740,522	-
Global Petroleum SH	Group company	Sales of oil products	-	145,894
Total			**740,522**	**145,894**

(b) Purchases of goods and services

	Relationship	Nature of transactions	2011	2010
Hellenic Petroleum S.A.	Parent company	Purchases of oil products	163,599,460	127,953,585
EKO ELDA ABEE	Group company	Purchases of lubricants	318,291	346,113
HELPE International Consulting	Group company	Consulting services	300,000	270,000
Asprofos Engineering S.A.	Group company	Maintenance services	40,000	6,938
EKO Serbia	Group company	Consulting services	78,416	71,928
Total			**164,336,167**	**128,648,564**

Goods and services are bought on normal commercial terms and conditions on the basis of the price lists in force with non-related parties (on arm's length basis).

32. Related party transactions (continued)

(c) Year end balances arising

Receivables from related parties		**2011**	**2010**
EKO Serbia Beograd	Group Company	236,411	-
Global Petroleum SH	Group Company	-	114
Total		**236,411**	**114**
Payables to related parties			
Hellenic Petroleum S.A.	Parent Company	(2,835,406)	5,456,016
EKO ELDA ABEE	Group Company	69,567	70,248
Asprofos Engineering S.A.	Group Company	-	10,000
EKO Serbia	Group Company	10,714	5,275
Total		**(2,755,125)**	**5,541,539**

Receivables and payables from transactions with related parties are unsecured and bear no interest. There were no provisions on receivables from related parties.

(f) Key management compensation

	2011	**2010**
Salaries and other short-term benefits	711,137	600,471
Total	**711,137**	**600,471**

Salaries and other short-term benefits include key management salaries and other personal income. Members of the key management are Chief Executive Officer and Directors of departments.

The management team also is treated according to same regulations (Labour Law, Personal Income Tax, General and Individual Collective Agreement, other regulations) which are applied for all other employees.

33. Commitments and contingencies

1) Dunav Insurance Company vs Jugopetrol AD Kotor

The Company has been a defendant in the claim raised by Dunav Insurance Company, Serbia before courts of the Republic of Serbia since 1994. In 2007, the Commercial court of Belgrade handed down the judgment in favour of the plaintiff in the approximate amount of EUR 1,000,000.

Following the Company's appeal, the higher instance court overturned the judgment and the plaintiff's claim was rejected as unfounded. However, the plaintiff appealed before the Supreme court of Serbia which ruled partially in favour of the plaintiff and the Company was obliged to pay the amount of Serbian dinars 48,192,107 with penalty interest accruing as of 30 October 2005. The Company settled the dispute with the plaintiff for the amount of EUR 842 thousand on 7 February 2012.

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

33. Commitments and contingencies (continued)

2) Montenegrobonus DOO Cetinje vs Jugopetrol AD Kotor

The plaintiff initiated two disputes:

• In the amount of EUR 11,024,960 where the Company allegedly denied use of storage facilities to the plaintiff, although it was obliged to do so based on temporary measure of the Commercial Court of Podgorica dated 2004. In 2009, the Municipal Court of Kotor reached a resolution to suspend the proceedings in this legal matter, until the effective resolution of the lawsuit between the Company and the Republic of Montenegro over the eventual ownership rights on the petrol installations

• The plaintiff filed a court claim in the amount of EUR 7,560,000 based on lost ability to earn rental income from lease of disputed storage facilities to third parties. This dispute is suspended until the resolution of ownership rights over the disputed storage facilities.

3) Government of the Republic of Montenegro vs Jugopetrol AD Kotor

Court cases initiated by the Government of Montenegro relate to ownership rights over the storage facilities and ancillary assets in Bar, Kotor and Bijelo Polje municipalities. Plaintiff claims that they, as a legal successor of former federal agencies, hold ownership rights over these assets which originally belonged to the Federal Directorate for Commodity Reserves of Serbia and Montenegro.

Total carrying value of disputed assets is in the amount of EUR 3,085,000 as at 31 December 2011.

First instance courts passed judgment in favour of the plaintiff, which was followed by the Company's appeals to higher instance court. Higher court instance overturned initial ruling and returned the claim back to the first instance courts in Kotor and Bar. Regarding Bijelo Polje, the Company appealed before the Supreme Court of Montenegro.

4) Former employees vs Jugopetrol AD Kotor

A number of former temporary employees who worked at petrol stations in the previous periods raised a claim against the Company, on the grounds of being unfairly treated as compared to full-time staff.

As at 31 December 2010, provision for these claims was in the amount of EUR 1,132,220. In 2011, provision was reversed in the amount of EUR 1,069,688 resulting from an off-court settlement with former employees in the amount of EUR 668,215 and from reversal of provision in the amount of EUR 401,474. As at 31 December 2011, provision for the court claims raised by former employees in the amount of EUR 62,532 (2010: EUR 1,132,220).

5) Jugopetrol AD Kotor vs Montenegrobonus DOO Cetinje

The Company filed a claim for income from handling fees rendered to the defendant in Municipality Bar in the period 2004-2006. Based on the latest forensic expert's report, the Company specified the claim in the amount to EUR 821,825 plus interest. The next hearing is scheduled for 18 May 2012.

In respect of items 2, 3 and 5 above no provisions has been raised as management believes that the ultimate outcome of these disputes will not result in material losses for the Company.

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

34. Events after the balance sheet date

On 7 February 2012, the Group settled the dispute with Dunav Insurance Company, Serbia for the amount of EUR 842 thousand.

In relation to the assets disputed by the Government of Republic of Montenegro as described in note 33 (3), in March 2012 the Municipal Court of Bar overturned the plaintiff's motion and in April 2012 the High Court of Podgorica overturned the plaintiff's motion in relation to the Kotor installation.

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.