JUGOPETROL A.D. KOTOR

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

CONTENTS

GENERAL INFORMATION

Board of Directors

From 1 January 2012 to 22 June 2012

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

From 23 June to 31 December 2012

1. Petros Karalis - President of the Board
2. Vuk Rajkovic – member
3. Dragan Radusinovic - member
4. Stamatia Psyllaki - member
5. Victor Papaconstantinou - member
6. Konstantinos Karachalios– 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)

Auditor

PricewaterhouseCoopers doo
Rimski trg 50
81000 Podgorica
Montenegro

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 2012 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 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 2012, 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 Montenegro and Note 2 to these consolidated financial statements.

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

Emphasis of matter – legal contingencies

Without qualifying our opinion, we draw the attention to Note 32 to the consolidated financial statements, which discloses the fact that the Group is defendant in a number of court proceedings. The ultimate outcome of these cases cannot presently be determined, and no provision for any liability that may result has been recorded in these consolidated financial statements.

Refer to the original signed Montenegrin version

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PricewaterhouseCoopers d.o.o., Podgorica

Podgorica, 23 April 2013

PricewaterhouseCoopers d.o.o., Poslovni centar Kruševcac, Rimski Trg 50, 20000 Podgorica, Crna Gora
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ID Number: 02013258	Business code:46.71

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

STATEMENT OF FINANCIAL POSITION / BALANCE SHEET/

As at 31.12.2012.

-In EUR-

Group of accounts, account	ITEM	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	Assets				
00 (part)	**A. UNPAID SUBSCRIBED EQUITY**	.001			
	B. NON CURRENT ASSETS (003+004+005+009)	.002		52,366,743	53,484,073
.012	I. GOODWILL	.003			
01 except '012	II. INTANGIBLE ASSETS	.004		5,351,092	5,247,122
	III. PROPERTY, PLANT & EQUIPMENT and BIOLOGICAL ASSETS (006+007+008)	.005		43,846,783	44,958,164
020, 022, 023, 026, 027 (part), 028 (part), 029	1.Property, plant &equipment	.006		43,726,935	44,820,285
024, 027 (part), 028 (part)	2.Investment property	.007		119,848	137,879
021, 025, 027 (part), 028 (part)	3.Biological assets	.008			
	IV. LONG TERM FINANCIAL INVESTMENTS (010+011)	.009		3,168,867	3,278,787
030 ,031 (part),to 032 (part), 039 (part)	1.Investments in equity	.010		1,162,921	1,300,969
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		2,005,946	1,977,818
288	**C. DEFERRED TAX ASSETS**	.013		59,085	57,095
.04	**D. NON-CURRENT ASSETS HELD FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS**	.014			
	E. CURRENT ASSETS (013+014+015+021016+017)	.015		52,022,600	50,776,404
10-13,15	I. INVENTORIES	.016		25,143,968	23,800,163
	II. SHORT TERM RECEIVABLES, INVESTMENTS AND CASH AND CASH EQUIVALENTS (018 to 022)	.017		26,878,631	26,976,241
20,21,22, except 223	1. Receivables	.018		14,583,343	20,032,746
223	2. Overpaid tax receivables	.019		-	
23 minus 237	3. Short term financial investments	.020		2,765,147	216,089
24	4. Cash and cash equivalents	.021		9,112,384	6,703,117
27 and 28 except 288	5. Value added tax and accruals	.022		417,759	24,289
	F. TOTAL ASSETS (001+002+013+014+015)	.023		104,448,428	104,317,571
	LIABILITIES				
	A. EQUITY (from 102 to 109)	.101		93,689,446	91,092,666
30	I. SHARE CAPITAL	102		67,986,605	67,986,605
31	II. UNPAID SUBSCRIBED CAPITAL	103			
32	III. RESERVES	104		7,549,534	6,949,534
330,331 i 333	IV. POSITIVE REVALUATION RESERVE AND UNREALIZED GAINS FROM FINANCIAL ASSETS AVAILABLE FOR SALE	105		265,169	240,587
332 i 334	V. NEGATIVE REVALUATION RESERVE AND UNREALIZED LOSS FROM FINANCIAL ASSETS AVAILABLE FOR SALE	106		-91,797	
34	VI. RETAINED EARNINGS	107		17,979,935	15,915,940
35	VII. LOSS	108			
237	VIII. REPURCHASE OF OWN SHARES AND SHARE EQUITY	109			
	IX. NON-CONTROLLING INTERESTS	110			
	B. LONG TERM PROVISIONS AND LIABILITIES (111+112)	111		963,550	2,082,292
40 (part)	I. LONG TERM PROVISIONS	112		963,549	2,082,291
41	II. LONG TERM LIABILITIES (113+114)	113		1	1

414, 415	1. Long term loans	114		-	
41 except 414&415	2. Other long term liabilities	115		1	1
498	**C. DEFERRED TAX LIABILITIES**	116		17,147	23,794
	D. SHORT TERM PROVISIONS AND LIABILITIES (117+124)	117		9,778,285	11,118,819
	I. Short term liabilities (118 to 123)	118		9,778,285	11,118,819
42 except 427	1. Short term financial liabilities	119			
427	2. Liabilities attributable to the assets held for sale and discontinued operations	120			
43 and 44	3. Trade payables	121		3,871,562	4,018,837
45,46 and 49, except 498	4. Other short term liabilities and accruals	122		92,064	583,987
47, 48 except 481	5. Liabilities for VAT and other public revenues	123		5,554,258	5,741,743
481	6. Income tax payable	124		260,400	774,252
40 (part)	II. SHORT TERM PROVISIONS	125			
	E. TOTAL EQUITY AND LIABILITIES (101+110+115+116)	126		104,448,428	104,317,571

This form is aligned with Article 3 of the Law on Accounting and Auditing (Official gazette nr. 80/08) and EU Directive 4.

In Kotor
Date: __________

Responsible person for the preparation of accounts
____

Legal representative
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MP

ID Number: 02013258	Business code:46.71

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

INCOME STATEMENT

For the period from 01.01.2012. to 31.12.2012.

-In EUR-

Group of accounts, account	ITEM	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	I. OPERATING INCOME (202 **to** 206)	201		201,061,297	195,197,304
60 i 61	1. Revenues	202		200,465,096	194,824,732
62	2. Revenue from usage of finished goods and merchandise	203			
630	3. Inventories - Value increase	204			
631	4. Inventories - Value decrease	205			
64 i 65	5. Other operating revenue	206		596,201	372,572
	II. OPERATING EXPENSES (208 **to** 212)	207		194,971,113	187,296,199
50	1. Cost of goods sold	208		177,168,729	169,856,669
51	2. Cost of materials	209		1,520,389	1,372,929
52	3. Cost of salaries, fringe benefits and other personal expenses	210		5,810,569	5,772,693
54	4. Cost of depreciation and provisions	211		3,229,819	3,317,316
53 i 55	5. Other operating expenses	212		7,241,607	6,976,592
	A. OPERATING RESULT (201 - 207)	213		6,089,324	7,901,105
66	I. FINANCIAL INCOME	214		532,444	192,496
56	II. FINANCIAL EXPENSES	215		160,535	100,497
	B. FINANCIAL RESULT (214-215)	216		371,909	91,999
67, 68, 691 and 692	I. OTHER INCOME	217		1,029,084	1,251,853
57, 58, 591 and 592	II. OTHER EXPENSES	218		5,058,772	1,181,929
	C. RESULT FROM OTHER BUSINESS ACTIVITIES (217-218)	219		-4,029,688	69,924
	D. NET RESULT FOR THE YEAR FROM CONTINUING OPERATIONS (213-214+215-216+217-218)	220		2,432,405	8,063,028
690 – 590	**E. NET RESULT ATTRIBUTABLE TO DISCONTINUED BUSINESS**	221			
	F. NET RESULT BEFORE TAX (219-220+221-222)	222		2,432,405	8,063,028
	G. Other comprehensive income attributable to equity	223		-67,214	54,753
	1. Change of revaluation reserves from financial assets available for sale	224		-67,214	54,753
	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		258,410	783,642
721	**1.** Income tax expense for the period	230		260,400	774,252
722	**2.** Deferred income expense for the period	231		-1,990	9,390
	I. NET RESULT (222+223-229)	232		2,106,781	7,334,140
	J. EARNINGS PER SHARE			0.45	1.56
	1. Earnings per share	233			
	2. Diluted earnings per share	234			
	K. NET RESULT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	235		2,106,781	
	L. NET RESULT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	236			

This form is aligned with Article 3 of the Law on Accounting and Auditing (Official gazette nr. 80/08) and EU Directive 4.

In Kotor

Responsible person for the preparation of the accounts

Legal representative

Date: ______

_________________________________ MP _________________________

ID Number: 02013258	Business code:46.71	

Name of company: Jugopetrol AD

Headquarter: Kotor, Trg Mata Perovica

STATEMENT OF CHANGES IN EQUITY / Consolidated

For the period from 01.01.2012. to 31.12.2012.

-In EUR-

Item	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 (Group 34)	Nr	Loss (Group 35)	Nr	Treasury shares and stakes (Acc. 237)	Nr	Total (col. 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. 2011.**	**401**	**67,986,605**	**410**		**419**		**428**		**437**	**6,349,534**	**446**	**185,834**	**455**	**15,236,554**	**464**		**473**		**482**	**89,758,526**
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 01.01.2011.(no. 1+2)**	**403**	**67,986,605**	**412**	**0**	**421**	**0**	**430**	**0**	**439**	**6,349,534**	**448**	**185,834**	**457**	**15,236,554**	**466**	**0**	**475**	**0**	**484**	**89,758,526**
4.	Net changes in 2011.	404		413		422		431		440	600,000	449	54,753	458	679,386	467		476		485	**1,334,140**
5.	**Balance as at 31.12. 2011. (no. 3+4)**	**405**	**67,986,605**	**414**	**0**	**423**	**0**	**432**	**0**	**441**	**6,949,534**	**450**	**240,587**	**459**	**15,915,940**	**468**	**0**	**477**	**0**	**486**	**91,092,666**
6.	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 01.01.2012. (no. 5+6)**	**407**	**67,986,605**	**416**	**0**	**425**	**0**	**434**	**0**	**443**	**6,949,534**	**452**	**240,587**	**461**	**15,915,940**	**470**	**0**	**479**	**0**	**488**	**91,092,666**
8.	Net changes in 2012.	408		417		426		435		444	600,000	453	-67,214	462	2,063,995	471		480		489	**2,596,781**
9.	**Balance as at 31.12. 2012. (no. 7+8)**	**409**	**67,986,605**	**418**	**0**	**427**	**0**	**436**	**0**	**445**	**7,549,534**	**454**	**173,373**	**463**	**17,979,935**	**472**	**0**	**481**	**0**	**490**	**93,689,447**

This form is aligned with Article 3 of the Law on Accounting and Auditing (Official gazette nr. 80/08) and EU Directive 4.

In Kotor

Date: ____________

Person responsible for the preparation of accounts

____

Legal representative

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ID Number: 02013258		Business code:46.71	

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

CASH FLOW STATEMENT

For the period from 01.01.2012. to 31.12.2012.

-In EUR-

ITEM	EDP	Amount	
		Current year	Previous year
1	2	3	4
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Result before tax	301	2,432,405	8,063,028
2. Depreciation	302	3,229,819	3,317,316
3. Change in inventory value	303	-1,343,806	-8,251,832
4. Change in receivables	304	5,449,403	-3,839,101
5. Change in payables to suppliers	305	-147,274	-4,206,341
6. Change in accruals	306	-1,105,289	1,006,713
7. Paid interest	307		91,928
8. Income tax	308	-774,252	-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	2,200,267	
Net cash flow from operating activities (1-10)	311	**9,941,273**	**-4,107,161**
B. CASH FLOWS FROM INVESTMENT ACTIVITIES I.			
I. Proceeds from investing activities	312	287,568	148,429
1. Sale of shares/stakes (net inflow)	313	18,190	
2. Proceeds from sale of intangible assets, PPE and biological assets	314	171,948	31,000
3. Other financial investments (net inflow)	315		
4. Interest received	316	97,430	117,429
5. Dividends received	317		
II. Cash outflows from investing activities (1 to 3)	318	4,783,904	3,217,269
1. Purchase of shares/stakes (net outflow)	319		
2. Purchase of intangible assets, property, plant and equipment and biological assets	320	2,283,904	3,217,269
3. Other financial investments (net outflow)	321	2,500,000	
III. Net proceeds from investment activities (I-II)	322	**-4,496,336**	**-3,068,839**
C. CASH FLOWS FROM FINANCING ACTIVITIES 1.			
I. Proceeds from financing activities (1 to3)	323	253,545	156,099
1. Increase of equity	324		
2. Proceeds from long term and short term loans (net inflow)	325	253,545	156,099
3. Other long term and short term liabilities	326		
II. Cash outflows from financing activities (1 to 4)	327	3,289,215	6,966,301
1. Purchase of treasury shares and stakes	328		
2. Long term, short term and other liabilities (net outflow)	329	289,215	966,301
3. Financial lease	330		
4. Dividends paid	331	3,000,000	6,000,000
III. Net outflow from financing activities (I-II)	332	**-3,035,670**	**-6,810,202**
D. TOTAL OUTFLOW (311 +322+332)	333	**2,409,267**	**-13,986,203**
E. CASH AT THE BEGINNING OF ACCOUNTING PERIOD	334	**6,703,117**	**20,724,648**
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**
H. CASH AT THE END OF ACCOUNTING PERIOD (333+334+335+336)	337	**9,112,384**	**6,703,117**

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

In Kotor
Date ____________

Person responsible for preparation of accounts
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Legal representative
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MP

STATISTICAL ANEX / Consolidated

As at 31.12.2012 godine

Code of Account	ITEM	Ord. No	Note no.	Amount Current year	Previous year
1	2	3	4	5	6
	Average number of employees (total number of employees as at each month's end divided by the numer of months)	1		270	275
60	Sales of merchandise	2		199,484,977	194,127,964
61	Sales of products and services	3		1,162,477	696,768
62	Revenue from undertaking of outputs and goods for own purpose	4			
640	Revenues from subventions, grants, do	5			
650	Revenues from land-rental fees	6		227,315	190,190
673	Sales of material	7			
501	Cost of sales	8		177,335,863	169,856,669
511	Cost of material	9		116,239	41,326
512	Cost of other material (overheads)	10		411,930	352,257
513	Cost of fuel and energy	11		992,219	979,345
520	Cost of salaries and fringe benefits (gro	12		4,126,318	4,153,408
529	Other personal fees and expenses	13		159,211	157,935
53	Production services cost	14			
531 i 532	Transport and maintenance expenses	15		1,257,088	1,256,629
533	Rental cost	16		262,377	174,203
534 i 535	Fair and advertising cost	17		263,235	122,331
536	Research cost	18			
550 i 551	Non production and representation cos	19		1,147,904	884,539
552 i 553	Insurance and payment transaction cos	20		381,932	547,259
573	Losses from sales of material	21			
10	Stock of material	22		458,735	644,039
11	Work in progress	23			
12	Finished goods	24			
13	Merchandise	25		18,294,969	20,231,648

NR	Account	Analytical view of revenues and expenses of intangible assets		Vrijednost
Revenue :				
1	652	Revenue on basis of patents		
2	652	Revenue on basis of copyrights		
3	652	Revenue on basis of licences		
Expenses:				
4	10	0103 Other expenses for development		
		0108 Impairment of investment in development		
		0109 Write off investment in development		
		Concessions, patents, licenses and similar rights		
		0110 Concessions		
		0111 Patents		
		0112 Licenses		
5	11	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		
		Goodwill		
		0120 Goodwill occured on basis of the acquired net assets		
		0121 Goodwill occured on basis of purchase of shares		
		0129 Write off goodwill		
6	12	Other intangibles investments		
		0140 Software		
		0141 Right of use of urban land		
		0142 Investments in leasing		
7	14	0145 Other intangibles assets		
		0148 Impairment of other intangible investments		
		0149 Write off other intagible investments		
		Intangible investments in progress		
		0150 Investments in development in progress		5,597,518
		0151 Internal generated intangible investments in progess		381,120
		0155 Other intangible investments in progress		
8	15	0159 Write off intangible investments in progress		
		Advances for intangible investments		
		0160 Advances for intangible investments in development		
		0161 Advances for other intangible investments		134,694
		0159 Obezvređenje nematerijalnih ulaganja u pripremi		
9	16	Avansi za nematerijalna ulaganja		
		0160 Avansi za nematerijalna ulaganja u razvoj		
		0161 Avansi za druga nematerijalna ulaganja		

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

Person responsible for the preparation of accounts

Legal representative

MP

Date.....................

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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 Parent Company's address is Trg Mata Petrovica number 2, Kotor. On 1 January 1996, following the Parent Company's ownership transformation, the Parent 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 Parent 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 bunkers 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.

As at 31 December 2012 the Parent Company has a wholly owned subsidiary Jugopetrol Trebinje d.o.o. (hereinafter also refered to as "JPT" or "the Subsidiary") founded in 2003 and headquartered in Trebinje, Bosnia and Herzegovina. JPT, operating three petrol stations in Bosnia and Herzegovina, has failed to produce desired results and the Group offered the petrol stations to Oktan-promet d.o.o. Bijeljina (Buyer), a company that operates a network of petrol stations in Bosnia and Herzegovina. In December 2012 it was agreed that Oktan-promet d.o.o. Bijeljina will purchase the petrol stations for EUR 500.000 and the amount was paid in February 2013. The Buyer agreed to take over sales and distribution employees (so the JPT will not have to compensate them) while only administrative employees (three of them) will have to be compensated. During March 2013 stocks of fuels, lubricants and NFR products were taken over and the Buyer also agreed to assist in collecting the receivables. Closing down JPT will be continued during 2013 and the subsidiary will be "dormant" until all legal procedures are completed.

As of 31 December 2012, the the Parent Company and the Subsidiary (hereinafter also referred to as "the Group") employed 270 employees (2011: 275 employees).

The Parent Company's shares are traded on Montenegroberza Stock Exchange .

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 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 Financial Reporting Standards (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).

The Group 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 Montenegro", 44/07 and "Official Gazette of Montenegro", 33/10).

Due to the statutory requirements described above, 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 and IAS 7 "Cash Flow Statement".

2. Summary of significant accounting policies (continued)

- The preparation of financial statements requires management to exercise its judgment in the process of applying the Group'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.
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The Group is preparing the financial statements on a going concern basis.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards and interpretations became effective for the Group from 1 January 2012:

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.

Other revised standards and interpretations effective for the current period. 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, did not have any impact on these financial statements. The amendment to IAS 12 "Income taxes", which introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, did not have a material impact on these consolidated financial statements.

(b) New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2013, and which the Group has not early adopted

IFRS 9, Financial Instruments - I: Classification and Measurement. IFRS 9, issued in November, 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.
- 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.

2. Summary of significant accounting policies (continued)

- 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.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted***IFRS 10, Consolidated Financial Statements*** (issued in May 2012 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

IFRS 11, Joint Arrangements, (issued in May 2012 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.

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2012 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.

IFRS 13, Fair value measurement, (issued in May 2012 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.

IAS 27, Separate Financial Statements, (revised in May 2012 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.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2012 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

Amendments to IAS 1, Presentation of Financial Statements (issued June 2012, 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 Group 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 2012, 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.

2. Summary of significant accounting policies (continued)

Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2012 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. ***Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32*** (issued in December 2012 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.

Improvements to International Financial Reporting Standards *(issued in May 2012 and effective for annual periods beginning 1 January 2013).* The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23 "Borrowing costs", retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual consolidated financial statements.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued in June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 1 "Consolidated Financial Statements". Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied.

Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards - Government Loans" (issued in March 2012 and effective for annual periods beginning 1 January 2013). The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This will give first-time adopters the same relief as existing preparers.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary.

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

2. Summary of significant accounting policies (continued)

2.2. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

The Management considers the business from a 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.

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.

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 (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 (do not exceed 3 years).

Right of use of land

Right of use of land is accounted for at cost and is not amortised as the Group expects ownership to be eventually transferred.

2. Summary of significant accounting policies (continued)

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 method 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 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).

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 27 and 28).

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. Summary of significant accounting policies (continued)

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 Financial assets

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) Other long term investments

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.

(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.

2. Summary of significant accounting policies (continued)

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:

  - Adverse changes in the payment status of borrowers in the portfolio; and
  - National or local economic conditions that correlate with defaults on the assets in the portfolio.

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 Group 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. Summary of significant accounting policies (continued)

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 (installations) and quarterly (on petrol stations). Inventory surpluses/losses are recognized in within "Other income/expense" in the income statement.

Inventories include advances to the suppliers for goods.

2.10 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.
Trade receivables are recognized initially at fair value and subsequently measured at amortized cost 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 recoverable amount. 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).

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) *Reserves*

Statutory reserves are recognized as 5% of the Parent Company's profit after tax based on decisions of the Board of Directors and the Shareholders' Assembly. This distribution was done in the period from 2001 to 2003, based on Companies law from 1996 which is not enforce anymore and it does not prescribes obligation to the companies to have legal reserves any more.

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

(c) *Revaluation reserves*

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

2. Summary of significant accounting policies (continued)

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.

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.

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. Refer to the Note 29

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. Add reference to Note 17.

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

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 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.

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.

1.17 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.

(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 the Group sells a product to the customer. Retail sales are usually in cash or by credit card.

2. Summary of significant accounting policies (continued)

(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.

2.18 Leases

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.

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, credit risk and liquidity risk. The Group's overall risk management program focuses on individual risk areas by addressing each class of risk individually.

Risk management is carried out by the Group's management under policies approved by the Ultimate Parent. 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, credit risk and investment of excess liquidity.

(a) *Market risk*

i. Foreign exchange risk

The Group operates and sells mainly in Montenegro and neighbouring countries. The Group is exposed to foreign currency risk in purchases and sales transactions and thereof arising short-term liabilities. 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.

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.

3. Financial risk management (continued)

(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. The Group has policies that limit the amount of credit exposure to any financial institution.

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. The Group uses internal ratings of credit quality, taking into account financial position of a customer, annual turnover, year-end balance, terms of payment, past experience and other factors. The utilization of credit limits is regularly monitored.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the 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 2012 the Group did not use any borrowings from the banks. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

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.

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.

4. Critical accounting estimates and judgments (continued)

(b) *Employee benefit schemes*

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 on the current market conditions.

(c) *Tax legislation*

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) *Litigations*

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 Group 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.

(c) *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 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.

(All amounts expressed in EUR, unless otherwise stated)

4. Critical accounting estimates and judgments (continued)

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

Impact on 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 a 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 income (revenue from services rendered, rental income, reversal of provisions etc) is not included in reportable operating segments and are presented in the column "Other income" in the following table:

	2012	**2011**	**2012**	**2011**	**2012**	**2011**
	Retail		**Wholesale**		**Other income**	
Revenue from sales	102,489,078	93,382,721	98,145,137	101,363,202	1,456,166	1,703,234
Costs ofsales	85,507,625	76,554,475	91,661,104	93,302,193	-	-
Gross margin	**16,981,453**	**16,828,246**	**6,484,033**	**8,061,009**	**1,456,166**	**1,703,234**

	2012	**2011**
Revenues from sales of goods in domestic markets	**163,795,321**	**162,534,038**
Sale of fuel	155,331,720	155,010,890
Sale of LPG	705,719	825,073
Sale of lubricants	599,036	571,970
Sale of merchandise	7,108,947	6,047,296
Sale of services	49,900	78,809
Revenues from export sales (fuel)	**36,838,894**	**32,290,694**

(All amounts expressed in EUR, unless otherwise stated)

6. Intangible assets

	Software and Licences	Right of Use of Land	Total
Year ended 31 December 2011			
Opening net book amount	417,764	4,852,604	5,270,366
Additions	7,586	-	7,586
Amortization	(30,830)	-	(30,830)
Closing net book amount	394,519	4,852,604	5,247,122
Year ended 31 December 2011			
Cost	744,914	4,852,604	5,597,518
Accumulated amortization	(350,395)	-	(350,395)
Net book amount	394,519	4,852,604	5,247,122
Year ended 31 December 2012			
Opening net book amount	394,519	4,852,604	5,247,123
Additions	134,694	-	134,694
Amortization charge	(30,725)	-	(30,725)
Closing net book amount	498,488	4,852,604	5,351,092
Year ended 31 December 2012			
Cost	879,608	4,852,604	5,732,212
Accumulated amortization	(381,120)	-	(381,120)
Net book amount	498,488	4,852,604	5,351,092

The right of use of land at Installation Bar, Kotor 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 the 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.

(All amounts expressed in EUR, unless otherwise stated)

7. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Construction in progress (CIP)	Total
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	103,263,898
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
Year ended 31 December 2012					
Opening net book amount	21,348,684	16,870,825	5,911,855	826,800	44,958,164
Additions	198,243		93	2,179,767	2,378,103
Transfer from CIP		646,881	533,149	(1,180,030)	-
Disposals	(171,323)	(120,089)	(652,082)	(3,325)	(946,819)
Depreciation charge		(1,923,436)	(619,229)		(2,542,665)
Closing net book amount	21,375,604	15,474,181	5,173,786	1,823,212	43,846,783
Year ended 31 December 2012					
Cost	21,375,604	56,631,634	24,864,731	1,823,212	104,695,181
Accumulated depreciation	-	(41,157,453)	(19,690,945)	-	(60,848,398)
Net book amount	21,375,604	15,474,181	5,173,786	1,823,212	48,699,783

(All amounts expressed in EUR, unless otherwise stated)

8. Long-term financial assets

a) Investments

	2012	2011
Investment in joint venture	2,349	2,349
Available for sale financial assets	1,160,572	1,298,620
Total	**1,162,921**	**1,300,969**

b) Available for sale financial assets

The changes in the fair value of available for sale financial assets in 2011 are as follows:

	2012	2011
Balance as at 1 January	1,298,619	1,238,451
Fair value adjustment	(73,862)	60,168
Sale of available for sale financial assets	(64,185)	
Balance as at 31 December	**1,160,572**	**1,298,619**

During the year there was sale of of shares of companies CMC and Jadransko brodogradilište. Gains and losses that arose from this sale amount eur14,188 and eur60,182 respectively (Notes 27. and 28.).

9. Other long-term investments

Other long-term investments include:

	2012	2011
Prepaid employee benefits	813,769	316,861
Housing loans to employees	1,192,177	1,660,957
Housing loans, total	**2,005,946**	**1,977,818**

Movements in the housing loans given to employees are as follows:

	2012	2011
As at 1 January	1,977,818	1,263,074
New loans granted	289,215	971,923
Repayments	(239,545)	(161,721)
Less: Short-term portion of housing loans	(21,542)	(95,458)
As at 31 December	**2,005,946**	**1,977,818**

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. EURIBOR is yearly rate calculated and like that represents floating rate.

Maturity of receivables from housing loans is as follows:

	2012	2011
More than 1 year	2,005,946	1,977,818
Up to 1 year	237,631	216,089
Total	**2,243,577**	**2,193,907**

(All amounts expressed in EUR, unless otherwise stated)

10. Financial instruments by category

	Loans and receivables	Available for sale	Total
As at 31 December 2011			
Assets as per Balance Sheet			
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**

	Loans and receivables	Available for sale	Total
As at 31 December 2012			
Assets as per Balance Sheet			
Available-for-sale financial assets	-	1,160,572	1,160,572
Housing loans to employees	1,192,177	-	1,192,177
Trade and other receivables	14,583,343	-	14,583,343
Short term financial investments	2,765,146	-	2,765,146
Cash and cash equivalents	9,112,384	-	9,112,384
Total	**27,653,049**	**1,160,572**	**28,813,621**

	Loans and receivables	Other financial liabilities	Total
As at 31 December 2012			
Liabilities as per balance sheet	**-**	3,871,562	3,871,562
Total	-	**3,871,562**	**3,871,562**

11. Inventories

	2012	2011
Goods for resale-wholesale	12,281,246	16,304,966
Goods for resale-retail	3,847,500	3,926,682
Spare parts	458,735	644,039
Advances to suppliers	6,390,265	2,924,476
Goods in transit	2,166,222	-
Inventories, total	**25,143,968**	**23,800,163**

(All amounts expressed in EUR, unless otherwise stated)

12. Receivables

	2012	2011
Trade receivables	17,087,014	19,081,862
Less: provision for impairment of trade receivables	(2,931,556)	(2,963,350)
Trade receivables - net	14,155,458	16,118,512

	2012	2011
Domestic trade receivables	14,945,734	15,999,791
Foreign trade receivables	2,141,280	1,937,214
Receivables from related parties (Note 32)	-	236,411
Trade receivables, total	**17,087,014**	**18,173,416**
Prepaid VAT	148,207	4,004,692
Receivables from government agencies	28,685	42,680
Advances to suppliers	24,770	24,770
Prepaid expenses	38,171	35,281
Receivables from employees	22,257	15,103
Other receivables	158,659	143,055
Receivables from bank guarantees	-	550,000
Receivables from insurance companies	7,136	7,100
Other receivables, total	**427,885**	**4,822,681**
Receivables, total	**17,514,899**	**22,996,097**
Provision for impairment domestic	(2,667,776)	(2,697,314)
Provision for impairment foreign	(263,780)	(266,036)
Provision for impairment	**(2,931,556)**	**(2,963,350)**
Receivables, net	**14,583,343**	**20,032,747**

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

	2012	2011
As at 1 January	2,963,351	3,046,594
Provision for receivables impairment (Note 28)	348,441	309,607
Written off as uncollectable	(270,278)	
Reversal of provision (Note 27)	(109,958)	(392,850)
As at 31 December	**2,931,556**	**2,963,351**

Provision for impaired receivables is included within other expenses, and reversal of provision is included in other income (notes 27 and 28). There are EUR 5,147 that represent direct write off of receivable which together with EUR 546,593 makes total provision expense of EUR 551,740. (Note 28)

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. All receivables are denominated in EUR as at 31 December 2012 and 2011.

Credit quality of receivables

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

Trade receivables	**2012**	**2011**
Group 1	123,404	142,831
Group 2	14,032,054	15,067,234
Total	**14,155,458**	15,210,065

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.

Maturity of trade receivables is as follows:

Trade receivables	**2012**	**2011**
Up to 3 months	9,445,568	11,617,747
3 to 6 months	673,548	555,737
More than 6 months	6,967,898	5,999,931
Total	**17,087,014**	**18,173,415**

Structure of receivables over 6 months is as follows:

Trade receivables over 6 months	**2012**	**2011**
State Companies	643,067	479,021
Municipalities	53,544	163,830
Private Petrol Stations	222,034	289,159
Other	6,049,253	5,067,921
Total	**6,967,898**	**5,999,931**

The Group has made no provisions for the receivables related to State owned companies and Municipalities as those receivables are collected from the Budget and the Group recognizes no risk for collection of outstanding debt. The whole amount of EUR222,034 referring to Private Petrol Station receivables has been provided for. Out of EUR6,389,475 of other receivables outstanding debt the Group made provisions in total amount of EUR2,304,598 as at 31 December 2012.

(All amounts expressed in EUR, unless otherwise stated)

13. Short-term financial investments

	2012	2011
Short-term financial investments		
Short-term portion of housing loans	237,631	216,089
Term deposits with Prva Banka	2,500,000	-
Interest receivables on term deposits	27,515	-
Total	**2,765,146**	**216,089**

Out of total amount of short-term deposit with Prva Bank EUR2,000,000 is twelve months deposit with annual interest rate of 5,9% and 500,000 EUR is six months deposit with 4,5% annual interest rate. Maturity of the EUR2,000,000 deposit is in April 2013 and of the EUR500,000 in June 2013.

14. Cash and cash equivalents

	2012	2011
Treasury and cash registers of retail outlets	428,059	430,171
Bank account	8,684,325	6,272,946
Total	**9,112,384**	**6,703,117**

	2012	2011
Cash at bank		
Crnogorska Komercijalna banka	4,789,614	1,318,309
Prva banka Crne Gore	1,213,868	2,681,315
Podgorička banka	1,694,631	1,890,142
Hipotekarna banka	554,103	172,568
NLB	374,740	151,433
Unicredit Banka AD Banja Luka	57,369	59,179
Total	**8,684,325**	**6,272,946**

Current accounts with commercial banks earn interest at weighted average deposit interest rate which was 2.78% per annum in December 2012 (2.78% per annum in December 2011).

15. Value added tax and accruals

	2012	2011
Value added tax payable	354,565	(13)
Prepaid expenses	63,193	24,302
Total	**417,758**	**24,289**

(All amounts expressed in EUR, unless otherwise stated)

16. Equity

	Share capital	Reserves	Revaluation reserves	Retained earnings	Total
As at 01.01. 2011	67,986,605	6,349,534	185,834	15,236,554	89,758,527
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	185,834	15,236,554	89,758,527
Change in fair value of financial assets available for sale	-	-	60,168	-	60,168
Deferred tax	-	-	(5,415)	-	(5,415)
Profit for the year	-	-	-	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**	**240,587**	**15,915,940**	**91,092,666**
Effects of retroactive changes and material corrections and change in accounting politics					
Corrected state as at 01/01/2012	67,986,605	6,949,534	240,587	15,915,940	91,092,666
Change in fair value of financial assets available for sale			(73,862)		(73,862)
Deferred tax			6,648		6,648
Profit for the year				5,663,995	5,663,995
Transfer to other reserves		600,000		(600,000)	-
Paid dividends				(3,000,000)	(3,000,000)
Balance as at 31.12.20112	**67,986,605**	**7,549,534**	**173,373**	**17,979,935**	**93,689,447**

(All amounts expressed in EUR, unless otherwise stated)

16. Equity (continued)

16.1. Share capital

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

	Number Of shares	Percentage shareholding	31.12.2012
Hellenic Petroleum Int'l S.A.	2,529,489	54.35	36,951,534
Privatizacioni fond "MIG"	428,714	9.21	6,262,783
Fond zajednickog ulaganja "TREND"	277,711	5.97	4,056,886
HB Zbirni kastodi racun 3	240,372	5.16	3,511,426
Fond zajednickog ulaganja "ATLAS MONT"	136,101	2.92	1,988,204
CK - Zbirni kastodi racun 5	87,298	1.88	1,275,275
Nm - Zbirni kastodi racun 6	45,591	0.98	666,007
Crna Gora	1	0.00	15
Other legal entities	255,002	5.48	3,725,146
Individuals	653,692	14.05	9,549,329
Total	**4,653,971**	**100.00**	**67,986,605**

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

16.2. Reserves

	2012	2011
Housing fund	5,079,555	4,479,555
Statutory reserves	2,469,979	2,469,979
Reserves	**7,549,534**	**6,949,534**

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 Parent Company's statutory after tax profit starting from year 2001 up to 2003 (note 2.11 b) based on the previous Companies Law that prescribed obligation on allocating portion of after tax profit to legal reserves. In the mean time Company Law experienced changes and stipulations on obligatory/legal reserves are no more existing.

Housing funds

Based on the decision of the General Assembly, the Group allocates, as necessary, according to the Collective Agreement, 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:

	2012	2011
As at 1 January	4,479,555	3,879,555
Allocations for housing fund (note 9)	600,000	600,000
As at 31 December	**5,079,555**	**4,479,555**

(All amounts expressed in EUR, unless otherwise stated)

17. Long term provisions

Long term provisions include:

	2012	2011
Provision for retirement indemnities	804,288	860,240
Provision for jubilee awards	159,261	159,519
Provision for legal cases (note 32)	-	1,062,532
Total	**963,549**	**2,082,291**

The movement on long term provision account was as follows:

	Other benefits to the employees	Provisions for legal cases	Total
As at 01/01/2011	1,017,854	2,132,221	3,150,075
Credited to P& L	252,081	-	252,081
Used during the year	(250,180)	(1,069,689)	(1,319.870)
As at 31/12/2011	**1,019,759**	**1,062,532**	**2,082,291**
As at 01/01/2012	1,019,759	1,062,532	2,082,291
Charged to P& L	449,161	(13,616)	435,545
Used during the year	(505,371)	(1,048,916)	(1,554,287)
As at 31/12/2012	**963,549**	**-**	**963,549**

(a) Provision for long term employee benefits

In accordance with the Collective Agreement, the Group is obliged to pay the 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 benefits		Jubilee awards	
	2012	**2011**	**2012**	**2011**
Current service cost	56,407	42,126	15,241	36,011
Past service cost	377,513	188,940	-	(14,737)
Used during the year	(489,872)	(224,280)	(15,499)	(25,900)
Total	**(55,952)**	**6,790**	**(258)**	**(4,885)**

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

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

Financial assumptions

	2012	2011
Discount rate	3.70%	5.60%
Increase of average salary	0.50%	1%

As demographic assumptions appropriate Mortality and Disability tables are used.

(b) Provision for legal cases

Long term provisions for legal case (note 33) in the amount of EUR 1,000,000 raised by Dunav Insurance company from Serbia is closed during the year as it was executed by force, the amount of EUR 841.797 while the rest of the amount is recognized under other income (note 27).

(All amounts expressed in EUR, unless otherwise stated)

18. Trade payables

	2012	2011
Domestic trade payables	1,753,056	2,187,201
Foreign trade payables	389,305	318,710
Received advances	1,729,202	1,412,993
Other liabilities	0	99,933
Total	**3,871,563**	**4,018,837**

For disclosures about related parties, refer to Note 32.

19. Liabilities for VAT and other public revenues

	2012	2011
Liabilities for value added tax	57,289	285
Liabilities for excise	5,480,646	5,726,625
Other taxes and contributions	16,323	14,833
Total	**5,554,258**	**5,741,743**

20. Revenues

	2012	2011
Sales of goods	200,465,096	194,824,732
Other operating revenue	596,201	372,572
Total	**201,061,297**	**195,197,304**

For more details, refer to the Note 5 (Operating segment disclosure)

21. Other operating revenue

	2012	2011
Rental income	230,798	190,190
Other income	365,403	182,382
Total	**596,201**	**372,572**

22. Operating expenses

	2012	2011
Cost of goods sold	177,168,729	169,856,669
Cost of materials	1,520,389	1,372,929
Cost of salaries, fringe benefits and other personal expenses	5,810,569	5,772,693
Depreciation and provision	3,229,819	3,317,316
Other operating expenses	7,241,607	6,976,592
Total	**194,971,113**	**187,296,199**

(All amounts expressed in EUR, unless otherwise stated)

23. Other operating expenses

	2012	2011
Petrol station management fees (COMO)	2,846,761	2,787,716
Transportation cost	434,153	468,229
Telecommunications and postal expenses	231,093	140,674
Maintenance	595,749	647,726
Rental expense	262,377	174,203
Marketing expense	263,236	122,331
Third party's services	984,556	800,668
Training and seminars	15,480	9,305
Donations and sponsorships	175,317	81,431
Hospitality expenses	27,250	36,060
Insurance	36,295	105,331
Bank commissions and fees	345,638	441,928
Indirect taxes and contributions	549,988	676,994
Scholarships	17,578	19,718
Licenses	205,822	178,442
Other items	250,315	285,837
Total	**7,241,607**	**6,976,593**

In COMO operations system (Company owned/Management operated), 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 the Group 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.

Third party services mostly refers to the consulting services (EUR 582,721) and lawyers fees (EUR 211,294).

24. Financial income

	2012	2011
Interest income	294,590	148,975
Foreign exchange gains	140,101	43,521
Interest income on discounting of housing loans	97,753	-
Total	**532,444**	**192,496**

25. Financial expenses

	2012	2011
Interest expense	5,543	5,630
Foreign exchange losses	154,664	78,849
Other financial expense	328	16,019
Total	**160,535**	**100,498**

Decrease of foreign exchange losses is due to change in the invoicing currency by Hellenic Petroleum, from USD to EUR since April 2010. Since than, the billing account is carried out in EUR instead of USD.
Foreign exchange losses arises from sale of goods in foreign currencies.

(All amounts expressed in EUR, unless otherwise stated)

26. Other income

	2012	2011
Reversal of bad debt provision (note 13)	108,748	389,305
Diminution of liabilities	9,868	-
Reversal of long-term provisions (note 33)	171,609	401,474
Income from insurance	1,119	2,110
Gains on sale of PPE	282	12,400
Inventory surpluses	530,896	389,601
Gains on sale of available for sale financial assets	14,188	-
Previous years income	175,233	-
Other income	17,140	56,963
Total	**1,029,084**	**1,251,853**

27. Other expenses

	2012	2011
Provision for bad debts	354,158	320,117
Provision for investment in subsidiary	3,492,556	-
Loss on sale and disposal of fixed assets	115,398	39,211
Loss on sale of available for sale financial assets	60,182	
Write off of inventory	7,683	18,480
Inventory shortages	793,715	730,303
Penalties	9,798	46,292
Other items	225,280	27,526
Total	**5,058,772**	**1,181,929**

The provision for investment in subsidiary in the amount of EUR 3,492,556 is related to the investment in Jugopetrol Trebinje d.o.o. As the subsidiary has generated losses the investment is considered fully impaired. Subsequent to the date of these financial statements the subsidiary's assets have been sold (Notes 1, 34).

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

	2012	2011
Gross salaries and wages	4,126,317	4,153,408
Social security contributions – on behalf of employer	613,192	628,084
Food allowances	0	-
Transportation allowances	37,503	30,373
Winter food allowances	173,046	184,437
Social contribution to employees	39,501	34,836
Holiday allowance	0	190,995
Retirement indemnities and jubilee awards (Note 17)	449,161	293,208
Temporary staff costs	47,523	36,226
Travel expenses	120,911	127,562
Board of Directors' compensation	86,864	86,864
Personnel expense from discounting of housing loans	97,753	
Other personnel expenses	18,798	6,700
Total	**5,810,569**	**5,772,693**

(All amounts expressed in EUR, unless otherwise stated)

29. Income tax expense

	2012	2011
Current tax:		
Current tax on profit for the year	260,400	774,252
Current tax	**260,400**	**774,252**
Deferred tax:		
Arising from temporary differences for the year	(1,990)	9,390
Deferred tax	**(1,990)**	**9,390**
Total	**258,410**	**783,642**

Current tax

The tax on the Group'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:

	2012	2011
Profit before income taxes	2,432,405	8,063,028
Tax calculated at statutory tax rate – 9%	(218,916)	(725,673)
Tax effect of income not subject to tax and Expenses not deductible for tax purposes	(41,484)	(48,579)
Tax charge	(260,400)	(774,252)

Deferred tax

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

	2012	2011
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	81,594	90,232
- to be recovered within 12 months		-
Deferred income tax assets, net	41,939	33,301

The Group has a deferred tax asset of EUR 123,533 which it is carrying forward.

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

	2012	2011
At 1 January	33,301	48,106
Income statement charge	1,990	(9,390)
Tax (charged)/credited directly to equity	6,648	(5,415)
At 31 December	**41,939**	**33,301**

(All amounts expressed in EUR, unless otherwise stated)

29. Income tax expense (continued)

Deferred tax liabilities	Accelerated tax depreciation	Fair value gains	Total
At 1 January 2011	**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**
Charged/(credited) to the income statement	(1,990)		(1,990)
Charged directly to equity		(6,648)	(6,648)
At 31 December 2012	**64,448**	**17,146**	**81,594**

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.

30. Earnings per share and dividends per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Parent Company and held as treasury shares.
Dividends per share are calculated as dividends paid during the year divided by the weighted average number of ordinary shares.

	2012	2011
Profit attributable to equity holders of the Parent Company	2,106,781	7,334,140
Weighted average number of ordinary shares in issue	4,653,971	4,653,971
Basic and diluted earnings per share	0.45	1.56
Dividends paid	3,000,000	6,000,000
Weighted average number of ordinary shares in issue	4,653,971	4,653,971
Dividends per share	**0.64**	**1.29**

31. Related party transactions

The Group is ultimately controlled by Hellenic Petroleum S.A., a group incorporated in Greece, which owns 54.4% of the Parent Company's share capital through Hellenic Petroleum International S.A., a Group 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 Group 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	2012	2011
Eko Serbia, Belgrade	Group Company	Sales of oil products	-	740,522
Total			**-**	**740,522**

(All amounts expressed in EUR, unless otherwise stated)

31. Related party transactions (continued)

(b) Purchases of goods and services

	Relationship	Nature of Transactions	2012	2011
Hellenic Petroleum S.A.	Parent Company	Purchases of oil products	162,728,864	163,599,460
EKO ELDA ABEE	Group Company	Purchases of lubricants	354,097	318,291
HELPE International Consulting	Group Company	Consulting services	300,000	300,000
Asprofos Engineering S.A.	Group Company	Maintenance services	80,000	100,000
EKO Serbia	Group Company	Consulting services	139,133	78,416
Total			**163,602,094**	**164,336,167**

Sale and purchase of goods and services with related parties are made based on normal commercial terms in force with non-related parties (on arm-length basis).

(c) Year end balances arising

		2012	2011
Receivables from related parties			
EKO Serbia Beograd	Group Company	-	236,411
Total		**-**	**236,411**
Payables to related parties			
Hellenic Petroleum S.A.	Parent Company	(6,237,865)	(2,835,406)
EKO ELDA ABEE	Group Company	112,522	69,567
Asprofos Engineering S.A.	Group Company	30,000	-
EKO Serbia	Group Company	10,618	10,714
Total		**(6,084,725)**	**(2,755,125)**

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

(d) Key management compensation

	2012	2011
Salaries and other short-term benefits	784,296	711,137
Total	**784,296**	**711,137**

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 is treated in accordance with regulation (Labour Law, Personal Income Tax, General and Individual Collective Agreement, other regulations) which is applied to all other employees.

32. Commitments and contingencies

1. Dunav osiguranje˝ (Dunav insurance)

The court dispute with ˝Dunav osiguranje˝ Belgrade was completed on 7 February 2012. The Parent Company paid the amount of EUR 841,797 in accordance with the court decision.

2. State of Montenegro

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. The Government of Montenegro claims that they, as 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 the disputed assets is in the amount of EUR 3,085 thousand as at 31 December 2012.

After several years of litigation, the High Court has returned all three cases to the respective municipal courts. As at the date of signing these financial statements, the Municipal court in Bar rejected the lawsuit of the State of Montenegro while the disputes in relation with petroleum installations Lipci and Bijelo Polje are still underway.

3. Montenegrobonus doo Cetinje vs the Parent Company

The plaintiff initiated two claims against the Group:

- In the amount of EUR 11,024,960 where the Parent 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 Group and the Montenegro Government over the eventual ownership rights on the petrol installations described above.

- 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. As of 2010, this dispute is also suspended until the resolution of ownership rights over the disputed storage facilities

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

33. Events after the balance sheet date

As explained in Note 1, during February and March 2013 part of the assets of the Group's wholly owned subsidiary Jugopetrol Trebinje d.o.o. Trebinje have been transferred to Oktan-promet d.o.o. Bijeljina for a consideration of EUR 500.000.

There were no materially significant events that could have affected the accuracy of the financial statements after the closure of the books.