JUGOPETROL A.D., KOTOR

STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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GENERAL INFORMATION

Board of Directors
Stanitsas Gerasimos – President of the Board
Athanasopoulos Konstantinos – Executive director
Bogdanović Vesna – Member
Vučković Milan– Member
Radusinović Dragan – Member
Rajković Vuk – Member
Stylogiannis Georgios – Member

Company 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 (Nikšićka Banka)

Audit Company
PricewaterhouseCoopers doo
Brach office Podgorica
Rimski trg 50
81000 Podgorica
Montenegro

PricewaterhouseCoopers d.o.o.
Poslovni centar Kruševac
Cetinjski put bb
81000 Podgorica
Serbia and Montenegro
Telephone +381 (81) 234 890
+381 (81) 234 442
Facsimile +381 (81) 234 442

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying stand-alone financial statements of Jugopetrol a.d., Kotor (the "Company"), which comprise the balance sheet as of 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law on Accounting and Auditing of the Republic of Montenegro. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

PRICEWATERHOUSECOOPERS

Basis for Opinion

The Company recorded increases in the market value of available for sale financial assets as a fair value gain in the income statement. Such practice in our opinion is not in accordance with IAS 39- “Financial instruments- Recognition and Measurement” which would require such gains to be recognized in equity. Our Auditor’s Report on the financial statements for the year ended 31 December 2006 was modified accordingly. The financial statements for 2007 include adequate corrections in relation to this matter.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with the requirements of the Law on Accounting and Auditing of the Republic of Montenegro.

Emphasis of Matter

Without qualifying our opinion, we draw attention to:

(a) Note 26 to the financial statements, which disclose the fact that the Company is the defendant in a number of court proceedings. The ultimate outcome of these and other proceedings cannot presently be determined, and, other than described in that note, no provision for any liability that may result has been made in these financial statements.

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

PricewaterhouseCoopers

PricewaterhouseCoopers P.J.
Poslovni centar Kruševac
Cetinjski put bb
81000 Podgorica
The Republic of Montenegro

PREDUZEĆE ZA REVIZIJU, RAČUNOVODSTVENE, FINANSIJSKE I KONSALTING USLUGE D.O.O. PRICE WATERHOUSE COOPERS PODGORICA

Marica Aleksic
Statutory auditor

Podgorica, 27 March 2008

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(All amounts expressed in Euro, unless otherwise stated)

Income statement for the year ended 31 December 2007

	Notes	31.Dec.07	31.Dec.06
Revenue	5	164,705,760	147,191,173
Other income	6	1,536,538	5,722,280
Fuel and other goods cost		(138,379,387)	(124,909,433)
Spare parts and other materials		(456,973)	(530,984)
Energy expense		(1,095,811)	(967,635)
Maintenance		(525,824)	(391,351)
Staff cost	7	(9,592,409)	(10,535,879)
Depreciation and amortization	11,12	(2,883,608)	(3,442,940)
Other expenses	8	(5,070,748)	(8,060,716)
Operating profit		**8,237,538**	**4,074,515**
Finance income	9	2,948,339	2,154,951
Finance expenses	9	(434,978)	(563,041)
Finance income, net		**2,513,361**	**1,591,910**
Profit before income tax		**10,750,899**	**5,666,425**
Income tax expense	10	(984,952)	(422,325)
		(984,952)	**(422,325)**
Profit for the year		**9,765,947**	**5,244,100**
Earnings per share		2.06	1.28
Basic and diluted earnings per share		4,653,971	4,653,653

(All amounts expressed in Euro, unless otherwise stated)

Balance sheet as of 31 December 2007

	Notes	31.Dec.07	31.Dec.06
ASSETS			
Non-current assets	11	4,890,944	4,910,805
Intangible assets	12	37,104,483	37,591,051
Property, plant and equipment	13	3,522,991	3,522,991
Investment in subsidiary and joint ventures	14	2,615,330	1,594,834
Long-term financial investments	14	1,187,021	1,502,255
		49,320,769	**49,121,936**
Current assets			
Inventories	15	18,286,283	13,169,473
Trade and other receivables	16	15,075,339	14,504,330
Cash and cash equivalents	17	34,717,788	17,917,863
		68,079,410	**45,591,666**
Total assets		**117,400,179**	**94,713,602**
EQUITY			
Capital and reserves			
Share capital	18	67,986,606	67,986,605
Legal reserves	19	2,469,979	2,469,979
Other reserves	20	2,375,616	2,014,281
Revaluation reserves from AFS	21	1,581,674	-
Retained earnings		10,284,955	1,742,960
		84,698,830	**74,213,825**
LIABILITIES			
Non-current liabilities			
Long-term employee related liabilities	22	3,195,866	3,251,665
Long-term provisions	23	2,876,228	2,876,228
		6,072,094	**6,127,893**
Current liabilities			
Trade and other payables	24	26,629,255	14,371,884
		26,629,255	**14,371,884**
Total equity and liabilities		**117,400,179**	**94,713,602**

Authorized on behalf of the Board of Directors on 27th March 2008.

Stanitsas Gerasimos
President of the Board of Directors

(All amounts expressed in Euro, unless otherwise stated)

Statement of changes in shareholders' equity for the year ended 31 December 2007

	Share capital	Legal Reserves	Other Reserves	Revaluation reserves	Retained earnings/ Accumulated loss	Total
Balance at 1 January 2006	**67,986,605**	**2,469,979**	**1,950,214**	**-**	**(4,007,743)**	**68,399,055**
Impairment of LT financial assets	-	-	-	-	(60,038)	(60,038)
Loss included directly in retained earnings	-	-	-	-	(93,244)	(93,244)
Profit for the year	-	-	-	-	5,968,052	5,968,052
Transfer in other reserves	-	-	64,200	-	(64,200)	-
Employee payments	-	-	(133)	-	133	-
Balance at 31 December 2006	**67,986,605**	**2,469,979**	**2,014,281**	**-**	**1,742,960**	**74,213,825**
Balance at 1 January 2007	**67,986,605**	**2,469,979**	**2,014,281**	**-**	**1,742,960**	**74,213,825**
Correction for increased value of LT financial assets from 2006	-	-	-	647,200	(647,200)	-
Correction of Income tax return	-	-	-	-	(76,752)	(76,752)
Income from fair value before tax:						
- available for sale financial assets	**-**	**-**	**-**	934,474	**-**	934,474
Discounting of housing loans	-	-	(138,665)	-	-	(138,665)
Profit for the year	-	-	-	-	9,765,947	9,765,947
Allocation to employee housing fund	-	-	500,000	-	(500,000)	-
Balance at 31 December 2007	**67,986,605**	**2,469,979**	**2,375,616**	**1,581,674**	**10,284,955**	**84,698,830**

(All amounts expressed in Euro, unless otherwise stated)

Cash flow statement for the year ended 31 December 2007

	Notes	31.Dec.07	31.Dec.06
Cash flows from operating activities			
Net income before income taxes		10,750,899	6,313,625
Adjustment for:			
Depreciation and amortization	11,12	2,883,608	3,442,940
Loss on disposal of PP&E and materials, net	8	106,579	388,062
Change in long-term provisions	22,23	826,033	2,241,459
Bad-debt provision	8, 16	596,193	2,521,307
Write off of inventories change		(103,593)	-
Interest income		(1,199,115)	(397,578)
Operating profit before working capital changes		**13,860,604**	**14,509,815**
(Increase)/decrease in inventories	15	(5,116,810)	(2,434,725)
Decrease/(increase) in trade and other receivables	16	(571,009)	294,610
Decrease in trade and other payables	24	12,122,371	(956,783)
Cash generated from operations		**20,295,156**	**11,412,917**
Interest paid		(345)	(78)
Income tax paid	10	(608,808)	-
Payments for retirements and jubilee awards		(784,446)	(647,887)
Net cash generated from operating activities		**18,901,557**	**10,764,952**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(2,476,462)	(2,830,186)
Purchase of intangible assets	11	(6,205)	(60,463)
Proceeds from disposal of PP&E and materials		268,180	15,148
Interest received		1,197,775	470,896
Net cash used in investing activities		**(1,016,712)**	**(2,404,605)**
Cash flows from financing activities			
Proceeds from/(payments) of housing loans		315,231	122,814
Long-term investment		-	24,264
Equity dividends paid/(received)		-	(381)
Other		(84,220)	(666,385)
Net cash used in financing activities		**231,011**	**(519,688)**
Net increase in cash and cash equivalents		**18,115,856**	**7,840,659**
Foreign exchange gains/(losses)		(1,315,931)	(1,121,093)
Cash and cash equivalents at 1 January	17	17,917,863	11,198,297
Cash and cash equivalents at 31 December	**17**	**34,717,788**	**17,917,863**

1. General information

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

The Company is presently the main supplier of oil products in the Republic of Montenegro. Its main activities include wholesale of oil products through the operation of storage facilities at Bar and two airport fueling stations at Tivat and Podgorica as well as retail and distribution of oil products through the operation of thirty six petrol stations and three yachting fuel stations. The Company is also involved in the research and exploration for oil and natural gas through joint ventures with foreign partners. As of 31 December 2007, the Company employed 569 employees (2006: 571 employees).

The Company’s shares are traded on both Montenegrin stock markets.

These financial statements have been approved for issue by the Board of Directors on 27th March 2008.

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

Other than as described below, the financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS).The financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale assets, and are presented in Euro, except when otherwise indicated.

The Company has prepared these financial statements in accordance with the Law on accounting of Republic of Montenegro, which requires full scope of IFRS to be applied. Due to the difference between these two regulations, these financial statements differ from IFRS in the following respects:

1. Previous years errors are not reflected in 2006 financial statements but are recorded as 2007 opening retained earnings adjustments. See note 2.2.

   Adjustments identified during audit are included in these financial statements and will be booked in 2008.

The Company has also prepared consolidated financial statements in accordance with IFRS for the Company and its 100% owned subsidiary Jugopetrol d.o.o., Trebinje (the "Group"). Consolidated financial statements are presented together with these standalone financial statements on Board of Directors meeting. In the consolidated financial statements, subsidiary undertakings - which is the company in which the Group, directly or indirectly, has an interest of more than half of the voting rights, or otherwise has power to exercise control over the operations - have been fully consolidated.

2. Summary of significant accounting policies (continues)

The consolidated financial statements can be obtained from the Company. Users of these stand-alone financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2007 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole.

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

(a) *Standards, amendments and interpretations effective in 2007 and adopted by the Company*

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Company's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Company's financial statements.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognized in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Company's financial statements.

(b) *Interpretation early adopted by the Company*

IFRIC 11, 'IFRS 2 – Group and treasury share transactions', was early adopted in 2007. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the company's financial statements.

(c) *Standards, amendments and interpretations effective in 2007 but not relevant:*

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2007, but are not relevant to the Company's operations:

- IFRS 4, 'Insurance contracts';
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies'; and
- IFRIC 9, 'Re-assessment of embedded derivatives'.

2. Summary of significant accounting policies (continues)

(d) *Standards amendments and Interpretations to existing standards that are not yet effective and have not been early adopted by the Company*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the accounting periods beginning on or after 1 January 2008 or later periods, but the Company has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Company will apply IAS 23 (Amended) from 1 January 2009 but it is currently not applicable to the Company as there are no qualifying assets.

- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, ‘Disclosures about segments of an enterprise and related information’. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Company will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management.

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Company will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Company’s accounts.

(e) *Interpretations to existing standards that are not yet effective and not relevant for the Company’s operations*

The following interpretations to existing standards have been published that are mandatory for the Company’s accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Company’s operations:

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Company’s operations because the Company does not provide public sector services.

2. Summary of significant accounting policies (continues)

- IFRIC 13, 'Customer loyalty programs' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Company's operations because the Company does not operate any loyalty programs.

2.2 Prior year restatements

The Company's 2007 opening retained earnings were amended in order to reflect adjustments made based on unadjusted errors.

	Note	Capital
Retained earnings as reported in Balance sheet as of 31. Dec 2006.		1,742,960
Correction of fair value of AFS financial assets recognized as income		(647,200)
Correction of net tax liability		(76,752)
Retained earnings afer corrections, as of 1. jan 2007.		**1,019,008**

The effect of the restatements necessary in order to adjust for above mentioned errors would be as follows:

	2006 (as reported) EUR '000	*Fair value of AFS fin.assets*	*Net tax liability from 2006*	2006 (as restated) EUR '000
Profit for the year:	5,968,052	(647,200)	(76,752)	5,244,100
Profit for the year	**5,968,052**	**647,200**	76,752	5,244,100

Amount of Euro 647,200 is related to correction of fair values of available for sale financial instruments for the year 2006 that were previously recognized in profit.

The amount of Euro 76,752 refers to increase of tax liability for 2006 of € 135,000 (connected to provision of € 1,5 million, treated as tax deductible expense and not realized in 2007), and decrease of tax liability from 2006 for more calculated income tax of 58,248 € for increased value of AFS financial assets of € 647,200, recognized as income in Income statements for 2006. For above corrections, the Company made adjusted Income tax return for FY 2006 (Note 10.)

2.3 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Euro, which is the Company's functional and presentation currency.

2. Summary of significant accounting policies (continues)

(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

Computer software

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

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

2.5 Property, plant, and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost is based on independent appraisal performed in 1994, in connection with the Company's transformation from a public enterprise to a shareholding company, which was used as a deemed cost at transition to IFRS.

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 Company 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.

The Company does not borrow any funds and does not yet have an accounting policy regarding these costs.

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

Oil & gas storage installations	5%
Office buildings	5%
Petrol stations	5%
Trucks & automobiles	15%
Office furniture and equipment	20-30%

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

2. Summary of significant accounting policies (continues)

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 2.6).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Other income/expenses", in the income statement. (Notes 6 and 8)

2.6 Impairment of non-financial assets

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.

2.7 Investments in subsidiaries

Investments in subsidiaries and joint ventures are recognized at cost less accumulated impairment losses, if any.

2.8 Investments in joint ventures

Participation in joint ventures is recorded as foundation capital according to Joint Venture Contracts with foreign investors, from 1998 and 2000.

2.9 Long-term financial assets

The Company classified its financial assets in the following categories: loans and receivables and available-for-sale. 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.

(a) *Loans and receivables*

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

2. Summary of significant accounting policies (continues)

(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.

Regular purchases and sales of the investments are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are substantially carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the
security. The translation differences on monetary securities are recognized in profit or loss, while translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in equity.

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.

The fair values of quoted investments are based on current bid prices.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities 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 recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

2.10 Inventories

Cost of inventories of materials, spare parts and fixtures and fittings are stated at purchase cost determined on a weighted average method.

Inventories of goods for resale are determined on the basis of the average purchase cost. Average purchased cost of oil and other products includes import prices increased with other costs incurred in bringing the inventories to their present location and condition, such as transportation, insurance, import duties and forwarding costs. Net realizable value is the estimated selling price in the ordinary course of business less selling and distribution expenses.

2. Summary of significant accounting policies (continues)

The write off of inventories is done at the end of each month based on the results of the inventory counts on installations and petrol stations, where shortages and surpluses are identified (by quantity and value) and its value is recognized in other expenses.

2.11 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement impairment expenses. 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. The management provides for this purpose, on the basis of its internal estimations of debts collection.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with original maturity of three months or less.

2.13 Basic capital

(a) *Share Capital*

Ordinary and preference shares are classified as equity.

2.14 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate. The increase in the provision due to passage of time is recognized as interest expense.

2.15 Trade payables

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

2. Summary of significant accounting policies (continues)

2.16 Employee benefits

(a) *Pension obligations*

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

(b) *Other post-employment benefits- retirement indemnities*

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

(c) *Other long-term employee benefits - jubilee awards*

The Company provides jubilee awards. The entitlement to these benefits is usually conditional on the employee remaining in service up to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for other post-employment benefit schemes. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are immediately charged or credited to income statement.

(d) *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 Company 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 (continues)

2.17 Income taxes

Income taxes currently due are calculated and paid in accordance with the Montenegrin Tax Law (Official Gazette of Republic of Montenegro no.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 provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax, if it is not accounted for, arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.18 Revenue recognition

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

The Company 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 Company'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 Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The following specific recognition criteria must also be met before revenue is recognized.

(a) *Sales of goods – wholesale*

The Company sells fuel in the wholesale market. Sales of goods are recognized when the Company has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

2. Summary of significant accounting policies (continues)

(b) *Sales of goods – retail*

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

It is the Company's policy to sell its products to the end customer with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

(c) *Sales of services*

Rent income 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 Company 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.

2.19 Leases

(a) *Where the Company is the lesser*

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognized over the term of the lease on a straight-line basis.

(b) *Right of use of land*

The right of use of land at Installation Bar, Lipci and Air depo Tivat is regulated by „Law on Costal Zone Protection Area“ from 1992. Mentioned lands were acquired by purchase at end of 60-ties, beginning of 70-ties, and due to that time valid legal regulations (the question of public ownership), to Jugopetrol could not have been issued ownership certificate, but mentioned lands were of public ownership with right of use for Jugopetrol AD Kotor

Right of use of land is treated as an intangible asset. The intangible asset has an indefinite useful life and is subject to annual impairment testing.

3 Financial risk management

3.1 Financial risk factors

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

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

(a) *Market risk*

i. *Foreign exchange risk*

The Company operates and sells mainly in Montenegro and neighboring countries. The Company is exposed to foreign currency risk in purchases and sales and on its short-term liabilities. The Company purchases oil products in US dollars and sell them mainly in Euro and US dollar denominated prices. The Company does not hedge its foreign exchange exposure risk.

ii. *Price risk*

The Company has significant exposure on the commodity prices of oil. The Company largely offsets this exposure by passing on price increase to customers.

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

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's short-term investments included within cash and cash equivalents. The Company does not hedge its investments. Investments consist mainly of short-term bank deposits and government bonds to ensure liquidity.

(b) *Credit risk.*

The Company 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. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The Company has policies that limit the amount of credit exposure to any financial institution.

(All amounts expressed in Euro, unless otherwise stated)

3 Financial risk management (continues)

Credit risk is managed on company basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

The table below shows the credit limit and balance of the six major counterparties at the balance sheet date

		31 December 2007		31 December 2006	
Counterparty	**Rating**	**Credit limit**	**Balance**	**Credit limit**	**Balance**
Rokšped	A	540,000, 35 days	805,311	540,000, 35 days	303,021
Montenegro Petrol	B	220,000, 35 days	290,381	220,000, 35 days	243,840
Euro Pact	C	1,540,000, 45 days	1,329,627	540,000, 45 days	412,838
Rudnik Uglja	D	500,000, 60 days	782,517	500,000, 60 days	657,387
Montenegro Airlines	E	300,000	811,474	300,000	611,083
Montenegro Bonus	F	60 days	3,097,726	60 days	2,441,839
			7,117,036		**4,670,008**

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

All counterparties are companies from Montenegro which have not been subject to any internationally recognised rating agency, therefore Company made internal rating considering the following criteria: annual turnover, end balances, payment terms and guarantees coverage and past cooperation experience, and rating are from A to F.

The balances of customer rated from A-D, which exceeded credit limit, are immature, and covered with bank guarantees. Customers ranked from A-C are private petrol stations' with which Company has general credit policy (applied to all private petrol stations customers), according to credit limit which is set per each petrol station separately. Rudnik Uglja. is Public Utility Company, with regular payment schedule. Montenegro Airlines is state owned national airline company, whose balances are settled through Budget.

Montenegro Bonus outstanding debt refers to current receivables balance from fuel sale (2007: 1,393,233 EUR; 2006: 866,601 EUR) fully covered with bank guarantees. Remaining debt concerns rendered services (2007: 1,704,493 EUR; 2006: 1,575,238 EUR), under court procedure, but fully provided through financial results.

3 Financial risk management (continues)

According to pre-court agreement, Company expects extraordinary income, from outstanding debt collection for services, of approx. 1,000,000 EUR.

Management does not expect any losses from non-performance by presented counterparties

(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.

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. In 2006 and 2007 the Company did not use any borrowings from the banks. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

Company did not have any borrowings (either current or non-current) as of December 31, 2007.

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 quoted market price used for financial assets held by the Company is the average quoted price.

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

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Company 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 Company'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 than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. This is a permanent Company's policy.

(b) *Other employee benefit schemes*

This is implemented in cases where the Company's policy is to recognize all actuarial gains and losses directly in Income statement.

The present value of the obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for other employee benefits include the expected discount rate. Any changes in these assumptions will impact the carrying amount of the obligations.

The Company 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 Company considers the 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 the terms of the related liability.

Other key assumptions for obligations for other employee benefits are based partially in the current market conditions. Additional information is disclosed in Note 22.

(c) *Tax legislation*

Montenegrin tax and customs legislation is subject to varying interpretations (Note 26).

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

(All amounts expressed in Euro, unless otherwise stated)

4 Critical accounting estimates and judgments (continues)

Value added tax

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

4.2. Critical judgments in applying the accounting policies

(a) *Impairment of fixed assets*

The Company 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 (Note 12).

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

The Company 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 Company 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.

5. Revenues

The Company operates under one business and geographical segment.

Domestic and foreign markets are considered as one regional segment, of the same economic environment, with no identified risk and returns as factors for different segment treatment.

	31.Dec.07	**31.Dec.06**
Sales of goods - retail	68,857,313	61,816,220
Sales of goods - wholesale	60,572,012	49,135,060
Sales of goods in domestic market	**129,429,325**	**110,951,280**
Sales of goods abroad	34,585,514	35,794,263
Sales of goods abroad	**34,585,514**	**35,794,263**
Services rendered	690,921	445,630
Services rendered	**690,921**	**445,630**
Total sales	**164,705,760**	**147,191,173**

Sales of goods on domestic market comprise retail sale of Euro 68.857.313 (2006: Euro 61,816,220) and wholesale of Euro 60.572.012 (2006: 49,135,060). Income from services mainly relates to the storage services of Euro 607.627 (2006: Euro 435,001)

(All amounts expressed in Euro, unless otherwise stated)

6. Other income

	31.Dec.07	**31.Dec.06**
Collected receivables previously written off (Note 15)	655,459	4,970,220
Fair value gains on available for sale financial assets	84,220	-
Inventory surpluses	402,316	409,877
Gains from sale of fixed assets	265,768	-
Gain from write off of liabilities	100,017	329,312
Other income	28,758	12,871
Other income, total	**1,536,538**	**5,722,280**

Collected receivables previously written off of Euro 655,459 mainly relates to collected debt from: Rudnici boksita Nikšić in amount of Euro 331,238 and Auro Ljubuški in amount of Euro 164,000. Other collected receivables previously written off for the year 2007 are showed in the table below:

	31.Dec. 2007
Rudnici boksita -Nikšić	331.238
Auro - Ljubuški	164.000
Komunalno stambeno - Podgorica	48.650
Nacional - Berane	40.178
Prevozkomerc - Podgorica	30.124
Other customers	41,269
Total	**655,459**

7. Staff costs

	31.Dec.07	**31.Dec.06**
Gross salaries and wages	5,435,783	5,521,334
Social security contributions – employer' portion	1,175,721	1,219,978
Food allowances	649,854	690,416
Transportation allowances	246,644	294,061
Winter food allowances	461,040	495,720
Holiday allowances	478,506	508,685
Humanitarian assistance to employees	136,400	112,200
Unused holidays	85,317	98,327
Retirement indemnities and jubilee awards (Note 22)	679,486	1,351,047
Temporary staff' costs	107,253	54,729
Board of Directors' compensation	96,096	37,623
Other personnel expenses	40,309	151,759
Staff costs, total	**9,592,409**	**10,535,879**

(All amounts expressed in Euro, unless otherwise stated)

8. Other expenses

	31.Dec.07	31.Dec.06
Provision for bad debts (Note 16)	577,488	2,353,186
Provision for legal cases	-	1,500,000
Indirect taxes and contributions	819,103	839,469
Inventory shortages	-	568,950
Fixed assets shortages	693,069	2,116
Bank commissions and fees	233,109	452,761
Transportation cost	397,472	256,671
Marketing and advertising	520,308	240,597
Operating license expenses	180,746	194,491
Write off of inventories and other receivables	37,733	-
Loss on sale of materials	1,090	186,207
Loss on sale and disposal of fixed assets	105,489	185,993
Telecommunications and postal expenses	183,696	184,785
Scholarships	157,330	172,682
Third party' services	381,373	166,743
Insurance	143,584	155,749
Travel expenses	158,652	130,724
Donations and sponsorships	170,186	129,291
Impairment of financial assets	44	-
Discounts	-	73,240
Representation expenses	120,947	38,372
Rental cost	69,803	29,700
Training and seminars	21,076	26,710
Penalties	25,583	12,110
Miscellaneous expenses	72,867	160,169
Other expenses, total	**5,070,748**	**8,060,716**

9. Financial income and expenses

	2007	2006
Interest income	1,197,775	470,896
Interest expense	(345)	(78)
Foreign exchange gains	1,750,564	1,684,055
Foreign exchange losses	(434,633)	(562,963)
	2,513,361	**1,591,910**

10. Income tax expense

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

	31.Dec.07	31.Dec.06
Profit before income taxes	10,750,899	5,666,425
Tax calculated at statutory tax rate – 9%	967,581	509,978
Expenses not deductible for tax purposes	17,671	239,019
Utilization of previously unrecognized tax losses	(300)	(326,672)
Tax charge	**984,952**	**422,325**

(All amounts expressed in Euro, unless otherwise stated)

10. Income tax expense (continues)

Movement on the account of Income tax liability

At 1 January	**345,573**
Tax paid	(663,654)
Adjustments for more paid tax	(58,248)
Adjustment for non deductible expenses	135,000
Income tax payable for 2007	984,952
Income tax payable	**743,623**

Deferred income tax assets and liabilities have not been recognized as no temporary difference arose and there have been no tax losses carried forward. As of 31 December 2007 the Company has completely used previously unrecognized tax losses.

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.

11. Intangible assets

	Total
At 1 January 2006	
Cost	5,047,563
Accumulated amortization and impairment	(172,174)
Net book amount	**4,875,389**
Year ended 31 December 2006	
Opening net book amount	4,875,389
Additions	60,463
Restatement of opening balance	2,133
Amortization charge	(27,180)
Closing net book amount	**4,910,805**
At 31 December 2006	
Cost	5,108,026
Accumulated amortization and impairment	(197,221)
Net book amount	**4,910,805**
Year ended 31 December 2007	
Opening net book amount	4,910,805
Additions	6,205
Restatement of opening balance	(26,066)
Closing net book amount	**4,890,944**
At 31 December 2007	
Cost	5,114,231
Accumulated amortization and impairment	(223,287)
Net book amount	**4,890,944**

Intangibles of Euro 4,852,604 relate to the right of use of land located along the Adriatic coast in the towns of Bar, Tivat and Lipci, which according to the Law on Land Ownership, is state owned. Other intangible assets comprise of software and licenses acquired from 2002.

(All amounts expressed in Euro, unless otherwise stated)

12. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Work in progress	Total
At 1 January 2006					
Cost	16,708,431	47,543,545	21,521,631	298,373	86,071,980
Accumulated depreciation	-	(29,302,684)	(16,348,059)	-	(45,650,743)
Net book amount	**16,708,431**	**18,240,861**	**5,173,572**	**298,373**	**40,421,237**
At 31 December 2006					
Opening net book amount	16,708,431	18,240,861	5,173,572	298,373	40,421,237
Additions	-	-	-	788,503	788,503
Transfer from CIP	-	354,799	158,990	(513,789)	-
Disposals	-	(8,469)	(194,329)	-	(202,798)
Other movements	-	241	(372)	-	(131)
Depreciation charge	-	(2,373,272)	(1,042,488)	-	(3,415,760)
Closing net book amount	**16,708,431**	**16,214,160**	**4,095,373**	**573,087**	**37,591,051**
At 31 December 2006					
Cost	16,708,431	47,660,180	20,352,356	573,087	85,294,054
Accumulated depreciation	-	(31,446,020)	(16,256,983)	-	(47,703,003)
Net book amount	**16,708,431**	**16,214,160**	**4,095,373**	**573,087**	**37,591,051**
At 31 December 2007					
Opening net book amount	16,708,431	16,214,160	4,095,373	573,087	37,591,051
Additions	-	-	-	2,476,462	2,476,462
Transfer from CIP	941,964	2,245	536,715	(1,480,924)	-
Disposals	(90,321)	-	(15,168)	-	(105,489)
Depreciation charge	-	(2,020,674)	(836,868)	-	(2,857,542)
Closing net book amount	**17,560,074**	**14,195,731**	**3,780,052**	**1,568,625**	**37,104,482**
At 31 December 2007					
Cost	17,560,074	47,579,474	20,745,456	1,568,625	87,453,629
Accumulated depreciation	-	(33,383,743)	(16,965,404)	-	(50,349,147)
Net book amount	**17,560,074**	**14,195,731**	**3,780,052**	**1,568,625**	**37,104,482**

The Company's depreciation charge for machinery and equipment in 2007amounts to Euro 2.646.143, while accumulated depreciation of disposed assets amounts to Euro 211.399, which results in total depreciation of Euro 2,857,542 for this category

The Company performed an impairment test as of 31 December 2007. The recoverable amount of each individual petrol station and installation was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate.

12. Property, plant and equipment (continues)

Key assumptions used for value-in-use calculations:

	Petrol stations	Installation Bar
Gross margin (Euro/m^3)- in 2007	103	37
Growth rate	2%	2%
Discount rate	12%	12%

Management determined the budgeted gross margin based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relation to the relevant cash generating units.

Installations in Lipci of Euro 2,895 thousands and Bijelo Polje of Euro 625 thousands are not in use. Based on the valuation of fixed assets performed during July 2006 by Danos & Associates Greece, the total value of fixed assets approximate to Euro 60 millions. Out of this amount the current market value of installations in Lipci and Bijelo Polje amounted to Euro 8,904 thousand and Euro 1,445 thousand, respectively.

13. Long-term financial assets

13.1 Equity investments

	2007	**2006**
Investments in subsidiary	3,518,293	3,518,293
Investments in joint ventures	4,698	4,698
Total	**3,522,991**	**3,522,991**

(a) *Investments in subsidiaries and joint ventures*

	Business	**Ownership**	**31.Dec.07**	**31.Dec.06**
Jugopetrol Trebinje d.o.o.	Sales of oil products	100%	3,518,293	3,542,556
Less: Impairment provision			-	(24,263)
			3,518,293	**3,518,293**
Star Petroleum Holding Ltd.	Oil and gas exploration	49%	2,349	2,349
Productoil, Kotor	Oil and gas exploration	49%	2,349	2,349
			4,698	**4,698**
Total			**3,522,991**	**3,522,991**

Jugopetrol Trebinje d.o.o., Trebinje (hereinafter also referred to as “JPT”) was established in June 2003 as a wholly owned subsidiary of the Company. JPT’s headquarters are located in Trebinje, Bosnia and Herzegovina and its main activity is the trading of oil products. the Company as the sole shareholder of JPT, approved the capital increase of JPT up to Euro 4 million until 31 December 2004 as required for investments in Jugopetrol Trebinje. JPK has invested Euro 742,556 and Euro 2,800,000 during the years ended 31 December 2003 and 2004, respectively, bringing its total investment to Euro 3,542,556 as of 31 December 2004. JPT has acquired three petrol stations in southern Bosnia and Herzegovina for Euro 3,350,000 (PS Lukavica in December 2003; PS Mrkonjic Grad in April 2004 and PS Sokolac in June 2004).

(All amounts expressed in Euro, unless otherwise stated)

13. Long-term financial assets (continues)

The Company has exploration rights offshore Montenegro. The exploration area (about 9.000 Km2) consists of three blocks. According to the provisions of the Contract on rights of exploration of oil and gas on land and offshore of Montenegro signed with the Government of the Republic of Montenegro at October 1995, The Company has signed the joint venture contracts with the foreign partners for exploration and production of oil. The joint venture companies use concession rights of the Company to conduct exploration activities. The contract duration is for 30 years (which could be extended if needed).

The Joint venture Agreement with Star Petroleum-England signed in 2000, covers the exploration and production in Blocks 1 and 2. On 2004 Star Petroleum assigned its interest to Medusa (Montenegro) and Hellenic Petroleum International AG so currently the interest percentage is the Company (49%), Medusa, Montenegro (40%) and HPI (11%). The Company together with its foreign partners has submitted to the Government of Montenegro a new exploration program and is waiting for its approval.

The Joint Venture Agreement with Medusa Oil and Gas which was signed in 1998, covers exploration in Block 3 and currently the interest percentage is JPK (60%) and Medusa Oil and Gas (40%). Both Medusa Oil and Gas and Medusa, Montenegro are subsidiaries of RAMCO- Energy PLC. In 2006 the Government of Montenegro has unilaterally terminated the Contract signed in 1995 concerning the Block 3 concession. The Company and its foreign partner have not accepted the Government decision and reserve all their legal rights.

Investments in subsidiary

	2007	2006
In shares	-	-
In stakes	3,518,293	3,542,556
Less: provision	-	(24,263)
Total	**3,518,293**	**3,518,293**

Movements on the account:

	2007	2006
Beginning of year	3,518,293	3,542,556
Share of (loss)/profit	-	-
Exchange differences	-	-
Other equity movements	-	-
Less: provision	-	(24,263)
End of year	**3,518,293**	**3,518,293**

Investments in joint ventures relates to:

Company	**2007**	**Participation %**
Meduza Oil	2,349	49
Productoil	2,349	49
Total	**4,698**	

(All amounts expressed in Euro, unless otherwise stated)

13. Long-term financial assets (continues)

Available-for-sale financial assets include the following:

	2007	2006
Listed securities:		
- Equity securities - Montenegro Stock Exchange		
Hipotekarna banka a.d., Podgorica	1,781,120	1,140,416
Lovcen osiguranje a.d., Podgorica	427,707	390,600
Niksicka Banka Montenegro a.d., Niksic	197,120	36,450
Jadransko Brodogradiliste a.d., Bijela	48,286	22,978
CMC a.d., Podgorica	16,563	4,077
Unlisted securities:		
Export drvo - Kolašin	28,496	28,496
Castello Montenegro - Pljevlja	265	313
Novi prvoborac - H. Novi	144,269	-
Velimir Jakic, Pljevlja	-	22,625

There were no disposals of available-for-sale financial assets in 2007.

For investments traded in active markets, fair value is determined by reference to the current market value at the close of business on 31 December, on Montenegro and Nex Stock Exchange.

Management could not reliably estimate fair value of its investment in shares of Export Drvo, Kolasin. The investment is carried at cost of EUR 28,496 (2006: EUR 28,496). The investee has not published recent financial information about its operations, its shares are not quoted and recent trade prices are not publicly accessible. Investment in shares of Export Drvo, Kolasin is impaired.

Available-for-sale financial assets are in following currencies:

	2007	2006
EUR	2,615,330	1.594.834

13.2 Financial instruments by category

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

	Loans and receivables	Available for sale	Total
31.Dec.06			
Available-for-sale financial assets	-	1,594,834	1,594,834
Trade and other receivables	14,504,330	-	14,504,330
Cash and cash equivalents	17,917,863	-	17,917,863
Total	**32,422,193**	**1,594,834**	**34,017,027**

(All amounts expressed in Euro, unless otherwise stated)

13. Long-term financial assets (continues)

	Loans and receivables	Other financial liabilities	Total
31.Dec.06			
Liabilities as per balance sheet	-	20,499,777	20,499,777
Total	**-**	**20,499,777**	**20,499,777**

	Loans and receivables	Available for sale	Total
31.Dec.07			
Available-for-sale financial assets	-	2,615,330	2,615,330
Trade and other receivables	15,075,339	-	15,075,339
Cash and cash equivalents	34,717,788	-	34,717,788
Total	**49,793,127**	**2,615,330**	**52,408,457**

	Loans and receivables	Other financial liabilities	Total
31.Dec.07			
Liabilities as per balance sheet	-	32,701,349	32,701,349
Total	**-**	**32,701,349**	**32,701,349**

13.3 Credit quality of financial assets

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

Trade receivables	**2007**	**2006**
Counterparts with internal credit rating		
Group 1[1]	748,160	904,030
Group 2[2]	11,284,129	10,460,430
Group 3[3]	4,958,401	4,850,898
Total gross trade receivables	**16,990,690**	**16,215,358**

In Group 1, The Company classifies credit cards sales in retail's operations, not older than 1 year, new private petrol stations' and foreign customers.

In Group 2. are included existing customers: private petrol stations' receivables, State and Municipality related customers and foreign customers (more than 1 year), with which Company do not have defaults or major breaking of Contractual terms.

In Group 3. Company includes State and Public customers that have delays in payments but without risk, as balances are settled through State Budget, excise and VAT compensations. In this group are also some partially or wholly privately owned companies with which there are some defaults in past, and for these outstanding receivables, Company fully provided (Note 16).

[1] Group 1 – new customers (less than 1 year)
[2] Group 2 – existing customers (more than 1 year) with no defaults in the past.
[3] Group 3 – existing customers (more than 1 year) with some defaults in the past. All defaults were fully recovered.

(All amounts expressed in Euro, unless otherwise stated)

13. Long-term financial assets (continues)

Cash at bank and short-term bank deposits (marked according to internally created estimation)		**2007**	**2006**
A	Montenegro Commercial Bank	17,085,573	11,497,964
AB	First Bank of Montenegro	10,437,645	3,415,306
ABC	NLB	567,642	631,449
ABCD	Hipotekarna Bank	221,610	2,358,144
ABCDE*	Podgorička Bank	6,390,318	-
Total cash & short term deposits		**34,702,788**	**17,902,863**

The rest of the balance sheet item 'cash and cash equivalents' is cash on hand, and deposits for business cards.

As there is no official independent rating of Banks, Company made their internal ranking, according to established and implemented practice in business cooperation with each of them. Criteria for internal ranking were based on following indicators: capital size of Banks, market coverage, lowest bank fees for domestic & international transactions, range of services, developed network branch in Montenegro, interest rates on short-term deposits, security for collection of day cash from petrol stations, cooperation on Company's credit card program which are guaranteed by Banks, etc.
Banks rated A.& AB. issue bank guaranties for JPK regarding excise and tax duties.
* Podgorička bank was used to split risk factor, as its major shareholder is recognized International Bank.

14. Long-term financial investments

	31.Dec.07	**31.Dec.06**
Available-for-sale financial assets	2,615,330	1,594,834
Other long-term financial assets	1,187,021	1,502,255
Total	**3,802,351**	**3,097,089**

Available-for-sale financial assets

	Business	**%**	**31.Dec.07**	**31.Dec.06**
Hipotekarna banka a.d., Podgorica	Bank	4,70	1,781,120	1,140,416
Lovcen osiguranje a.d., Podgorica	Insurance	0,96	427,707	390,600
Niksicka Banka Montenegro a.d., Niksic	Bank	0,14	197,120	36,450
Jadransko Brodogradiliste a.d., Bijela	Shipping	0,15	48,286	22,978
Export Drvo, Kolasin	Wood processing	2,45	28,496	28,496
Novi Prvoborac,Herceg Novi	Construction	1,05	144,269	-
Velimir Jakic, Pljevlja			-	22,625
CMC a.d., Podgorica		0,32	16,563	4,077
Castello Montenegro, Pljevlja		0,01	265	313
Subtotal			**2,643,826**	**1,645,955**
Less: Impairment provision				
Export Drvo, Kolasin			(28,496)	(28,496)
Velimir Jakic, Pljevlja			-	(22,625)
Subtotal			**(28,496)**	**(51,121)**
Total			**2,615,330**	**1,594,834**

(All amounts expressed in Euro, unless otherwise stated)

14. Long-term financial investments (continues)

Some available-for-sale investments include equity securities, which are not publicly or actively traded. Due to the nature of the local financial markets, it is not possible to obtain current market value for these investments. For other investments traded in active markets, fair value is determined by reference to the current market value at the close of business on 31 December.

Other long-term financial assets include:

	31.Dec.07	31.Dec.06
Housing loans to employees	1,306,947	1,476,207
Discounting of housing loans	(138,665)	-
Receivables from sold houses	18,739	26,048
	1,187,021	**1,502,255**

Movements in the housing loans and sold houses to employees are as follows:

	31.Dec.07	31.Dec.06
At 1 January	**1,502,255**	**1,625,069**
Discounting of housing loans	(138,665)	-
Repayments	(176,569)	(122,814)
At 31 December	**1,187,021**	**1,502,255**

15. Inventories

	31.Dec.07	31.Dec.06
Goods for resale-wholesale	14,657,359	9,888,125
Goods for resale-retail	3,076,123	2,648,621
Spare parts and consumables	546,508	592,635
Goods in transit	6,293	40,092
Inventories, total	**18,286,283**	**13,169,473**

(All amounts expressed in Euro, unless otherwise stated)

16. Trade and other receivables

	31.Dec.07	**31.Dec.06**
Domestic trade receivables	15,493,448	14,237,055
Foreign trade receivables	1,497,242	1,978,303
Receivables from related parties (24c)	761,016	1,038,274
Receivables from government agencies	38,588	121,065
Refundable VAT	62,766	54,484
Advances to suppliers	52,439	37,689
Prepaid expenses	15,409	33,358
Receivables from employees	12,627	32,460
Other receivables	55,534	31,016
Prepaid VAT	90,659	22,966
Receivables from insurance companies	9,369	9,389
	18,089,097	**17,596,059**
Less: Provision for impairment		
- domestic trade receivables	(2,689,213)	(2,720,211)
- foreign trade receivables	(324,545)	(371,518)
	(3,013,758)	**(3,091,729)**
Receivables, total	**15,075,339**	**14,504,330**

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

	2007	**2006**
At 1 January	**3,091,729**	**7,537,285**
Provision for receivables impairment (Note 8)	577,488	2,353,186
Reversal of provision (Note 6)	(655,459)	(4,970,220)
Write off	-	(1,828,522)
At 31 December	**3,013,758**	**3,091,729**

Additional provision for impaired receivables has been included under the other expenses in the income statement (Note 8). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

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

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2007, trade receivables of EUR 13,598,086 (2006: EUR 13,536,947) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2007	**2006**
Up to 3 months	13,198,141	13,012,064
3 to 6 months	399,945	524,883
Total	**13,598,086**	**13,536,947**

(All amounts expressed in Euro, unless otherwise stated)

16. Trade and other receivables (continues)

As of 31 December 2007, trade receivables of EUR 577,488 (2006: EUR 2,353,186) were impaired and provided for. The amount of the provision was EUR 3,013,758 as of 31 December 2007 (2006: EUR 3,091,729). The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2007	2006
3 to 6 months	570,061	2,303,593
Over 6 months	2,443,697	788,136
Total	**3,013,758**	**3,091,729**

The carrying amounts of the company's trade and other receivables are denominated in the following currencies:

	2007	2006
EUR	15,077,790	14,504,330
Total	**15,077,790**	**14,504,330**

17. Cash and cash equivalents

	31.Dec.07	31.Dec.06
Cash in hand	15,000	15,000
Current accounts	18,702,788	11,892,137
Short-term deposits	16,000,000	6,010,726
Total	**34,717,788**	**17,917,863**

Current accounts with banks earn interest at floating rates based on daily bank deposit interest rates.

Short-term deposits are placed with different maturity dates up to six months with the interest rate from 5.2% to 9.2%.

18. Share capital

The structure of the Company's share capital and shareholders as of 31 December 2007 is as follows:

	Number of shares	Percentage shareholding	31.Dec.07
Hellenic Petroleum Int'l S.A.	2,529,489	54.4%	36,951,534
Moneta Fund	51,780	1.1%	756,418
Euro Fund	311,606	6.7%	4,552,034
Trend Fund	278,955	6.0%	4,075,058
MIG Fund	303,606	6.5%	4,435,168
Atlas Mont Fund	174,468	3.7%	2,548,681
The Republic of Montenegro	1	-	15
Other legal entities	276,993	6.0%	4,046,397
Physical persons	727,073	15.6%	10,621,301
Total	**4,653,971**	**100.0%**	**67,986,606**

(All amounts expressed in Euro, unless otherwise stated)

18. Share capital (continues)

The Company's share capital comprises of 4.653.971 common shares with nominal value of Euro 14.6083 per share. In October 2002, Hellenic Petroleum International S.A. acquired 54.4% of the Company's share capital.

19. Legal reserves

Legal reserves of Euro 2,469,979 were formed based on the decision of the Board of Directors and the Shareholders' Assembly and represent 5% of the Company's statutory after tax profits starting from year 2001. This reserve may be used to cover future losses

20. Other reserves

(a) Housing fund

At the end of each financial year, the Company, based on the decision of the General Assembly, allocates, as necessary, a portion of its retained earnings to the housing fund. This fund is used for financing the purchase of flats and houses for the Company's employees and/or covers other expenses in relation to residential needs.

Changes in the other reserves were as follows:

	31.Dec.07	31.Dec.06
At 1 January	**2,014,281**	**2,014,281**
Allocation to housing fund	500,000	-
Discount of housing loans	(138,665)	-
At 1 January adjusted	**2,375,616**	**2,014,281**

21. Revaluation reserves from AFS

The movement on revaluation reserves accounts were as follows:

	2007	2006
Balance 1. January	**-**	**-**
Fair value gains on available for sale financial assets	934,474	-
Correction for gain from increase of fair value of available for sale financial assets from 2006	647,200	-
Balance as of 31. December	**1,581,674**	**-**

22. Long-term employee related liabilities

	2007	2006
Provision for retirement indemnities	2,421,215	2,168,397
Provision for jubilee awards	774,651	1,083,268
Total	**3,195,866**	**3,251,665**

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

(All amounts expressed in Euro, unless otherwise stated)

22. Long-term employee related liabilities (continues)

The initial actuarial valuation was carried out to measure the present value of the accrued benefits under these plans as of 31 December 2002. Subsequently, annual actuarial valuations were prepared.

The movement in the defined benefit obligation is as follows:

	Retirement		Jubilee awards	
	2007	**2006**	**2007**	**2006**
At 1 January	2,168,397	1,948,090	1,083,268	979,018
Opening adjustment	240,623	(329,312)	(240,623)	-
Current service cost	111,218	76,461	66,425	76,664
Interest cost	111,671	63,044	45,762	47,412
Actuarial losses/(gains)	(4,972)	(11,572)	40,850	(56,536)
Benefits paid	(507,484)	(443,974)	(221,031)	(203,913)
Extra payments or expenses	301,762	317,080	-	-
Prior year' adjustments	-	789,203	-	-
At 31 December	**2,421,215**	**2,409,020**	**774,651**	**842,645**

Amounts recognized in the income statement are as follows:

	Retirement		Jubilee awards	
	2007	**2006**	**2007**	**2006**
Current service cost	111,218	76,461	66,425	76,664
Interest cost	111,671	63,044	45,762	47,412
Net amortization	(4,972)	(11,572)	40,850	(56,536)
Prior year adjustment	-	789,203	-	-
Curtailment/Settlement	301,762	317,080	-	-
Direct payment for retirement	-	44,506	-	-
Direct expense of jubilee awards	-	-	6,770	4,786
Total	**519,679**	**1,278,721**	**159,807**	**72,326**

The principal actuarial assumptions used were as follows:

(a) *Financial assumptions*

	2007	**2006**
Discount rate	6,5%	5.6%
Increase of average salary	1,0%	1.0%
Individual pay increase	**Actual seniority increase**	

(b) *Demographic assumptions*

Mortality:	Men: standard table EVK2000 for males
	Women: standard table EVK2000 for females
Disability:	Men: standard table EVK2000 for males
	Women: standard table EVK2000 for females
Retirements:	At earliest possible age under Montenegrin law
Voluntary withdrawals:	No allowance
Unfair Dismissal:	No allowance

(All amounts expressed in Euro, unless otherwise stated)

23. Long-term provisions

Long-term provisions of Euro 2,876,228 (31 December 2006: Euro 2,876,228) completely relate to legal claims brought against the Company in previous years. This amount relates to the claim placed by the Yugoslav Federal Directorate for Commodity Reserves and Jugoskandik (Note 26).In the directors' opinion, after taking appropriate legal advice, the outcome of these and other legal claims will not give rise to any significant loss beyond the amounts provided as of 31 December 2007.

24. Trade and other payables

	31.Dec.07	31.Dec.06
Domestic trade creditors	1,079,981	861,027
Foreign trade creditors	72,810	24,404
Payables to related parties (note 25c)	15,383,418	6,304,692
Customer advances	458,066	431,685
Salaries and wages payable	202,675	204,796
Payroll taxes and contributions payable	238,068	276,126
Other liabilities to employees	109,613	258,673
Liabilities to the Board of Directors	1,867	2,357
Unused holidays	85,317	98,327
Excise and other duties payable	6,203,768	4,133,309
VAT payable on imports	1,381,342	842,391
Other taxes payable	496,014	428,895
Income tax payable	743,623	345,573
Other payables	114,693	109,140
Accrued expenses	58,000	50,489
Payables, total	**26,629,255**	**14,371,884**

25. Related party transactions

The Company is ultimately controlled by Hellenic Petroleum S.A., a company incorporated in Greece, which owns 54.4% of the Company's share capital through Hellenic Petroleum International S.A., a company incorporated in Austria. Since the acquisition date, Hellenic Petroleum has been the Company's exclusive supplier of oil products. EKO ELDA ABEE, a wholly-owned subsidiary of Hellenic Petroleum S.A., supplies the Company with lubricants. Furthermore, two other Group companies, Asprofos and ELPE Services Limited, both of which are wholly owned subsidiaries of Hellenic Petroleum S.A., provide the Company with various technical and management services. Jugopetrol Trebinje d.o.o. (JPT) is the Company's wholly owned subsidiary headquartered in Trebinje, Bosnia and Herzegovina. JPT purchases oil products from the Company which is resold through the three owned and operated petrol stations.

The following transactions were carried out with related parties:

(a) *Sales of goods and services*

	Relationship	Nature of transactions	31.Dec.07	31.Dec.06
Jugopetrol Trebinje	Subsidiary	Sales of oil products	342,582	1,620,927
Eko Yu, Belgrade	Group company	Sales of oil products	1,019,606	1,404,124
Eko Yu, Belgrade	Group company	Transport services	-	3,511
Global Petroleum SH	Group company	Sales of oil products	-	41,120
Total			**1,362,188**	**3,069,682**

(All amounts expressed in Euro, unless otherwise stated)

25. Related party transactions (continues)

Goods are sold based on the price lists in force and terms that would be available to third parties.

(b) Purchases of goods and services

	Relationship	Nature of transactions	31.Dec.07	31.Dec.06
Hellenic Petroleum S.A.	Parent company	Purchases of oil products	137,841,951	119,541,154
Hellenic Petroleum S.A.	Parent company	Insurance services	48,460	15,769
EKO ELDA ABEE	Group company	Purchases of lubricants	354,871	450,860
ELPE Services Limited	Group company	Consultancy services	50,000	-
Asprofos Engineering S.A.	Group company	Engineering services	15,789	10,704
Total			**138,311,071**	**120,018,487**

Goods and services are bought on normal commercial terms and conditions on the basis of the price lists in force with non-related parties.

(c) Year end balances arising from sales and purchases of goods and services

	Relationship	31.Dec.07	31.Dec.06
Receivables from related parties (Note 16)			
Jugopetrol Trebinje d.o.o.	Subsidiary	733,762	929,266
Helenic Petroleum (non trade debtors)	Parent company	26,267	16,167
Helenic Petroleum (losses over 0.5%)	Parent company	987	7,250
EKO YU A.D. Beograd	Group company	-	85,514
Global Petroleum SH	Group company	-	77
Total		**761,016**	**1,038,274**
Payables to related parties (Note 24)			
Hellenic Petroleum S.A.	Parent	15,231,061	6,142,402
EKO ELDA ABEE	Group company	127,357	162,290
ELPE Services Limited	Group company	25,000	-
Total		**15,383,418**	**6,304,692**

Receivables from related parties arise mainly from sale transactions and are due at normal commercial terms at the date of sales. Receivables are unsecured and bear no interest.
Payables to related parties arise mainly from purchase transactions and are due at normal commercial after the date of purchase. Payables bear no interest and no guarantees exist that are related to these transactions.

(d) Key management compensation

	2007	2006
Salaries and other short-term employee benefits	489,625	383,332
Total	**489,625**	**383,332**

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

26. Commitments and contingencies

(a) Legal cases

1. Jugoskandik d.d., Belgrade (in bankruptcy)

Based on effective Judgement of the Commercial Court, of Belgrade, dated 27.05.2005, Jugopetrol AD Kotor was obligated to bring back the quantity of 4,806,212 litres of Gasoline MB-98, and 261,446 litres of Gas Oil D-2, to Jugoskandik DD (in bankruptcy).

Jugoskandik initiated a procedure, before the Commercial Court, of Podgorica, for execution of effective judgement of the Commercial Court, of Belgrade. The Commercial Court, of Podgorica, with its judgement, I br. 1780/2006, dated 18.10. 2006, allowed the carrying out of the execution. Jugopetrol filed its appeal against this judgement, before the Appellate Court of Montenegro, which was turned down, as groundless.

It means, there is no legal possibilities for further conducting the proceedings, so it means that the proceedings has been completed, and that Jugoskandik is to be provided with the fuel, ascertained in the judgement, or the funds, through the out-of-court settlement.

Negotiations with Jugoskandik DD (in bankruptcy), regarding making an attempt for out-of-court settlement, are underway. Management made a provision for this case in 2006. (EUR 1,5 million).

2. Jugoskandik d.d., Sveti Stefan, Montenegro

The court procedure regarding to the Clients of Jugoskandik Sveti Stefan is underway, before the Municipal Courts, of Kotor and Bar. The court trial is being conducted regarding to the fuel, for which Jugoskandik DD Sveti Stefan, has already obtained the effective and executive judgement. Hence, this is the matter of claiming the same fuel. After giving effect to the judgement of the Belgrade Court, Jugopetrol will seek the attachment of the case, in dispute with the Clients of Jugoskandik DD Sveti Stefan, for the simple reason that the two legal entities may not be the owners of the same quantity of fuel.

The legal conditions for attachment of the case, before the Municipal Courts of Kotor and Bar, will be fulfilled, when Jugopetrol satisfies the requirements of Jugoskandik DD (in bankruptcy), in the way defined by the court ruling, i.e., delivering the fuel, or through the out-of-court settlement.

As the case Jugoskandik DD Sveti Stefan is directy in connection with the case Jugoskandik DD Belgrade (in bankruptcy), provision is not neccessary.

3. Insurance company Dunav osiguranje, Belgrade

This is a question of the court trial commenced before the Belgrade courts, in 1994. On 27.06.2007, the first instance court in its fifth hearing, handed down the judgement in favor of Dunav osiguranje, of Belgrade, by virtue of which Jugopetrol ought to have paid the amount of € 600,000. At the moment the case is in second instance appellate process, before the Higher Commercial Court, of Belgrade, based on the appeal of Jugopetrol AD Kotor. Hence, the judgement is not effective.

26. Commitments and contingencies (continues)

4. Montenegrobonus DOO Cetinje

On 29.09.2006, this Company was delivered the action at law, from the Commercial Court of Podgorica, in order to answer to the claims from the action at law. We have been claimed, from Montenegrobonus, to pay out the fantastic sum of € 11,024,964, with explanation that allegedly Jugopetrol has not allowed Montenegrobonus to use the capacities at Bar, Lipci and Bijelo Polje Petrol Installations, the then property of ex Federal Agency for Commodities reserves, of Belgrade.

Upon Jugopetrol AD Kotor being come out, on 06.08.2007, the Commercial Court, of Podgorica was being announced itself to be incompetent for determining in this legal case, and after the entering of the case into effect, it shall be given up to the Municipal Court of Kotor, as the competent court. As the case has not started yet in front of competent Court, Management estimates there is no risk of first instance judgement in 2008.

5. Montenegrobonus and the Government of the Republic of Montenegro

In 2004, the Commercial Court, of Podgorica issued the Interlocutory Injunction, in favor of Montenegrobonus DOO Cetinje, in order to store its goods at Bar, Lipci and Bijelo Polje Petrol Installations, in storage capacities, belonged to ex Federal Agency for Commodities reserves, of Belgrade. By the law, Montenegrobonus was obligated to initiate the court trials, and to substantiate its claims, and the justification of issuing the Interlocutory Injunction.

But, after a while, the Government of the Republic of Montenegro launched the charges against Jugopetrol and Montenegrobonus, so the Government claims the title over the storage capacities of ex Federal Agency for Commodities Reserves, of Belgrade. Due to aforesaid facts, all proceedings according to the charges of Montenegrobonus have been dismissed.

Acting in line with the charges of the Government of the Republic of Montenegro, the first instance Court, of Bijelo Polje, has disposed in the favor of the Government. After Jugopetrol lodged its appeal before the Bijelo Polje Higher Court, the first instance ruling was called off, and the case was given back to the first instance court, for reviewing of ruling.

It means, there is not any first instance judgement in this case, and the due processes are underway before the Municipal Courts, at Bar, Kotor, and Bijelo Polje – as the competent courts. The case is about ownership status; therefore, no provision is made.

6. The Plaintiff – the Ministry of Finance

The Fuel Oil of the then Federal Agency for Commodities Reserves, of Belgrade, the quantity of about 4,000 t, was put in storage, at Jugopetrols' Petrol Installations.
At the end of 90's, as per the order of the field Ministry, that was competent for business operations of Jugopetrol AD Kotor, it was given to the business organizations, of Montenegro. After the effectiveness of the Judgements of Belgrade courts, which were in favor of the Federal Agency for Commodities Reserves, the Commercial Court of Podgorica did not carry out the proceedings.

At the moment, the State of Montenegro, through its Ministry of Finance, that is competent for its real estate, brought an action, for putting into effect the charges,

26. Commitments and contingencies (continues)

before the Commercial Court of Podgorica, because allegedly it is the legal successor of the real estate of the then Federal Agency.

Management expects positive outcome of this court case in 2008.

7. The accused Montenegrobonus DOO Cetinje

From 2004, acting regarding to the Interlocutory Injunction of the Commercial Court, of Podgorica, Jugopetrol.has handled the Fuel Oil, the property of Montenegrobonus DOO Cetinje. So far, Montenegrobonus has not paid any consideration, for these affairs, so Jugopetrol has brought an action, before the Commercial Court of Podgorica, for the sum of 1,465,984.64 €.

The proceedings is underway, and on occasion of Legal Assessment made by a Court Expert, enlisted by the Commercial Court of Podgorica, in this legal case, Jugopetrol reduced its claim against Montenegrobonus DOO Cetinje, so the actual claim comes to € 887,733.10 + interest of € 152,827.00.

The Hearing, before the Commecial Court, of Podgorica, is scheduled for 27.02.2008.

Management expects positive outcome of this court case in 2008.

(b) Environmental matters

Environmental regulations are developing in Montenegro and the Company has not recorded any liability at 31 December 2007 for any anticipated costs, including legal and consulting fees, site studies, the design and implementation of remediation plans, related to environmental matters. Management do not consider the costs associated with environmental issues to be significant.

(c) Interest in joint ventures

There are no contingent liabilities related to the Company’s interest in the joint ventures, and no contingent liabilities of the venture itself.

27. Events after the balance sheet date

There are no material events after the balance sheet date that may affect the fairness of the accompanying financial statements.