

JUGOPETROL A.D., KOTOR

**STANDALONE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2008**

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

CONTENTS

Independent Auditor's Report	
General Information	
Income Statement	
Balance Sheet	
Statement of Changes in Equity	
Cash Flow Statement	
Notes to the Financial Statements	1-47

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying standalone financial statements of Jugopetrol a.d., Kotor (the "Company"), which comprise the balance sheet as of 31 December 2008 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 requirements of the Law on Accounting and Auditing 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.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with the Law on Accounting and Auditing of Montenegro.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to:

- (a) 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.
- (b) Note 25 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 cases 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.

Podgorica, 31 March 2009

PricewaterhouseCoopers d.o.o.

PricewaterhouseCoopers d.o.o. Podgorica
Poslovni centar Krusevac
Rimski Trg 50
81000 Podgorica
Republic of Montenegro



Marica Aleksić

Marica Aleksić
Licensed Auditor
License No. 46 issued
by Ministry of Finance of
Montenegro on 2 November 2007

JUGOPETROL A.D., KOTOR
Financial statements for the year ended 31 December 2008

GENERAL INFORMATION

Board of Directors

From 01.01.2008 to 30.04.2008.

Gerasimos Stanitsas, President of the Board

Konstantinos Athanasopoulos, member

Georgios Stylogiannis member

Vesna Bogdanović, member

Milan Vučković, member

Dragan Radusinović, member

Vuk Rajković, member

From 30.04.2008. to 31.12.2008.

Dr Michalis Myrianthis, President of the Board

Stamatia Psyllaki, member

Vasileios Panagopoulos member

Nikolaos Georgoudas, member

Periklis Venieris, member

Vuk Rajković, member

Dragan Radusinović, 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

JUGOPETROL A.D., KOTOR**Financial statements for the year ended 31 December 2008**

(All amounts expressed in Euro, unless otherwise stated)

Income statement for the year ended 31 December 2008

	Notes	31-Dec-08	31-Dec-07
Revenue			
Revenue	5	206,831,400	164,705,760
Other income	6	1,517,032	1,536,538
Revenue, total		208,348,432	166,242,298
Fuel and other goods cost		(181,976,583)	(138,379,387)
Spare parts and other materials		(521,255)	(456,973)
Energy expense		(1,248,961)	(1,095,811)
Maintenance		(602,346)	(525,824)
Staff cost	7	(9,125,823)	(9,592,409)
Depreciation and amortization	11,12	(2,438,485)	(2,883,608)
Other expenses	8	(6,369,126)	(5,070,748)
Expenses, total		(202,282,579)	(158,004,760)
Operating profit		6,065,853	8,237,538
Finance income	9	5,503,790	2,948,339
Finance expenses	9	(3,700,679)	(434,978)
Finance income, net		1,803,111	2,513,361
Profit before income tax		7,868,964	10,750,899
Income tax expense	10	(700,153)	(984,952)
		(700,153)	(984,952)
Deferred income tax	10	(18,130)	-
		(18,130)	-
Profit for the year		7,150,681	9,765,947
Earnings per share			
Basic and diluted earnings per share	22	1,69	2.06
Weighted average number of shares	22	4,653,971	4,653,971

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

JUGOPETROL A.D., KOTOR
Financial statements for the year ended 31 December 2008


(All amounts expressed in Euro, unless otherwise stated)

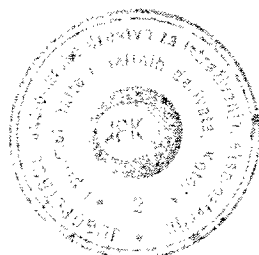
Balance sheet as of 31 December 2008

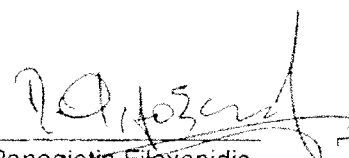
		<u>31-Dec-08</u>	<u>31-Dec-07</u>
ASSETS			
	Notes		
Non-current assets			
Intangible assets	11	5,478,707	4,890,944
Property, plant and equipment	12	38,312,023	37,104,483
Long term financial assets	13	3,522,991	3,522,991
Long term financial investments	14		
Available for sale financial assets	14.1	2,024,537	2,615,330
Other long-term financial assets	14.2	1,365,018	1,187,021
		50,703,276	49,320,769
Current assets			
Inventories	15	15,388,194	18,286,283
Trade and other receivables	16	17,509,315	15,075,339
Cash and cash equivalents	17	27,528,487	34,717,788
		60,425,996	68,079,410
Total assets		111,129,272	117,400,179
EQUITY			
Capital and reserves			
Share capital	18.1	67,986,606	67,986,606
Statutory reserves	18.2	2,469,979	2,469,979
Other reserves	18.3	3,114,281	2,375,616
Revaluation reserves from sale of AFS	18.4	901,172	1,581,674
Retained earnings	18.5	18,124,633	10,284,955
		92,596,671	84,698,830
LIABILITIES			
Non-current liabilities			
Long-term provisions	19	5,296,444	6,072,094
Deferred income tax liabilities	10	107,256	
		5,403,700	6,072,094
Current liabilities			
Trade and other payables	20	13,128,901	26,629,255
		13,128,901	26,629,255
Total equity and liabilities		111,129,272	117,400,179

Authorized on behalf of the Board of Directors on...31.03.2009.....

President of the Board of Directors


 Konstantinos Karachalios
 Executive Director




 Panagiotis Filoxenidis
 Finance Director

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

JUGOPETROL A.D., KOTOR
Financial statements for the year ended 31 December 2008

(All amounts expressed in Euro, unless otherwise stated)

Statement of changes in shareholders' equity for the year ended 31 December 2008

	Share capital	Reserves	Other reserves	Revaluation reserves	Retained earnings/ Accumulated loss	Total
Balance at 1 January 2007	67,986,606	2,469,979	2,014,281	-	1,742,960	74,213,825
Impairment of LT financial assets	-	-	-	647,200	(647,200)	-
Discounting of housing loans	-	-	(138,665)	-	-	(138,665)
Gain/(loss) included in retained earnings	-	-	-	-	(76,752)	(76,752)
Gains on fair value of AFS ,without taxation	-	-	-	934,474	-	934,474
Profit for the year	-	-	-	-	9,765,947	9,765,947
Allocation to employee housing fund	-	-	500,000	-	(500,000)	-
Balance at 31 December 2007	67,986,606	2,469,979	2,375,616	1,581,674	10,284,955	84,698,829
Balance at 1 January 2008	67,986,606	2,469,979	2,375,616	1,581,674	10,284,955	84,698,829
Opening balance adjustment (note 14)			138,665	184	(87,231)	51,619
Reversal of provisions					1,376,228	1,376,228
Loss on fair value of AFS, without taxation (note 17.3)				(591,559)		(591,559)
Deferred tax charged to equity (note 10)				(89,127)		(89,127)
Profit for the year					7,150,681	7,150,681
Allocation to employee housing fund (note 18.3)			600,000		(600,000)	0
Balance at 31 December 2008	67,986,606	2,469,979	3,114,281	901,172	18,124,633	92,596,671

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

JUGOPETROL A.D., KOTOR
Financial statements for the year ended 31 December 2008

(All amounts expressed in Euro, unless otherwise stated)

Cash flow statement for the year ended 31 December 2008

	Notes	31-Dec-08	31-Dec-07
Cash flows from operating activities			
Net income before income taxes		7,868,964	10,750,899
Adjustment for:			
Depreciation and amortization	11,12	2,438,485	2,883,608
Loss on disposal of PP&E and materials, net	8	152,070	106,579
Change in long-term provisions	19	1.000.000	826,033
Provision against receivables and collection of previously written off receivables, net	8, 6	235,315	596,193
Write off of inventories change		12,189	(103,593)
Inventory shortage / (surplus)		493,787	
Retirement indemnities and jubilee awards		(204,965)	
Foreign exchange (gain) / loss		(381,063)	
Interest income		(1,422,048)	(1,199,115)
Operating profit before working capital changes		10,192,734	13,860,604
(Increase)/decrease in inventories	15	2,898,089	(5,116,810)
Increase in trade and other receivables	16	(2,433,976)	(571,009)
Decrease in trade and other payables	20	(13,500,355)	12,122,371
Cash generated from operations		(2,843,508)	20,295,156
Interest paid		(236)	(345)
Income tax paid	10	(1,560,580)	(608,808)
Payments for retirements and jubilee awards		(194,457)	(784,446)
Net cash generated from operating activities		(4,598,781)	18,901,557
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(3,767,122)	(2,476,462)
Purchase of intangible assets	11	(617,388)	(6,205)
Proceeds from disposal of PP&E and materials		3,616	268,180
Interest received		1,422,284	1,197,775
Net cash used in investing activities		(2,958,610)	(1,016,712)
Cash flows from financing activities			
Proceeds from/(payments) of housing loans		(39,332)	315,231
Other		26,359	(84,220)
Net cash used in financing activities		(12,973)	231,011
Net increase in cash and cash equivalents		(7,570,364)	18,115,856
Foreign exchange gains/(losses)		381,063	(1,315,931)
Cash and cash equivalents at 1 January	17	34,717,788	17,917,863
Cash and cash equivalents at 31 December	17	27,528,487	34,717,788

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

JUGOPETROL A.D., KOTOR

Notes to the financial statements for the year ended 31 December 2008

(All amounts expressed in Euro, unless otherwise stated)

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 2008, the Company employed 566 employees (2007: 569 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

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 that financial statements are prepared in accordance with IFRS and all relevant rulings and decisions issued by Ministry of Finance of Montenegro. In particular we used Ministry of Finance ruling/decision number 04-2503/1 issued at 31 March 2009 when preparing these financial statements

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 2007 financial statements but are recorded as 2008 opening retained earnings adjustments. See note 2.2.

Adjustments identified during audit are included in these financial statements

2. Summary of significant accounting policies (continued)

2. The Company has not prepared consolidated financial reports that include financial statements of its subsidiary Jugopetrol Trebinje having on mind that, in accordance with the terms of Law on accounting and auditing of

Montenegro, consolidated financial reports for current year are presented by 30th June of following year. In accordance with the IFRS, stand alone financial reports of the Company who has the subsidiary are allowed only if consolidated financial reports are prepared and issued at the same time.

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) *Interpretations effective in 2008*

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the company's financial statements, as the company has a pension deficit and is not subject to any minimum funding requirements.

IFRIC 11, 'IFRS 2 – Group and treasury share transactions', 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.

(b) *Standards and amendments early adopted by the company*

IFRS 8, 'Operating segments', was early adopted in 2008. IFRS 8 replaces IAS 14, 'Segment reporting', 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. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

2. Summary of significant accounting policies (continued)*(c) Interpretations effective in 2008 but not relevant*

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the Company's operations:

- IFRIC 12, 'Service concession arrangements'; and

(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 and amendments to existing standards have been published and are mandatory for the accounting periods beginning on or after 1 January 2009 or later periods, but the Company has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise 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 (Amendment) retrospectively from 1 January 2009 but it is currently not applicable to the Company as there are no qualifying assets
- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The company will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The company will apply IFRS 2 (Amendment) from 1 January 2009, but is not expected to have a material impact on the company's financial statements

2. Summary of significant accounting policies (continued)

- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The company will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009, but is not expected to have any impact on the company's financial statements.
- IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements'(effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The company will apply IFRS 1 (Amendment) from 1 January 2009 as all subsidiaries of the company will transition to IFRS. The amendment will not have any impact on the company's financial statements.
- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009).The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The company will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The company will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.
- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The company will apply the

2. Summary of significant accounting policies (continued)

IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The company will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The company will apply the IAS 28 (Amendment) to impairment tests related to investment in subsidiaries and any related impairment losses from 1 January 2009.
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The company will apply the IAS 28 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.
- IAS 38 (Amendment), 'Intangible assets'(effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.
- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
 - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
 - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

2. Summary of significant accounting policies (continued)

- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
- IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent. The company will apply the IAS 19 (Amendment) from 1 January 2009.
- IAS 39(Amendment), 'Financial instruments: Recognition and measurement'(effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
 - This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
 - The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.
 - The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that IAS 39 is consistent with IFRS 8, 'Operating segments' which requires disclosure for segments to be based on information reported to the chief operating decision maker. Currently for segment reporting purposes, each subsidiary designates and documents (including effectiveness testing) contracts with company treasury as fair value or cash flow hedges so that the hedges are reflected in the segment to which the hedged items relate. This is consistent with the information viewed by the chief operating decision maker. See note 3.1 for further details. After the amendment is effective, the hedge will continue to be reflected in the segment to which the hedged items relate (and information provided to the chief operating decisions maker) but the company will not formally document and test this hedging relationship.
 - When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

The company will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the company's income statement.

2. Summary of significant accounting policies (continued)

- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The company will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the company's financial statements.
- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the company's accounts and have therefore not been analysed in detail.
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the company. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The company will apply IFRIC 16 from 1 January 2009. It is not expected to have a material impact on the company's financial statements.

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

The following interpretations *and amendments* to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Company's operations:

- IFRIC 13, 'Customer loyalty programmes' (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 none of the group's companies operate any loyalty programmes..
- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for- sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.

2. Summary of significant accounting policies (continued)

The amendment will not have an impact on the company's operations because none of the group's company's ordinary activities comprise renting and subsequently selling assets.

- IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement' is classified as held for sale under IFRS 5, 'Non-current assets held for sale and discontinued operations', IAS 39 would continue to be applied. The amendment will not have an impact on the company's operations because it is the company's policy for an investment in subsidiary to be recorded at cost in the standalone accounts of each entity.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement' only certain, rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'. The amendment will not have an impact on the company's operations because it is the company's policy for an investment in an associate to be equity accounted in the company's consolidated accounts .
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. The amendment will not have an impact on the company's operations, as none of the company's subsidiaries or associates operate in hyperinflationary economies.
- IAS 31 (Amendment), 'Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation' and IFRS 7 'Financial instruments: Disclosures'. The amendment will not have an impact on the company's operations as there are no interests held in joint ventures.
- IAS 38 (Amendment), 'Intangible assets', (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight line method. The amendment will not currently have an impact on the company's operations as all intangible assets are amortised using the straight line method.

2. Summary of significant accounting policies (continued)

- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have an impact on the company's operations, as there are no investment properties held by the company .
- IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. It requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the

2. Summary of significant accounting policies (continued)

- prohibition on taking into account biological transformation when calculating fair value. The amendment will not have an impact on the company's operations as no agricultural activities are undertaken.
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009). The benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20. The amendment will not have an impact on the company's operations as there are no loans received or other grants from the government .
- The minor amendments to IAS 20 'Accounting for government grants and disclosure of government assistance' and IAS 29, 'Financial reporting in hyperinflationary economies' IAS 40, 'Investment property' and IAS 41, 'Agriculture', which are part of the IASB's which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments will not have an impact on the company's operations as described above..
- IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009). The interpretation clarifies whether IAS 18, 'Revenue', or IAS 11, 'Construction contracts' should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. IFRIC 15 is not relevant to the company's operations as all revenue transactions are accounted for under IAS 18 and not IAS 11.

JUGOPETROL A.D., KOTOR

Notes to the financial statements for the year ended 31 December 2008

(All amounts expressed in Euro, unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.2 Prior year restatements

The Company's 2008 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 2007.		10,284,955
Correction of errors from 2007		(71,137)
Correction of net tax liability		(16,094)
Retained earnings after corrections, as of 1. Jan 2008.		10.197.724

The amount of Euro 71,137 comprises of invoices relate to FY 2006 and 2007 for billboards and for use of state land along the roads in amounts of Euro 29,137 and Euro 42,000 respectively

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

	2007 (as reported) EUR '000	2007 Errors	Net tax liability from 2007	2007 (as restated) EUR '000
Profit for the year:	9,765,947	(71,137)	(16,094)	9,678,716
Profit for the year	9,765,947	(71,137)	(16,094)	9,678,716

2. Summary of significant accounting policies (continued)

Amount of Euro 16,094 is related to expenses for FY 2006 and 2007 and was reflected as adjustments of 2008 opening retained earnings.

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.

(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. Summary of significant accounting policies (continued)

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.

Other intangibles

These intangibles are investments made at installation Bar for the building-slope protection, which is, in accordance with the Law on Land Ownership, state owned. These intangibles are recognised at cost including other direct attributable costs. Depreciation is calculated based on straight-line method during useful economic life (defined by contract signed with Morsko Dobro)

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.

2. Summary of significant accounting policies (continued)

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.

2. Summary of significant accounting policies (continued)

Land is not depreciated. Depreciation on other assets is calculated using the straight-line and the reducing-balance methods 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.

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

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

2.6 Investment property

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

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

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists, that investment properties may be impaired, the Company estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through profit or loss. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

2. Summary of significant accounting policies (continued)

2.7 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.

2.8 Investments in subsidiaries

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

2.9 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.

2.10 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.

(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.

2. Summary of significant accounting policies (continued)

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.

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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. Summary of significant accounting policies (continued)

2.11 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

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. Summary of significant accounting policies (continued)

2.12 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.

2.13 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.

2.14 Basic capital

(a) *Share Capital*

Ordinary shares are classified as equity.

2. Summary of significant accounting policies (continued)

2.15 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.

2.16 Trade payables

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

2.17 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

2. Summary of significant accounting policies (continued)

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.

2. Summary of significant accounting policies (continued)

(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.

2.18 Current and deferred income tax

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

Income taxes currently due are calculated and paid in accordance with the Montenegrin Tax Law (Official Gazette of Republic of Montenegro 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.

2. Summary of significant accounting policies (continued)

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, 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 only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

(All amounts expressed in Euro, unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.19 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.

(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.

(All amounts expressed in Euro, unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.20 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.

3. Financial risk management (continued)

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.

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

Counterparty	Rating	31 December 2008		31 December 2006	
		Credit limit	Balance	Credit limit	Balance
LUKOIL	A	630,000, 35 days	612,842	0	0
Montenegro Petrol	B	220,000, 35 days	238,114	220,000, 35 days	290,381
Euro Pact	C	2,630,000, 60 days	2,161,254	1,540,000, 45 days	1,329,627
Rudnik Uglja	D	500,000, 60 days	988,527	500,000, 60 days	782,517
Montenegro Airlines	E	440	844,278	300,000	811,474
Montenegro Bonus	F	-	3,403,671	60 days	3,097,726
			8,248,686		6,311,725

Irrelevant some credit limits were exceeded during the reporting period, 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.

3. Financial risk management (continued)

The balances of customer rated from A-D, which exceeded credit limit, are immature, and covered with bank guarantees (except Rudnik uglja and Montenegro airlines) . 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 by direct payment or through Budget.

Montenegro Bonus outstanding debt refers to current receivables balance from fuel sale (2008: 1,699,345 EUR; 2007: 1,393,233 EUR) fully covered with bank guarantees. Remaining debt concerns rendered services (2007: 1,704,493 EUR), under court procedure, but fully provided through financial results.

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 2007 and 2008 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, 2008.

3. Financial risk management (continued)

3.3 Fair value estimation

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

4. Critical accounting estimates and judgments (continued)

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.

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.

(c) Financial crisis

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

4. Critical accounting estimates and judgments (continued)

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the

necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

Impact on customers/ borrowers:

Debtors [or borrowers] of the Group may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers [or borrowers] may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management have properly reflected revised estimates of expected future cash flows in their impairment assessments.

Fair value of financial assets and liabilities (excluding financial assets and liabilities directly affected by the credit crunch (e.g. mortgage backed securities) for which specific disclosures would be required):

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

5. 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-08	31-Dec-07
Sales of goods - retail	93,640,785	68,857,313
Sales of goods - wholesale	84,974,963	60,572,012
Sales of goods in domestic market	178,615,748	129,429,325
Sales of goods abroad	27,693,589	34,585,514
Sales of goods abroad	27,693,589	34,585,514
Services rendered	522,063	690,921
Services rendered	522,063	690,921
Total sales	206,831,400	164,705,760

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2008**

(All amounts expressed in Euro, unless otherwise stated)

5. Revenues (continued)

Sales of goods on domestic market comprise retail sale of Euro 93.640.785 (2007: Euro 68.857.313) and wholesale of Euro 84.974.963 (2007: 60.572.012). Income from services comprises the storage services of Euro 508,962 and transport services of Euro 13,101 (Services rendered in 2007: Euro 690.921)

6. Other income

	31-Dec-08	31-Dec-07
Reversed provision for doubtful debtors (Note 16)	541,298	655,459
Fair value gains on available for sale financial assets		84,220
Inventory surpluses	496,686	402,316
Gains on sale of PPE	3,616	265,768
Write off of liabilities		100,017
COMO	300.24	
Other income	475,132	28,758
Other income, total	1,517,032	1,536,538

Other income include amount of Euro 427,643 that relates to resolve of provisions for jubilee awards in accordance with the actuarial findings (note 19a). The rest, in amount of Euro 47,489 is related to other non mentioned income.

Under a COMO operation system the provider of the services (as a separate legal entity) is performing the service of petrol station together with the accompanying equipment, owned by JUGOPETROL AD KOTOR , with the brand name and trademark of Jugopetrol AD Kotor, with the sole purpose of placing products and offering specified services, as an independent legal entity. For its services the provider is compensated at the end of each month in accordance with the contract signed with the Company.

Collected receivables previously written off of Euro 541.298 mainly relates to collected debt from: Staklenici-Podgorica in amount of Euro 224.996 and AD Petrol Banja Luka in amount of Euro 116.549. Other collected receivables previously written off for the year 2008 are showed in the table below:

	31-Dec-2008
Staklenici –Podgorica	224,996
AD Petrol –Banja Luka	116,549
Auro –Ljubuški	82,000
Kombinat aluminijuma –Podgorica	50,360
Krisma Bjelasica-Bijelo Polje	15,415
Alpi DeCo-	13,869
Other	38,109
	541,298

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2008**

(All amounts expressed in Euro, unless otherwise stated)

7. Staff costs

	31-Dec-08	31-Dec-07
Gross salaries and wages	5,640,198	5,435,783
Social security contributions – employer' portion	1,097,950	1,175,721
Food allowances	653,430	649,854
Transportation allowances	240,727	246,644
Winter food allowances	337,738	461,040
Holiday allowances	312,939	478,506
Humanitarian assistance to employees	34,156	136,400
Unused holidays	287,502	85,317
Retirement indemnities and jubilee awards (note 19a)	222,678	679,486
Temporary staff' costs	94,947	107,253
Board of Directors' compensation	101,219	96,096
Other personnel expenses	102,339	40,309
Staff costs, total	9,125,823	9,592,409

8. Other expenses

	31-Dec-08	31-Dec-07
Provision for bad debts (Note 16)	776,613	577,488
Provision for legal cases	1,000,000	-
Indirect taxes and contributions	873,260	819,103
Inventory shortages	990,473	
Fixed assets shortages		693,069
Bank commissions and fees	236,800	233,109
Transportation cost	593,524	397,472
Marketing and advertising	111,066	520,308
Operating license expenses	203,002	180,746
Write off	12,189	37,733
Loss on sale of materials	1,347	1,090
Loss on sale and disposal of fixed assets	150,723	105,489
Telecommunications and postal expenses	140,648	183,696
Scholarships	131,008	157,330
Third party' services	445,739	381,373
Insurance	143,587	143,584
Travel expenses	175,589	158,652
Donations and sponsorships	59,498	170,186
Impairment of financial assets		44
Representation expenses	52,289	120,947
Rental cost	73,950	69,803
Training and seminars	23,347	21,076
Penalties	17,200	25,583
COMO	10,471	
Miscellaneous expenses	146,803	72,867
Other expenses, total	6,369,126	5,070,748

This version of our report/ the accompanying documents is a translation from the original, which was prepared 26
in Montenegrin. All possible care has been taken to ensure that the translation is an accurate representation of
the original. However, in all matters of interpretation of information, views or opinions, the original language
version of our report takes precedence over this translation.

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2008**

(All amounts expressed in Euro, unless otherwise stated)

9. Financial income and expenses

	31-Dec-08	31-Dec-07
Finance income	1,422,284	1,197,775
Finance expense	(236)	(345)
Foreign exchange gains	4,081,506	1,750,564
Foreign exchange losses	(3,700,443)	(434,633)
	1,803,111	2,513,361

10. Current and deferred tax

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-08	31-Dec-07
Profit before income taxes	7,868,964	10,750,899
Tax calculated at statutory tax rate – 9%	708,207	967,581
Expenses not deductible for tax purposes	24,239	17,671
Utilization of previously unrecognized tax losses	(14,163)	(300)
Income tax	718,283	984.952

Movement on the account of Income tax liability

	Accelerated tax depreciation	Fair value gains	Total
At 1 January 2008			
Charged/(credited) to the income statement	18,130 -		18,130
Charged directly to equity	-	89,127	89,127
Exchange differences	-	-	
At 31 December 2008	18,130	89,127	107,257

Deferred income tax liabilities derive from accelerated tax depreciation and fair value gains in total amount of Euro 107.257. Amount of Euro 18,130 relates to accelerated tax depreciation charged to income statement, whilst the amount of Euro 89,127 related to fair value gains is directly charged to equity (revaluation reserves) (note 18.4)

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.

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2008**

(All amounts expressed in Euro, unless otherwise stated)

11. Intangible assets**At 1 January 2007**

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	-
Amortization charge	(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

Year ended 31 December 2008

Opening net book amount	4,890,944
Additions	617,388
Restatement of opening balance	-
Amortization charge	(29,625)
Closing net book amount	5,478,707

At 31 December 2008

Cost	5,731,619
Accumulated amortization and impairment	(252,912)
Net book amount	5,478,707

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. Amount of Euro 609,742 relate to right of use of slope protection in Bar Euro 464,760 and land in Podgorica Euro 144,983. Other intangible assets of Euro 269,273 comprise of software and licenses acquired from 2002.

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2008**

(All amounts expressed in Euro, unless otherwise stated)

12. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Construction in progress	Total
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)	0
Disposals	(90,321)	-	(15,168)	-	(105,489)
Other movements	-	-	-	-	0
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
At 31 December 2008					
Opening net book amount	17,560,074	14,195,731	3,780,052	1,568,625	37,104,482
Additions	-	-	-	3,767,122	3,767,122
Transfer from CIP	363,200	1,486,395	835,617	(2,685,212)	0
Disposals	-	(45,826)	(104,894)	-	(150,720)
Depreciation charge	-	(1,597,299)	(811,562)	-	(2,408,861)
Closing net book amount	17,923,274	14,039,001	3,699,213	2,650,535	38,312,023
At 31 December 2008					
Cost	17,923,274	48,652,123	20,352,795	2,650,535	89,578,727
Accumulated depreciation	-	(34,613,122)	(16,653,582)	-	(51,266,704)
Net book amount	17,923,274	14,039,001	3,699,213	2,650,535	38,312,023

The Company performed an impairment test as of 31 December 2008. 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.

Key assumptions used for value-in-use calculations:

	Petrol stations	Installation Bar
Gross margin (Euro/m ³)- in 2008	105	32
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

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

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2008**

(All amounts expressed in Euro, unless otherwise stated)

12. Property, plant and equipment (continued)

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**

	2008	2007
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-08	31-Dec-07
Jugopetrol Trebinje d.o.o.	Sales of oil products	100%	3,518,293	3,518,293
Less: Impairment provision			-	-
			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 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).

JPT has made a loss of €600,000 in 2008 as a result of one off adjustments to its financial statements. The recoverable amount of CGU's of JPT is determined based on value in use calculations. The value in use of JPT was not materially different from its carrying value. The management estimates that with new management of JPT and additional plans the performance of JPT will improve and hence believes that there is no need to impair this investment.

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).

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2008**

(All amounts expressed in Euro, unless otherwise stated)

13. Long-term financial assets (continued)

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.

Jugopetrol AD Kotor like concessionaire for the offshore area of Montenegro, Blocks 1 and 2 (Prevlaka), for the year 2008 has not carried out planned working program. Jugopetrol has signed JV Contract with and is still waiting for the Government of Montenegro response regarding the proposed three-years working program.

We remind you that Jugopetrol has presented the proposal for getting the Permission for exploration in accordance with legal regulative and enclosed all necessary documentation including Revised Project of exploration. However, authorized Ministry for economic development still has not given needed permissions, excusing themselves by trying to find the legal mode as part of regulations of the Concession Contract, signed in the year 1995.

Right now, the negotiations are intensified and meetings with representatives of Ministry are expected during which these dilemmas should be clarified, after what we expect to obtain needed permissions.

In the aim of getting full information, authorised Ministry has prepared the proposal of new Law of oil and gas exploration and production in Montenegro, that will go on Parliament adoption during April or May '09.

As part of all above mentioned, we expect constructive meetings, where the representatives of Jugopetrol and authorised Ministry will try to find the formula, acceptable for both parts, how to continue the exploration works on Blocks 1 and 2.

Regarding the oil and gas exploration on the area of Block 3 (Ulcinj), as it is known the Government in the 2005 has broke the Concession Contract with Jugopetrol for this area and as part of new legal regulative is preparing it for new licitation, which according to plan of the Ministry for economic development should be finished by the end of 2009.

Investments in subsidiary

	2008	2007
In shares	-	-
In stakes	3,518,293	3,518,293
Less: provision	-	-
Total	3,518,293	3,518,293

Movements on the account:

	2008	2007
Beginning of year	3,518,293	3,518,293
Share of (loss)/profit	-	-
Exchange differences	-	-
Other equity movements (specify)	-	-
Less: provision	-	-
End of year	3,518,293	3,518,293

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2008**

(All amounts expressed in Euro, unless otherwise stated)

13. Long-term financial assets (continued)

Investments in joint ventures relates to:

Company	2008	Participation %
Meduza Oil	2,349	49
Productoil	2,349	49
Total	4,698	

Available-for-sale financial assets include the following:

	2008	2007
Listed securities:		
- Equity securities - Montenegro Stock Exchange		
Hipotekarna banka a.d., Podgorica	1,383,680	1,781,120
Lovcen osiguranje a.d., Podgorica	396,264	427,707
Niksicka Banka Montenegro a.d., Niksic	161,130	197,120
Jadransko Brodogradiliste a.d., Bijela	11,271	48,286
CMC a.d., Podgorica	20,384	16,563
Unlisted securities:		
Export drvo - Kolašin	0	0
Castello Montenegro - Pljevlja	265	265
Novi prvoborac - H. Novi	51,543	144,269
Velimir Jakic, Pljevlja	-	-

There were no disposals of available-for-sale financial assets in 2008.

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 (2007: 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:

	2008	2007
EUR	2,024,537	2,615,330

13. Long-term financial assets (continued)

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-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

		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

	Loans and receivables	Available for sale	Total
31-Dec-08			
Available-for-sale financial assets	-	2,024,537	2,024,537
Trade and other receivables	17,509,315	-	17,509,315
Cash and cash equivalents	27,528,487	-	27,528,487
Total	45,037,802	2,024,537	47,062,339

		Other financial liabilities	Total
31-Dec-08			
Liabilities as per balance sheet	-	18,532,601	18,532,601
Total	-	18,532,601	18,532,601

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	2008	2007
Counterparts with internal credit rating		
Group 1	1,029,725	748,160
Group 2	17,158,182	11,284,129
Group 3	1,182,952	4,958,401
Total gross trade receivables	19,370,859	16,990,690

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.

13. Long-term financial assets (continued)

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).

Cash at bank and short-term bank deposits (marked according to internally created estimation)		2008	2007
A	Crnogorska Komercijalna Banka	10,541,225	17,085,573
AB	Podgorička Banka	8,841,959	6,390,318
ABC	Prva Banka CG	6,866,561	10,437,645
ABCD	NLB	752,810	567,642
ABCDE*	Hipotekarna Banka	212,234	221,610
Total cash & short term deposits		27,214,789	34,702,788

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.& ABC 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.

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2008**

(All amounts expressed in Euro, unless otherwise stated)

14. Long-term financial investments

	31-Dec-08	31-Dec-07
Available-for-sale financial assets	2,024,537	2,615,330
Other long-term financial assets	1,365,018	1,187,021
Total	3,389,555	3,802,351

14.1 Available-for-sale financial assets

	Business	31-Dec-08	31-Dec-07
Hipotekarna banka a.d., Podgorica	Bank	1,383,680	1,781,120
Lovcen osiguranje a.d., Podgorica	Insurance	396,264	427,707
Niksicka Banka Montenegro a.d., Niksic	Bank	161,130	197,120
Jadransko Brodogradiliste a.d., Bijela	Shipping Wood	11,271	48,286
Export Drvo, Kolasin	processing	28,496	28,496
Novi Prvoborac, Herceg Novi	Construction	51,543	144,269
Velimir Jakic, Pljevlja		-	-
CMC a.d., Podgorica		20,384	16,563
Castello Montenegro, Pljevlja		265	265
Subtotal		2,053,033	2,643,826
Less: Impairment provision			
Export Drvo, Kolasin		(28,496)	(28,496)
Velimir Jakic, Pljevlja		-	-
Subtotal		(28,496)	(28,496)
Total		2,024,537	2,615,330

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.

14.2 Other long-term financial assets include:

	31-Dec-08	31-Dec-07
Prepaid employee benefit	496,843	
Fair value of Housing loans to employees	868,175	1,306,947
Discounting of housing loans		(138,665)
Receivables from sold houses		18,739
	1,365,018	1,187,021

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2008**

(All amounts expressed in Euro, unless otherwise stated)

14. Long-term financial investments (continued)

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

	31-Dec-08	31-Dec-07
At 1 January	1,187,021	1,502,255
Opening balance correction (note 18.3)	138,665	
Discounting of housing loans		(138,665)
New loans granted	161,483	-
Repayments	(122,151)	(176,569)
At 31 December	1,365,018	1,187,021

The amount of Euro 138,665 relates to correction of wrong record of impairment of housing loans from 2007 (note 18.3)

15. Inventories

	31-Dec-08	31-Dec-07
Goods for resale-wholesale	12,102,417	14,657,359
Goods for resale-retail	2,734,857	3,076,123
Spare parts and consumables	550,920	546,508
Goods in transit	-	6,293
Inventories, total	15,388,194	18,286,283

16. Trade and other receivables

	31-Dec-08	31-Dec-07
Domestic trade receivables	18,131,824	15,493,448
Foreign trade receivables	1,222,128	1,497,242
Receivables from related parties (25c)	891,298	761,016
Receivables from government agencies	72,835	38,588
Refundable VAT	45,041	62,766
Advances to suppliers	122,476	52,439
Prepaid expenses		15,409
Receivables from employees	9,292	12,627
Other receivables	144,031	55,534
Prepaid VAT	83,111	90,659
Receivables from insurance companies	164	9,369
	20,722,200	18,089,097
Less: Provision for impairment		
- domestic trade receivables	(2,966,739)	(2,689,213)
- foreign trade receivables	(246,146)	(324,545)
	(3,212,885)	(3,013,758)
Receivables, total	17,509,315	15,075,339

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2008**

(All amounts expressed in Euro, unless otherwise stated)

16. Trade and other receivables (continued)

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

	2008	2007
At 1 January	3,013,758	3,091,729
Provision for receivables impairment (Note 8)	776,613	577,488
Reversal of provision (Note 6)	(541,298)	(655,459)
Other corrections	(28,385)	
Write off	(7,803)	-
At 31 December	3,212,885	3,013,758

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 2008, trade receivables of EUR 16,337,212 (2007: EUR 13,598,086) 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:

	2008	2007
Up to 3 months	15,277,544	13,198,141
3 to 6 months	1,059,668	399,945
Total	16,337,212	13,598,086

As of 31 December 2008, trade receivables of EUR 776,613 (2007: EUR 577,488) were impaired and provided for. The amount of the provision was EUR 3,149,444 as of 31 December 2008 (2007: EUR 3,013,758). 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:

	2008	2007
3 to 6 months	-	570,061
Over 6 months	3,149,444	2,443,697
Total	3,149,444	3,013,758

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

	2008	2007
EUR	17,509,315	15,075,339
Total	17,509,315	15,075,339

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2008**

(All amounts expressed in Euro, unless otherwise stated)

17. Cash and cash equivalents

	31-Dec-08	31-Dec-07
Cash in hand		15,000
Current accounts	19,128,487	18,702,788
Short-term deposits	8,400,000	16,000,000
	27,528,487	34,717,788

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 3.5% to 9.2%.

18. Capital and reserves**18.1 Share capital**

The structure of the Company's share capital and shareholders as of 31 December 2008 is as follows:

	Number of shares	Percentage shareholding	31-Dec-08
Hellenic Petroleum Int'l S.A.	2,529,489	54.4%	36,951,534
Moneta Fund	53,058	1.1%	775,087
Trend Fund	278,255	6.0%	4,064,832
MIG Fund	306,812	6.6%	4,482,003
Atlas Mont Fund	87,298	1.9%	1,275,275
The Republic of Montenegro	1	-	15
Other legal entities	703,593	15.1%	10,278,299
Physical persons	695,465	14.9%	10,159,561
	4,653,971	100%	67,986,606

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.

18.2 Statutory 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

18.3 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.

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2008**

(All amounts expressed in Euro, unless otherwise stated)

18. Capital and reserves (continued)

Changes in the other reserves were as follows:

	31-Dec-08	31-Dec-07
At 1 January	2,375,616	2,014,281
Opening balance correction	138,665	
Reclassification from retained earnings	600,000	500,000
Discount of housing loans		(138,665)
Write off of housing loans		-
At 1 January adjusted	3,114,281	2,375,616

18.4 Revaluation reserves from AFS

The movement on revaluation reserves accounts were as follows:

	31-Dec-08	31-Dec-07
At 1 January	1,581,674	-
Opening balance adjustment	184	-
Fair value gains on AFS financial assets	290,778	934,474
Fair value loss on AFS financial assets	(882,337)	-
Correction for gain from increase of fair value of available for sale financial assets from 2006		647,200
Deferred tax charged directly to equity	(89,127)	-
At 31 December	901,172	1,581,674

18.5. Retained earnings

The movement on retained earnings accounts were as follows:

	2008	2007
At 1 January	10,284,955	1,742,960
Profit for period	7,150,681	9,765,947
Reversal of provisions	1,376,228	
Transfer to other reserves	(600,000)	(500,000)
Impairment of long term financial assets	-	(647,200)
Correction of errors from 2007	(87,231)	(76,752)
At 31 December	18,124,633	10,284,955

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2008**

(All amounts expressed in Euro, unless otherwise stated)

19. Long term provisions

The movement on long term provision account were as follows:

	Long term employee benefits	Provision for court cases	Total
At 1 January 2007	3,251,665	2,876,228	6,127,893
Charged / credited to P& L	672,716		672,716
Used during the year	(728,515)		(728,515)
At 31 December 2007	3,195,866	2,876,228	6,072,094
At 1 January 2008	3,195,866	2,876,228	6,072,094
Charged / credited to P& L	(204,965)		(204,965)
Additional provisions		1,000,000	1,000,000
Reversal of unused amounts		(1,376,228)	(1,376,228)
Used during the year	(194,457)		(194,457)
At 31 December 2008	2,796,444	2,500,000	5,296,444

(a) Employee benefits and provision for legal cases

	2008	2007
Provision for retirement indemnities	2,502,586	2,421,215
Provision for jubilee awards	293,858	774,651
Provision for legal cases	2,500,000	2,876,228
	5,296,444	6,072,094

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.

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.

Amounts recognized in the income statement are as follows:

	Retirement		Jubilee awards	
	2008	2007	2008	2007
Current service cost	81,458	111,218	59,489	66,425
Interest cost	99,482	111,671	48,439	45,762
Net amortization	(45,902)	(4,972)	(71,732)	40,850
Prior year adjustment	-	-	(463,839)	-
Curtailment/Settlement	87,640	301,762	-	-
Direct expense of jubilee awards				6,770
Total	222,678	519,679	(427,643)	159,807

Income from resolve of jubilee awards provision is included under other income (note6), and the expense of benefit paid is included under retirement indemnities and jubilee awards (note 7)

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2008**

(All amounts expressed in Euro, unless otherwise stated)

19. Long term provisions (continued)

The principal actuarial assumptions used were as follows:

- Financial assumptions

	2008	2007
Discount rate	7,25%	6.50%
Increase of average salary		1.00%
Individual pay increase	Actual seniority increase	

- Demographic assumptions

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

(b) Legal cases

Long-term provisions of Euro 2,500,000 (31 December 2007: 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 Dunav insurance (Euro 1,000,000) and Jugoskandik (Euro 1,500,000)(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 2008.During 2008 the amount of Euro 1,376,228 related to provision for claim placed by Yugoslav Federal Directorate for Commodity Reserves is settled due to withdrawal of claim and ,based on decision by Ministry of Finance no 04-2503/1 issued at 31 March 2009 ,reversed through retained earnings account (note 2.1)

20, Trade and other payables

	31-Dec-08	31-Dec-07
Domestic trade creditors	1,163,295	1,079,981
Foreign trade creditors	(12,119)	72,810
Payables to related parties (note 24)	4,297,414	15,383,418
Customer advances	936,938	458,066
Salaries and wages payable	204,181	202,675
Payroll taxes and contributions payable	227,671	238,068
Other liabilities to employees	127,601	109,613
Liabilities to the Board of Directors	1,878	1,867
Unused holidays	101,512	85,317
Excise and other duties payable	6,237,159	6,203,768
VAT payable on imports	(738,994)	1,381,342
Other taxes payable	560,572	496,014
Income tax payable	(202,716)	743,623
Other payables	180,306	114,693
Accrued expenses	44,203	58,000
Payables, total	13,128,901	26,629,255

Liabilities to suppliers in amount of Euro 5,448,590 are expressed in USD and Euro as at 31 December 2008.

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2008**

(All amounts expressed in Euro, unless otherwise stated)

21. Reconciliation

The Company reconciled its receivables and liabilities as at 30 October 2008. With the most significant counterparts the reconciliation is made in shorter periods of time. There were no materially significant non reconciled receivables and liabilities as at 30 October 2008.

22. Earnings per share(a) *Basic*

Basic earning per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares (note 18).

	2008	2007
Profit attributable to equity holders of the Company	7,868,964	10,750,899
Weighted average number of ordinary shares in issue (thousands)	4,653,971	4,653,971
Basic earnings per share	<u>1,69</u>	<u>2,06</u>

23. Business combinations

There was no acquisition of subsidiaries for the year ended 31. December 2008 i 2007

24. 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-08	31-Dec-07
Jugopetrol Trebinje	Subsidiary	Sales of oil products	328,059	342,582
Eko Yu, Belgrade	Group company	Sales of oil products		1,019,606
Eko Yu, Belgrade	Group company	Transport services		-
Global Petroleum SH	Group company	Sales of oil products	205,512	-
Total			<u>533,571</u>	<u>1,362,188</u>

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

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2008**

(All amounts expressed in Euro, unless otherwise stated)

24. Related party transactions (continued)

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-08	31-Dec-07
Hellenic Petroleum S.A.	Parent company	Purchases of oil products	173,993,450	137,841,951
Hellenic Petroleum S.A.	Parent company	Insurance services	-	48,460
EKO ELDA ABEE	Group company	Purchases of lubricants	379,641	354,871
ELPE Services Limited	Group company	Consultancy services	180,000	50,000
Asprofos Engineering S.A.	Group company	Engineering services	11,355	15,789
Total			174,564,446	138,311,071

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

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

(c)

	Relationship	31-Dec-08	31-Dec-07
Receivables from related parties (Note 15)			
Jugopetrol Trebinje d.o.o.	Subsidiary	891,223	733,762
ELPE Services Limited	Group company	-	-
Hellenic Petroleum (non trade debtors)	Parent company	-	26,267
Hellenic Petroleum (losses over 0.5%)	Parent company	-	987
EKO YU A.D. Beograd	Group company	-	-
Global Petroleum SH	Group company	-	-
		891,223	761,016
Payables to related parties (Note 22)			
Hellenic Petroleum S.A.	Parent	4,158,738	15,231,061
EKO ELDA ABEE	Group company	88,676	127,357
ELPE Services Limited	Group company	50,000	25,000
		4,297,414	15,383,418

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

	2008	2007
Salaries and other short-term employee benefits	570,269	489,625
	570,269	489,625

JUGOPETROL A.D., KOTOR

Notes to the financial statements for the year ended 31 December 2008

(All amounts expressed in Euro, unless otherwise stated)

24. Related party transactions (continued)

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.

25. Commitments and contingencies

(a) Legal cases

Jugoskandik DD (in bankruptcy)

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

Jugoskandik initiated a procedure, before the Commercial Court, of Podgorica, for execution of effective judgment of the Commercial Court, of Belgrade. The Commercial Court, of Podgorica, with its judgment, I no. 1780/2006, dated 18.10.2006, allowed the carrying out of the execution. Jugopetrol filed its appeal against this judgment, 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 judgment, 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.

Jugoskandik DD Sveti Stefan (the Clients of this Jugoskandik)

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 judgment. Hence, this is the matter of claiming the same fuel. After giving effect to the judgment 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. The amount of Euro 1,500,000 is provided for the claim placed by this Company

Dunav Insurance Company

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 judgment in favor of Dunav insurance, of Belgrade, by virtue of which Jugopetrol ought to have paid the amount of Euro 1,000,000. At the moment, the court case is set down with the second instance Higher Commercial Court of Belgrade, as per the appeal of Jugopetrol AD Kotor. So, the judgment is not executive. If the Higher Commercial Court makes decisions in line with the law, the first instance judgment should be rescinded or overturned. The amount of Euro 1,000,000 is set as provision for this legal claim.

25. Commitments and contingencies (continued)

Montenegro bonus 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.

On 06.08.2007, after Jugopetrol made the explication, the Commercial Court of Podgorica, through its Judgment, P 719/05, announced itself to be incompetent for deposing in this legal matter. This Judgment is executive and the court case was given to the Magistrate Court of Kotor, as the competent court. So far, this Court has not scheduled the Hearing.

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 ignored the legal suit of Government of the Republic of Montenegro, which lodged its complaint before the Higher Court of Bijelo Polje.

The first instance Courts at Bar and Kotor, have not handed down the judgments, yet.

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. On 09.10.2008, this court handed down the Judgment, P 39/07, by virtue of which Montenegrobonus was obligated to make payment the sum of € 887,733.10 to Montenegrobonus, with appropriate interest rate, for each single invoice

Montenegrobonus filed the appeal before the Appellate Court, on 01.12.,2008.

25. Commitments and contingencies (continued)

The accused Jugoskandik DD Beograd

On 25.02.2008, Jugopetrol AD Kotor, brought the charges before the Commercial Court of Belgrade, by virtue of which it claims DEM 2,750,000 and 600,000 liters of Diesel D-2, that comes to DEM 3,370,000 or € 1,723,053.50.

According to the court settlement of the Commercial Court of Podgorica, from 1993, Jugopetrol made payment of aforesaid sum to Jugoskandik. But at that time, Jugoskandik was under the bankruptcy procedure, so in line with the law it was not eligible to conclude the court settlement, so the courts of Belgrade by means of enforceable judgment from 1995, disposed that this court settlement does not have any legal force towards the participants.

As Jugopetrol effected the payment, so we are attempting now to give back these funds.

The Sea pollution at Bar

(a) The Court Trial as per the action at law of Argonaut Oil Trading, Malta has been completed, through the out-of-court settlement, by virtue of which Jugopetrol effected the payment of € 70,000.

(b) As per the actions at law of AD »Marina« of Bar and JP »Morsko dobro«, of Budva, the court trials have already been completed in the way that the actions at law of these two Plaintiffs, have been rejected as groundless.

The Fuel Oil of the Federal Agency for Commodities Reserves

Following to your request, and for the needs of PWC, please find here below the precise and clear interpretation of the trial proceedings, within the Commercial Court of Podgorica, regarding to the right of property over the Fuel Oil of the then Agency for Commodities Reserves, of Belgrade.

Namely, the legal successor of the property of the then Federal bodies, is the Republic of Montenegro – the Ministry of Finance, represented by the Deputy Attorney General of the Republic of Montenegro, who withdrew the Motion for Execution, at the Hearing of 01.04.2008.

Therefore, on the same date, the Commercial Court of Podgorica handed down the Ruling, No.

I 37/02, with the enacting terms of ruling that words: „it is determined that the Executive Creditor withdrew the Motion for Execution, so the Executive Procedure is to be suspended, according to the Ruling of this Court, No.I 37/02, dd 16.01.2002, and all carried out acts are to be rescinded“.

In this manner, the subject matter has been completed, for the reason that the Ruling, No. I 37/02, is enforceable, because it has not been challenged within the time limit of 5 days.

Due to all aforesaid facts, Jugopetrol does not have any obligation to reserve any funds, regarding to this court trial.

26. 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.

The Company has contingent liabilities for legal cases/bank and other guaranties and other issues from ordinary course of business.

There are no expectations that any material liability will derive from contingent liabilities except those that are covered with provisions.