

**JUGOPETROL A.D., KOTOR**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2009  
AND INDEPENDENT AUDITOR'S REPORT**

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**JUGOPETROL A.D., KOTOR**  
**Consolidated financial statements for the year ended 31 December 2009**

**GENERAL INFORMATION**

**Board of Directors**

From 01 January 2009 to 25 November 2009

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

From 25 November 2009 to 31 December 2009

Dr Michalis Myrianthis, President of the Board  
Stamatia Psyllaki, member  
Vasileios Panagopoulos, member  
Nikolaos Georgoudas, member  
Matthaios Matthaiu, member  
Vuk Rajković, member  
Dragan Radusinović, member

Group headquarters  
Mata Petrovića 2  
85330 Kotor  
Montenegro

Lawyer  
Raičević Radovan  
Mata Petrovića 2  
85330 Kotor  
Montenegro

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

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

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Jugopetrol a.d., Kotor (and its subsidiary Jugopetrol a.d., Trebinje (the "Group"), which comprise the balance sheet as of 31 December 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International financial reporting standards and 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

## **Opinion**

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009, 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 consolidated financial statements which describes the fact that the consolidated financial statements do not comply with all of the requirements of International Financial Reporting Standards. Accordingly, the consolidated financial statements are not intended to present the financial position and results of operations and cash flows of the Group in accordance with accounting principles generally accepted in jurisdictions outside the Republic of Montenegro.
- (b) Note 27 to the consolidated financial statements, which disclose the fact that the parent 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, 21 April 2010

*Pricewaterhouse Coopers d.o.o.*

PricewaterhouseCoopers d.o.o. Podgorica  
Poslovni centar Krusevac  
Rimski Trg 50  
20000 Podgorica  
Republic of Montenegro




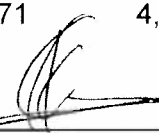
**JUGOPETROL A.D., KOTOR****Consolidated financial statements for the year ended 31 December 2009**


(All amounts expressed in EUR, unless otherwise stated)

**Consolidated income statement for the year ended 31 December 2009**

	Notes	2009	2008
<b>Revenue</b>			
Revenue	6	134,194,858	212,106,020
Other income	7	2,998,268	1,518,750
		<b>137,193,126</b>	<b>213,624,770</b>
<b>Operating expenses</b>			
Fuel and other goods cost		(109,258,997)	(186,816,292)
Spare parts and other materials		(490,297)	(529,353)
Energy expense		(901,987)	(1,281,643)
Maintenance		(740,892)	(609,470)
Staff cost	8	(12,792,827)	(9,355,985)
Depreciation and amortization	12,13	(2,621,913)	(2,679,229)
Other expenses	9	(9,103,724)	(6,946,464)
		<b>(135,910,637)</b>	<b>(208,218,436)</b>
<b>Operating profit</b>			
		<b>1,282</b>	<b>5,406,334</b>
Finance income	10	1,613,438	5,507,442
Finance expenses	10	(1,705,511)	(3,700,679)
<b>Finance income, net</b>		<b>(92,073)</b>	<b>1,806,763</b>
<b>Profit before income tax</b>			
		<b>1,190,416</b>	<b>7,213,097</b>
Income tax expense	11	(51,063)	(700,153)
<b>Profit before deferred taxation</b>		<b>1,139,353</b>	<b>6,512,944</b>
Deferred income tax	11	106,310	(18,130)
		<b>106,310</b>	<b>(18,130)</b>
<b>Profit for the year</b>			
		<b>1,245,663</b>	<b>6,494,814</b>
<b>Other unrecognized revenues:</b>			
Changes in AFS fair value, net			
Result accomplished, total	21.4	(131,649)	(680,686)
<b>Profit for the year</b>		<b>1,114,014</b>	<b>5,814,128</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share	24	0.27	1.40
Weighted average number of shares	24	4,653,971	4,653,971

  
CFO

  
CEO



The notes on the pages 7 to 47 form an integral part of these financial statements.

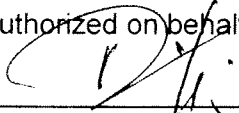
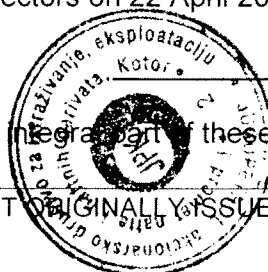
**JUGOPETROL A.D., KOTOR**
**Consolidated financial statements for the year ended 31 December 2009**

(All amounts expressed in EUR, unless otherwise stated)

**Consolidated balance sheet as of 31 December 2009**

		<u>31-Dec-09</u>	<u>31-Dec-08</u>
<b>ASSETS</b>			
	<b>Notes</b>		
<b>Non-current assets</b>			
Intangible assets	12	5,300,518	5,478,707
Property, plant and equipment	13	44,897,180	41,236,545
Long term financial investments	14	4,906	161,052
Available for sale financial assets	15		
Other long-term financial assets	15	1,879,868	2,024,537
Deferred tax asset		1,079,850	1,365,018
		88,180	
		<b>53,250,502</b>	<b>50,265,859</b>
<b>Current assets</b>			
Short term financial assets	15	91,189	
Inventories	18	13,942,708	15,612,211
Trade and other receivables	19	13,703,509	17,518,067
Cash and cash equivalents	20	29,512,914	27,585,109
		<b>57,250,320</b>	<b>60,715,387</b>
<b>Total assets</b>		<b>110,500,822</b>	<b>110,981,246</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	21.1	67,986,606	67,986,606
Statutory reserves	21.2	2,469,979	2,469,979
Other reserves	21.3	3,714,281	3,114,281
Revaluation reserves from sale of AFS	21.4	769,522	901,172
Retained earnings	21.5	15,054,077	17,594,871
		<b>89,994,465</b>	<b>92,066,909</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term provisions	22	5,233,475	5,296,444
Deferred income tax liabilities	11	76,108	107,256
		<b>5,309,583</b>	<b>5,403,700</b>
<b>Current liabilities</b>			
Trade and other payables	23	15,196,774	13,510,636
		<b>15,196,774</b>	<b>13,510,636</b>
<b>Total equity and liabilities</b>		<b>110,500,822</b>	<b>110,981,245</b>

Authorized on behalf of the Board of Directors on 22 April 2010.

  
 \_\_\_\_\_  
 CFO

  
 \_\_\_\_\_  
 CEO

The notes on the pages 7 to 47 form an integral part of these financial statements.

**JUGOPETROL A.D., KOTOR****Consolidated financial statements for the year ended 31 December 2009**

(All amounts expressed in EUR, unless otherwise stated)

**Consolidated statement of changes in equity and reserves**

	Share capital	Reserves	Other reserves	Revaluation reserves	Retained earnings/ Accumulated loss	Total
<b>Balance at 1 January 2008</b>	<b>67,986,606</b>	<b>2,469,979</b>	<b>2,375,616</b>	<b>1,581,674</b>	<b>10,411,059</b>	<b>84,698,829</b>
Opening balance adjustment			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 21.4)				(591,559)		(591,559)
Deferred tax charged to equity (note 11)				(89,127)		(89,127)
Profit for the year					6,494,814	6,494,814
Allocation to other reserves (note 21.3)			600,000		(600,000)	0
<b>Balance at 31 December 2008</b>	<b>67,986,606</b>	<b>2,469,979</b>	<b>3,114,281</b>	<b>901,172</b>	<b>17,594,870</b>	<b>92,066,909</b>
<b>Balance at 1 January 2009</b>	<b>67,986,606</b>	<b>2,469,979</b>	<b>3,114,281</b>	<b>901,172</b>	<b>17,594,870</b>	<b>92,066,909</b>
Opening balance adjustment, net (note 2.2)					(186,457)	(186,457)
Decrease for 2009 (note 14.3)				(144,668)		(144,668)
Deferred tax charged to equity (note 11)				13,020		13,020
Profit for the year					1,245,663	1,245,663
Allocation to other reserves (note 21.3)			600,000		(600,000)	0
Dividends					(3,000,000)	(3,000,000)
<b>Balance at 31 December 2009</b>	<b>67,986,606</b>	<b>2,469,979</b>	<b>3,714,281</b>	<b>769,524</b>	<b>15,054,076</b>	<b>89,994,465</b>

The notes on the pages 7 to 47 form an integral part of these financial statements.



**JUGOPETROL A.D., KOTOR****Consolidated financial statements for the year ended 31 December 2009**

(All amounts expressed in EUR, unless otherwise stated)

**Consolidated cash flow statement for the year ended 31 December 2009**

	Notes	31-Dec-09	31-Dec-08
<b>Cash flows from operating activities</b>			
Net income before income taxes		1,112,879	7,134,512
Adjustment for:			
Depreciation and amortization	12, 13	2,699,451	2,757,814
Loss on disposal of PP&E and materials, net	8	(1,238,038)	152,070
Change in long-term provisions	22	1,600,000	1,000,000
Doubtful receivables	19	933,116	235,315
Write off of inventories change		34,538	12,189
Inventory shortage / (surplus)		251,721	493,787
Retirement indemnities and jubilee awards		6,229,939	(204,965)
Foreign exchange (gain) / loss		776,093	(381,063)
Interest income		(677,633)	(1,422,048)
<b>Operating profit before working capital changes</b>		<b>11,722,065</b>	<b>9,777,612</b>
(Increase)/decrease in inventories	18	1,669,503	2,876,238
Decrease/ (Increase) in trade and other receivables	19	3,834,783	(2,163,832)
Decrease in trade and other payables	23	1,781,239	(13,292,109)
<b>Cash generated from operations</b>		<b>19,007,590</b>	<b>(2,802,091)</b>
Interest paid		(333)	(236)
Income tax paid	11	(437,353)	(1,560,580)
Dividends		(2,982,142)	0
Payments for retirements and jubilee awards		(7,892,908)	(194,457)
<b>Net cash generated from operating activities</b>		<b>7,694,854</b>	<b>(4,557,364)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	13	(6,481,310)	(3,820,202)
Purchase of intangible assets	12	(1,400)	(617,388)
Proceeds from disposal of PP&E and materials		95,969	3,616
Interest received		677,633	1,422,284
<b>Net cash used in investing activities</b>		<b>(5,709,108)</b>	<b>(3,011,690)</b>
<b>Cash flows from financing activities</b>			
Proceeds from/(payments) of housing loans		193,979	(39,332)
(Increase)/decrease in loans		50,001	
Equity correction		(50,001)	
Other		(34,725)	26,359
<b>Net cash used in financing activities</b>		<b>159,254</b>	<b>(12,973)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,145,000</b>	<b>(7,582,027)</b>
Foreign exchange gains/(losses)		(217,194)	
Cash and cash equivalents at 1 January	20	27,585,108	34,786,073
<b>Cash and cash equivalents at 31 December</b>	<b>20</b>	<b>29,512,914</b>	<b>27,585,109</b>

The notes on the pages 7 to 47 form an integral part of these financial statements.

## **1 Corporate information**

Jugopetrol A.D. Kotor 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.

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

As of 31 December 2009, Jugopetrol A.D. Kotor and Jugopetrol Trebinje (hereinafter also referred to as "Group") employed 286 employees (2008: 594 employees).

The Group's shares are traded on both Montenegrin stock markets.

## **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated 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 consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale assets, and are presented in EUR, except when otherwise indicated.

The Group 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.

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 2008 financial statements, but are recorded as 2009 opening retained earnings adjustments. See note 2.2.

## **2 Summary of significant accounting policies (continued)**

Adjustments identified during audit are included in these financial statements

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 Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

### *a) New and amended standards adopted by the Group*

The Group has adopted the following new and amended IFRSs as of 1 January 2009

- IFRS 7 - Financial instruments – Disclosures (amendment) (effective from 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and the liquidity risk. In particular, the amendment requires disclosures of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.
- IAS 1 (revised) – 'Presentation of financial statements' – effective as of 1 January 2009. The revised standard prohibits 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 in a statement of comprehensive income. As a result the Group presents the consolidated statement of changes in equity all owner change in equity, whereas all non owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.
- IAS 23 – 'Borrowing costs'. In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009, the Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The standard is not currently applicable as the Group has no assets qualified for the attribution of borrowing costs.
- IAS 24 (revised) – 'Related party disclosures' (effective from 1 January 2011). The revised standard permits partial disclosure of transactions with government-related entities and clarifies the definition of a related party. The standard annuls the obligation for government-related entities to disclose information about all transactions, and simplifies the definition of a related party. The Group has adopted IAS 24 (revised) from 1 January 2009.

## **2 Summary of significant accounting policies (continued)**

*b) Standards, amendments, and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them.

- IFRIC 17 – 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Group'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 remeasured to fair value, and a gain or loss is recognized in profit or loss. The Group 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 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 Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.
- IAS 38 (amendment) – 'Intangible Assets'. This amendment is part of IASB's annual improvements project published in April 2009. The Group will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's financial statements.

## **2 Summary of significant accounting policies (continued)**

- IFRS 5 (amendment) – ‘Measurement of non-current assets (or disposal groups) classified as held-for-sale’. The amendment is part of IASB’s annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group will apply IFRS 5

(amendment) from 1 January 2010. It is not expected to have a material impact on the Group’s financial statements.

- IAS 1 (amendment) – ‘Presentation of financial statements’. The amendment is part of IASB’s annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as a current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as a non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group’s financial statements.

- IFRS 9 (revised) – ‘Financial instruments: ‘Classification and measurement’. In November 2009, the IASB published the first part of IFRS 9 relating to the classification and measurement of financial assets. IFRS 9 will finally replace the existing IAS 39. The standard requires financial assets to be classified based on the entity’s business model and their cash flow characteristics, and subsequently measured to depreciation or fair value. Mandatory adoption will be required for annual periods beginning on or after 1 January 2013.

- IFRS 2 (amendments) – ‘Group cash settled and share-based payment transactions’. In addition to incorporating IFRIC 8 ‘Scope of IFRS 2’ and IFRIC 11, ‘IFRS 2 – Group and treasury share transactions’, the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by the interpretation. The new guidance is not expected to have a material impact on the Group’s financial statements.

## JUGOPETROL A.D., KOTOR

### Notes to the consolidated financial statements for the year ended 31 December 2009

(All amounts expressed in EUR, unless otherwise stated)

## 2 Summary of significant accounting policies (continued)

### 2.2 Prior year restatements

The Group's 2009 opening retained earnings were amended in order to reflect adjustments made based on unadjusted errors.

	Note	Capital
<b>Retained earnings as reported in Balance sheet as of 31 December 2008</b>		<b>17,594,870</b>
Correction of errors from previous years – Jugopetrol Trebinje		(178,061)
Correction of errors from previous years - Jugopetrol Kotor		62,752
Correction of net tax liability - Jugopetrol Kotor		(71,148)
<b>Retained earnings after corrections, as of 1 January 2009</b>		<b>17,408,413</b>

Corrections of errors from previous years in amount of EUR 62,752 relate to correction of retained earnings in amount of EUR 24,265, which is the result of error from previous years (note 14.1) and to correction of net tax liability for 2008 in amount of EUR 38,488. Namely, during 2005 Jugopetrol Kotor from its profit covered the loss of Jugopetrol Trebinje. During the consolidation a difference between investments in other legal entities of Jugopetrol Kotor and capital of Jugopetrol Trebinje has been discovered, and one part of that difference is the above mentioned amount.

The amount of EUR 71,148 relates to corrections of tax liabilities from previous years.

In previous years Jugopetrol Trebinje has incorrectly recognized long term loan in amount of EUR 50,000 and additional investment of EUR 128,061 paid in by Jugopetrol Kotor a.d. as income. Correction for total amount of EUR 178,601 has been done through opening balance of retained earnings.

### 2.3 Consolidation

#### (a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement (note 2.6).

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## **2 Summary of significant accounting policies (continued)**

### **2.4 Foreign currency translation**

#### *(a) Functional and presentation currency*

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

Changes in fair value of monetary securities denominated in foreign currencies, which are classified as available for sale, are treated as exchange rates based on changes in depreciation value of securities, and as other changes in the carrying value of securities.

Exchange rates relating to changes in depreciation value are recognized in the income statement, whereas other changes in carrying value are recognized in equity.

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

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

#### *(c) Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(3) All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

**2 Summary of significant accounting policies (continued)****2.5 Intangible assets***Licenses*

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

*Computer software*

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

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

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

*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 recognized 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)

**2.6 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 group's transformation from a public enterprise to a shareholding company, which was used as a deemed cost at transition to IFRS.

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

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



## **2 Summary of significant accounting policies (continued)**

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized within "Other income/expenses", in the income statement. (Notes 7 and 9)

### **2.7 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, those investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through profit or loss. An impairment loss recognized in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

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

### **2.8 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 Summary of significant accounting policies (continued)****2.9 Long-term financial investments**

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

**(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) Investments in subsidiaries**

Investments in subsidiaries are initially recognized at cost value. Investments' impairment is executed in case it is estimated that an investment value has been depreciated (note 14.1).

**(c) 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.

**(d) Available-for-sale financial assets**

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

***Recognition and measurement***

Regular purchases and sales of the investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. 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 Group 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.

**2 Summary of significant accounting policies (continued)**

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 recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the group's right to receive payments is established.

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.

*Impairment of financial assets*

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

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.

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

- Significant financial difficulties of the issuer or debtor;
- Breach of contract, such as delay in payment or failure to pay interest or principal;
- The Group, for economic or legal reasons relating to the financial difficulties of the borrower, approves guarantees / benefits that otherwise would not be approved;
- The probability of bankruptcy or other financial reorganization of the debtor;
- The disappearance of an active financial market for that financial asset because of financial difficulties, or available data indicate that there is a measurable decrease in the predicted future cash flows from the portfolio of financial assets upon their initial recognition, although the above reduction still may not be associated with individual financial resources from portfolio, including:
  - (I) Unfavorable change in creditworthiness of borrowers, and
  - (II) National or local economic conditions that are mutually associated with delays in the collection of receivables from the portfolio.

The Group firstly estimates if there is objective impairment evidence.

**2 Summary of significant accounting policies (continued)**

The amount of loss is measured as the difference between the carrying values of assets and the present value of estimated future cash flows (excluding future credit losses that are not incurred) discounted at the original effective interest rate for that financial asset. The amount of carrying value of assets is reduced and the amount of loss is recognized in the income statement. If a loan or investment that is held to maturity has variable interest rate, discount rate for measuring any impairment loss is the current interest rate established by contract. The Group may measure impairment based on fair value of financial instruments using market prices, available to public.

If the amount of impairment loss decreases and that decrease can be objectively attributed to an event occurred after the recognition of impairment (eg, improving the creditworthiness of the debtor), the abolition of previously recognized loss on impairment is recognized in the income statement.

**2.10 Inventories**

Cost of inventories of materials, spare parts and fittings are evaluated at purchase cost or net realizable value, depending on which amount is lower. A purchase cost is 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" in income statement.

**2.11 Trade receivables**

Trade receivables are amounts owed by customers for goods sold or services performed in the ordinary course of business cycle. If claims are expected to be collected within one year or less (or in the ordinary course of business cycle if longer), trade receivables are classified as short-term. Otherwise, they are recorded as long-term.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial 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 (note 9). When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amount previously written off are credited to "other income" in the income statement (note 7). The management provides for this purpose, on the basis of its internal estimations of debts collection.

## **2 Summary of significant accounting policies (continued)**

### **2.12 Cash and cash equivalents**

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

### **2.13 Basic capital**

(a) *Share Capital*

Ordinary shares are classified as equity.

(b) *Statutory reserves*

Statutory reserves are established based on the Decision of the Board of Directors and Shareholders' Assembly, and are formed from the distribution of earnings (5% of the Group's profit after tax)

(c) *Other reserves*

Based on the decision of General Assembly at the end of each financial year a part of retained earnings is allocated to the housing fund, if needed. This fund is used to finance purchasing of apartments and houses for the employees of the Group and cover other similar expenses.

(d) *Revaluated reserves*

Revaluated reserves arise from an increase of fair value of equity shares in other companies, compared with their former carrying value.

### **2.14 Provisions**

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

### **2.15 Trade payables**

Trade payables are liabilities to suppliers for received goods and services in the ordinary course of business cycle. Trade payables are classified as short-term if their due date is within one year or less (or in the ordinary course of business cycle if longer). Otherwise, they are recorded as long-term.

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

## **2 Summary of significant accounting policies (continued)**

### **2.16 Employee benefits**

#### *(a) Pension obligations*

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

#### *(b) Other employee benefits*

The Group provides jubilee awards and retirement employee benefit schemes. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and/or the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. The defined benefit

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

#### *(c) Termination benefits*

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

### **2.17 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.

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

**2.18 Revenue recognition**

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

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

**(a) Sales of goods – wholesale**

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

## **2 Summary of significant accounting policies (continued)**

### **(b) *Sales of goods – retail***

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

### **(c) *Sales of services***

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

## **2.19 Leases**

### **(a) *Where the Group 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 Coastal 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.

## **2.20 Distribution of dividends**

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



### **3 Financial risk management**

#### **3.1 Financial risk factors**

The Group's activities 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 Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by 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 Group'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 Group operates and sells mainly in Montenegro and neighboring countries. The Group is exposed to foreign currency risk in purchases and sales and on its short-term liabilities. The Group purchases oil products in US dollars and sell them mainly in EUR and US dollar denominated prices. The Group does not hedge its foreign exchange exposure risk.

*ii. Price risk*

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

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

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

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

(b) *Credit risk.*

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

**3 Financial risk management (continued)**

Credit risk is managed on group 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 utilization 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 2009		31 December 2008	
		Credit limit	Balance	Credit limit	Balance
LUKOIL	A	900,000, 35 days	71,365	630,000, 35 days	612,842
Montenegro Petrol	B	350,000 ,30 days 1.500,000 , 35, 42	349,997	220,000, 35 days	238,114
Euro Petrol Kombinat aluminijuma Podgorica AD	C	days	1,598,645	2,630,000,60dana	2,161,254
Montenegro Airlines	D		62,871		699.839
Montenegro Bonus	E	500,000	716,635	440	844,278
	F		- 1,038,173	-	3,403,671
			<b>4,477,686</b>		<b>7,959,998</b>

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 recognized rating agency, therefore the Group made internal rating considering the following criteria: annual turnover, end balances, payment terms and guarantees coverage and past cooperation experience, and rating are from A to F.

The balances of customer rated from A-D, which exceeded credit limit, are immature, and covered with bank guarantees (except Rudnik uglja and Montenegro airlines). Customers ranked from A-C are private petrol stations' with which the Group has general credit policy (applied to all private petrol stations customers), according to credit limit which is set per each petrol station separately. 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 in the amount of EUR 697,867 (2008: EUR 1,699,345) fully covered with bank guarantees. Remaining debt concerns rendered services from previous periods in amount of 340.306 EUR (2008: EUR 1,704,493) that is under court procedure, but fully provided through financial results.

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 Financial risk management (continued)**

#### **3.2 Capital risk management**

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. In 2008 and 2009 the Group did not use any borrowings from the banks. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The Group did not have any borrowings (either current or non-current) as of December 31, 2009.

#### **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 Group 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 Group for similar financial instruments.

### **4 Critical accounting estimates and judgments**

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

#### **4.1 Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below.

##### **(a) *Useful lives of property, plant and equipment***

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. Management will amend the depreciation charge where useful lives are changed 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 Group's policy.

#### **4 Critical accounting estimates and judgments (continued)**

(b) *Other employee benefit schemes*

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

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

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

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

(c) *Tax legislation*

*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 realization of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future Management makes judgments and applies estimation based on last three years taxable profits and expectations of future income that are believed to be reasonable under the circumstances.

*Value added tax*

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

#### **4.2 Critical judgments in applying the accounting policies**

(a) *Impairment of fixed assets*

The Group tests fixed assets for impairment at least annually. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates which are determined based on a historical data corrected for the projected changes in the market conditions (Note 13).

**4 Critical accounting estimates and judgments (continued)**

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

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

(c) *Financial crisis*

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

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

**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

**4 Critical accounting estimates and judgments (continued)**

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

**JUGOPETROL A.D., KOTOR****Notes to the consolidated financial statements for the year ended 31 December 2009**

(All amounts expressed in EUR, unless otherwise stated)

**5 Business segments**

The Management of the Group defines business segments according to the business report, reviewed by the executive director and used for strategic decision making.

When reporting, the Management of the Group use wholesale and retail operating segments. In both retail and wholesale revenues are generated by selling oil and oil products. In addition to selling oil products, in retail the Group also generates revenues by selling so called goods of additional assortment at the minimarkets located at petrol stations. Other revenues (lease, receivables) are not included in these segments, since they are not reported as such, and are displayed in the column "other income" in the following table:

	2009	2008	2009	2008	2009	2008	2009	2008
	Retail		Wholesale		Other revenues		Total	
-Sales income	66,937,223	99,232,682	66,958,194	112,340,535	3,297,709	2,051,554	137,193,126	213,624,771
-costs of fuel and of other goods	50,386,989	83,353,921	58,872,008	103,462,371	-	-	109,258,997	186,816,292
Gross revenue	16,550,234	15,878,761	8,086,186	8,878,164	3,297,709	2,051,554	27,934,129	26,808,479

The revenues of foreign customers communicated to the Regulatory Committee were measured in the way consistent with the one in the balance sheet.

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

**6 Revenue**

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.

**JUGOPETROL A.D., KOTOR****Notes to the consolidated financial statements for the year ended 31 December 2009**

(All amounts expressed in EUR, unless otherwise stated)

**6 Revenue (continued)**

Revenues	2009	2008
- Sales of goods in domestic market:		
retail	66,937,223	99,232,682
wholesale	50,970,828	84,646,946
	<b>117,908,051</b>	<b>183,879,628</b>
- Sales of goods abroad	15,987,366	27,693,589
	<b>15,987,366</b>	<b>27,693,589</b>
- Services rendered	299,441	532,804
	<b>299,441</b>	<b>532,804</b>
<b>Total sales</b>	<b>134,194,858</b>	<b>212,106,020</b>

Sales of goods in domestic market in amount of EUR 117,908,051 comprise of sale of fuel in amount of EUR 111,918,024, sale of LPG in amount of 759,714, sale of lubricants EUR 694,532 and sale of Mini Market products of EUR 4,535,781.

Sales of goods abroad in amount of EUR 15,987,366 relate to the sale of fuel.

Services rendered revenue in amount of EUR 299,441 include storage services in amount of EUR 147,086, rental revenues in amount of EUR 123,579, and other services in amount of EUR 28,776.

**7 Other income**

	31-Dec-09	31-Dec-08
Reversed provision for doubtful debtors (Note 19)	1,072,898	541,598
Inventory surpluses	411,150	496,883
Gains on sale of PPE	1,289,658	3,616
Denomination of liabilities	41,157	-
Other income	183,405	476,652
<b>Other income, total</b>	<b>2,998,268</b>	<b>1,518,750</b>

Denomination of liabilities in amount of EUR 41,157 refers to reversal of more calculated expenses for electricity and phone. Within the other income there are the income from reversal of jubilee awards in amount of EUR 104,975 and gains from insurance in amount of EUR 32,406.

Collected receivables previously written off relate to :

	2009
Montenegro Bonus, Cetinje	887,733
Binasa, Bar	61,015
Vukadinovic company, Kotor	35,766
Economy and Finance Secretariat, Cetinje	13,549
Kimont, Bar	8,102
Uniprom pekara, Nikšić	7,352
Ostali customers	59,381
<b>Total</b>	<b>1,072,898</b>

**JUGOPETROL A.D., KOTOR****Notes to the consolidated financial statements for the year ended 31 December 2009**

(All amounts expressed in EUR, unless otherwise stated)

**8 Staff cost**

	2009	2008
Gross salaries and wages	4,155,751	5,802,897
Social security contributions – on behalf of employer	820,777	1,097,950
Food allowances	465,837	653,430
Transportation allowances	177,222	240,727
Winter food allowances	172,340	337,738
Holiday allowances	227,682	312,939
Social contribution to employees	10,582	34,156
Unused holidays	78,768	287,502
Retirement indemnities and jubilee awards (note 22)	6,334,914	222,678
Temporary staff' costs	24,514	94,947
Board of Directors' compensation	101,367	101,219
Other personnel expenses	223,073	169,802
<b>Staff cost, total</b>	<b>12,792,827</b>	<b>9,355,985</b>

**9 Other expenses**

	2009	2008
Provision for bad debts (Note 19)	1,002,944	1,193,901
Provision for legal cases	1,600,000	1,000,000
Indirect taxes and contributions	565,896	896,655
Inventory shortages	668,224	1,000,273
Bank commissions and fees	112,971	240,261
Transportation cost	489,553	601,335
Marketing and advertising	59,492	111,066
Operating license expenses	186,953	203,002
Write off of inventory and other receivables	34,538	12,189
Loss on sale of materials	8	1,347
Loss on sale and disposal of fixed assets	51,619	150,723
Telecommunications and postal expenses	152,608	140,648
Scholarships	92,448	131,008
Third party's services	736,718	445,739
Insurance	185,480	151,962
Travel expenses	176,003	175,589
Donations and sponsorships	52,784	59,498
Discounts	29,936	3,201
Representation expenses	73,548	59,437
Rental cost	139,832	84,216
Training and seminars	19,164	23,347
Penalties	18,985	17,200
COMO related expenses	2,364,830	10,171
Miscellaneous expenses	289,190	243,273
<b>Other expenses, total</b>	<b>9,103,724</b>	<b>6,946,464</b>



**9 Other expenses (continued)**

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 Jugopetrol AD Kotor. Significant increase of COMO expenses is result of transforming thirty three petrol stations from COCO to COMO operating system, while in 2008 only one petrol station was operating under COMO system. Income incurred through COMO operating system is included in Revenue.

**10 Financial income and expenses**

	2009	2008
Finance income	684,509	1,425,936
Finance expense	(489)	(236)
Foreign exchange gains	928,929	4,081,506
Foreign exchange losses	(1,705,022)	(3,700,443)
<b>Financial (expenses)/income, net</b>	<b>(92,073)</b>	<b>1,806,763</b>

**11 Current and deferred tax**

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

	2009	2008
<b>Profit before income taxes</b>	<b>1,190,416</b>	<b>7,213,097</b>
Taxable profit / (loss) in accordance with income tax return	<b>(1,372,580)</b>	<b>7,868,964</b>
Capital gain	<b>1,134,743</b>	-
Tax calculated at statutory tax rate – 9%	102,126	708,207
Expenses not deductible for tax purposes	-	6,109
Utilization of previously unrecognized tax losses	-	(14,163)
Tax deduction – 50% of capital gain	(51,063)	-
<b>Total current Tax</b>	<b>51,063</b>	<b>700,153</b>
	(106,310)	18,130
<b>Total deferred tax</b>	<b>(106,310)</b>	<b>18,130</b>
<b>Income tax</b>	<b>(55,247)</b>	<b>718,283</b>

**11 Current and deferred tax (continued)**

	<b>Accelerated tax depreciation</b>	<b>Fair value gains</b>		<b>Total</b>
<b>At 1 January 2009</b>	<b>18,130</b>	<b>89,127</b>	<b>0</b>	<b>107,257</b>
Charged/(credited) to the income statement	17,222	-	(123,532)	<b>(106,310)</b>
Charged directly to equity	-	(13,020)	-	<b>(13,020)</b>
Exchange differences	-	-	-	-
<b>At 31 December 2009</b>	<b>35,352</b>	<b>76,107</b>	<b>(123,532)</b>	<b>(12,073)</b>

Deferred income tax liabilities in amount of EUR 17,222 derive from accelerated tax depreciation. Deferred income tax assets in amount of EUR 123,532 are calculated under possibility to transfer the current period losses to future years (but not longer than 5 years). The amounts of EUR 18,130 and EUR 123,532 are charged to P&L.

Deferred tax liability in amount of EUR 13,020 was generated by fair value losses and is directly recognized in equity (note 20.4).

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 consolidated financial statements for the year ended 31 December 2009**

(All amounts expressed in EUR, unless otherwise stated)

**12 Intangible assets****At 1 January 2008**

Cost	5,114,231
Accumulated amortization and impairment	(223,287)
<b>Net book amount</b>	<b>4,890,944</b>

**Year ended 31 December 2008**

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

**At 31 December 2008**

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

**Year ended 31 December 2009**

Opening net book amount	5,478,707
Additions	1,400
Transfer on PPE (note 13)	(144,983)
Restatement of opening balance	-
Amortization charge	(34,607)
<b>Closing net book amount</b>	<b>5,300,518</b>

**At 31 December 2009**

Cost	5,588,036
Accumulated amortization and impairment	(287,519)
<b>Net book amount</b>	<b>5,300,518</b>

Intangibles of EUR 4,852,604 (2008: EUR 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 EUR 464,760 (2008: EUR 464,760) relate to right of use of slope protection in Bar. Other intangible assets of EUR 270,673 (2008: EUR 269,273) comprise of software and licenses.

**JUGOPETROL A.D., KOTOR****Notes to the consolidated financial statements for the year ended 31 December 2009**

(All amounts expressed in EUR, unless otherwise stated)

**13 Property, plant and equipment**

	Land	Buildings	Machinery and equipment	Construction in progress	Total
<b>At 31 December 2008</b>					
Opening net book amount	17,782,994	16,423,312	4,441,737	1,568,625	40,216,668
Additions		18,537	34,543	3,767,122	3,820,203
Transfer from CIP	363,200	1,486,395	835,618	(2,685,212)	0
Disposals		(45,826)	(104,894)		(150,720)
Depreciation charge		(1,719,993)	(929,611)		(2,649,605)
<b>Closing net book amount</b>	<b>18,146,194</b>	<b>16,162,425</b>	<b>4,277,393</b>	<b>2,650,535</b>	<b>41,236,545</b>
<b>At 31 December 2008</b>					
Cost	18,146,194	51,122,817	21,186,771	2,650,535	93,106,317
Accumulated depreciation		(34,960,392)	(16,909,378)		(51,869,770)
<b>Net book amount</b>	<b>18,146,194</b>	<b>16,162,425</b>	<b>4,277,393</b>	<b>2,650,535</b>	<b>41,236,545</b>
<b>At 31 December 2009</b>					
Opening net book amount	18,146,194	16,162,425	4,277,393	2,650,535	41,236,547
Additions		11,771	12,258	6,465,397	6,489,427
Transfer from CIP	3,214,431	1,510,043	845,445	(5,569,919)	0
Disposals	(302,855)	(11,809)	(63,631)		(378,294)
Other movements (note 12)	146,592	(217,904)	208,127		136,815
Depreciation charge		(1,658,977)	(928,336)		(2,587,313)
<b>Closing net book amount</b>	<b>21,204,362</b>	<b>15,795,550</b>	<b>4,351,256</b>	<b>3,546,013</b>	<b>44,897,180</b>
<b>At 31 December 2009</b>					
Cost	21,204,362	51,970,291	21,428,770	3,546,013	98,149,436
Accumulated depreciation		(36,174,740)	(17,077,513)		(53,252,254)
<b>Net book amount</b>	<b>21,204,362</b>	<b>15,795,550</b>	<b>4,351,256</b>	<b>3,546,013</b>	<b>44,897,180</b>

Transfer from intangible assets land in amount of EUR 144,983 is made in accordance with the law requirements.

The Group performed an impairment test as of 31 December 2009. 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.

**13 Property, plant and equipment (continued)**

Key assumptions used for value-in-use calculations:

	Petrol stations	Installation Bar
Gross margin (EUR/m <sup>3</sup> ) - in 2009	98	34
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.

**14 Long-term financial investments**

**Long-term financial investments include:**

	2009	2008
Investments in subsidiary	2,556	161,052
Investments in joint ventures	2,349	4,698
Available-for-sale financial assets	1,879,868	2,024,537
<b>Total</b>	<b>1,884,773</b>	<b>2,190,287</b>

14.1 Joint ventures relate to:

	Business	Ownership	2009	2008
Star Petroleum Holding Ltd, England	Exploration	49%	2,349	2,349
Productoil, Kotor	Exploration	49%	-	2,349
			<b>2,349</b>	<b>4,698</b>

The Group has exploration rights offshore Montenegro. The exploration area (about 9.000 Km<sup>2</sup>) 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 Group 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 Group to conduct exploration activities. The contract duration is for 30 years (which could be extended if needed)

**14 Long-term financial investments (continued)**

14.3 Available-for-sale financial assets include the following:

	<b>2009</b>	<b>2008</b>
<b>Listed securities:</b>		
- Equity securities - Montenegro Stock Exchange		
Hipotekarna banka a.d., Podgorica	1,383,680	1,383,680
Lovcen osiguranje a.d., Podgorica	369,117	396,264
Niksicka Banka Montenegro a.d., Niksic	65,407	161,130
Jadransko Brodogradiliste a.d., Bijela	8,842	11,271
CMC a.d., Podgorica	15,416	20,384
	<b>1,842,462</b>	<b>1,972,729</b>
<b>Unlisted securities:</b>		
Export drvo - Kolašin	28,496	28,496
Castello Montenegro - Pljevlja	265	265
Novi prvoborac - H. Novi	37,141	51,543
	<b>65,902</b>	<b>80,304</b>
Less: Impairment of shares Export drvo	(28,496)	(28,496)
	<b>1,879,868</b>	<b>2,024,537</b>

The changes of financial assets' value in 2009 are as follows:

	<b>2009</b>
<b>Balance at the beginning of the year</b>	<b>2,024,537</b>
Impairments	(144,669)
<b>Balance at the end of the year</b>	<b>1,879,868</b>

There were no disposals of available-for-sale financial assets in 2009.

The fair value of financial assets traded in an active market is determined based on the current market price on Montenegro and NEX stock exchange on 31 December 2009.

The prices of shares of listed companies are on the stock exchanges and are traded on market. Jugopetrol AD Kotor makes three-month accounting adjustments in accordance with the official statements of the stock exchanges.

Jugopetrol AD Kotor has impaired the value of Export-drvo Kolasin as the company has entered bankruptcy proceedings and Jugopetrol AD Kotor has not executed the investments' write-off since there is a possibility of collection from the estate.

**15 Other long-term financial assets**

Other long-term financial assets include:

	<b>2009</b>	<b>2008</b>
Prepaid employee benefit	444,375	496,843
Fair value of Housing loans to employees	635,475	868,175
<b>Housing loans, total</b>	<b>1,079,850</b>	<b>1,365,018</b>

**JUGOPETROL A.D., KOTOR****Notes to the consolidated financial statements for the year ended 31 December 2009**

(All amounts expressed in EUR, unless otherwise stated)

**15 Other long-term financial assets (continued)**

Movements on the accounts are as follows:

	2009	2008
<b>At 1 January</b>	1,365,018	1,187,021
Opening balance correction (note 18.3)	-	138,665
Discounting of housing loans	-	
New loans granted	30,889	161,483
Repayments	(224,868)	(122,151)
	<b>1,171,039</b>	<b>1,365,018</b>
Less: Loans due in following period	(91,189)	-
<b>At 31 December</b>	<b>1,079,850</b>	<b>1,365,018</b>

**16 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
<b>31 December 2008</b>			
Available-for-sale financial assets	-	2,024,537	2,024,537
Trade and other receivables	17,518,067	-	17,518,067
Cash and cash equivalents	27,585,109	-	27,585,109
<b>Total</b>	<b>45,103,176</b>	<b>2,024,537</b>	<b>47,127,713</b>
	Loans and receivables	Other financial liabilities	Total
<b>31 December 2008</b>			
Liabilities as per balance sheet	-	13,510,636	13,510,636
<b>Total</b>	<b>-</b>	<b>13,510,636</b>	<b>13,510,636</b>
	Loans and receivables	Available for sale	Total
<b>31 December 2009</b>			
Available-for-sale financial assets	-	1,879,868	1,879,868
Trade and other receivables	13,703,509	-	13,703,509
Cash and cash equivalents	29,512,914	-	29,512,914
<b>Total</b>	<b>43,216,423</b>	<b>1,879,868</b>	<b>45,096,291</b>
	Loans and receivables	Other financial liabilities	Total
<b>31 December 2009</b>			
Liabilities as per balance sheet	-	15,196,774	15,196,774
<b>Total</b>	<b>-</b>	<b>15,196,774</b>	<b>15,196,774</b>

**17. 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:

<b>Trade receivables</b>	<b>2009</b>	<b>2008</b>
Counterparts with internal credit rating		
Group 1	187,327	1,029,725
Group 2	13,993,097	17,565,285
Group 3	1,769,971	1,182,952
<b>Total gross trade receivables</b>	<b>15,950,395</b>	<b>19,777,962</b>

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

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

Group 3 includes State and Public companies that had delays in payments in past, but are without risk, as balances are settled through State Budget, or through excise and VAT compensations. This group also includes some partially or wholly privately owned companies with some delays in payments. For these companies, provisions were fully provided (Note 19).

	<b>2009</b>	<b>2008</b>
<b>Cash at bank and short-term bank deposits</b>		
<b>(marked according to internally created estimation)</b>		
A Podgorička Banka	22,127,583	8,841,959
AB Crnogorska Komercijalna Banka	3,445,367	10,541,225
ABC Prva Banka CG	2,856,321	6,866,561
ABCD NLB	413,670	752,810
ABCDE* Hipotekarna Banka	236,513	212,234
ABCDEF* Unicredit Banka Ad Banja Luka	65,570	45,569
<b>Total cash &amp; short term deposits</b>	<b>29,146,029</b>	<b>27,271,410</b>

The rest of the balance sheet item 'cash and cash equivalents' is cash on hand (note 19).

As there is no official independent rating of Banks, the Group 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 Group's credit card program which are guaranteed by Banks, etc.

Banks rated A and ABC issue bank guaranties for JPK regarding excise and tax duties.

Podgoricka bank was used to split risk factor, as its major shareholder is recognized International Bank.



**JUGOPETROL A.D., KOTOR****Notes to the consolidated financial statements for the year ended 31 December 2009**

(All amounts expressed in EUR, unless otherwise stated)

**18 Inventories**

	<b>2009</b>	<b>2008</b>
Goods for resale-wholesale	8,508,073	12,102,417
Goods for resale-retail	3,542,044	2,958,874
Spare parts and consumables	526,866	550,920
Goods in transit	1,365,726	-
<b>Inventories, total</b>	<b>13,942,708</b>	<b>15,612,211</b>

The goods in transit in amount of EUR 1,365,726 relate to the value of diesel fuel purchased in December 2009, but not physically received in the Jugopetrol's warehouses until 31 December 2009.

**19 Trade and other receivables**

	<b>2009</b>	<b>2008</b>
Domestic trade receivables	13,763,231	18,131,824
Foreign trade receivables	2,160,997	2,485,207
Receivables from related parties (26c)	26,167	-
<b>Trade receivables, total</b>	<b>15,950,395</b>	<b>20,617,031</b>
Receivables from government agencies	33,785	72,835
Refundable VAT	29,729	45,041
Advances to suppliers	129,650	122,476
Prepaid expenses	51,597	-
Receivables from employees	5,709	9,292
Other receivables	306,137	198,513
Prepaid VAT	162,213	83,111
Receivables from insurance companies	11,945	164
<b>Other receivables, total</b>	<b>306,614</b>	<b>531,432</b>
<b>Receivables, total</b>	<b>16,681,637</b>	<b>21,148,463</b>
<b>Less: Provision for impairment</b>	<b>(2,978,128)</b>	<b>(3,630,396)</b>
<b>Receivables, net</b>	<b>13,703,509</b>	<b>17,518,067</b>

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

	<b>2009</b>	<b>2008</b>
At 1 January	3,630,396	3,014,281
Provision for receivables impairment (Note 9)	1,002,944	1,193,901
Reversal of provision (Note 7)	(1,072,898)	(541,598)
Other corrections	(4,063)	(28,385)
Write off	(578,251)	(7,803)
<b>At 31 December</b>	<b>2,978,128</b>	<b>3,630,396</b>

Of total amount of receivables impairment, the amount of EUR 2,709,720 (2008: EUR 3,384,250) refers to domestic trade receivables, while EUR 268,408 (EUR: 246,146) refers to foreign trade receivables.

Additional provision for impaired receivables has been included under the other expenses, and reversal of provision under the other income in the income statement (notes 9 and 7). The write off in amount of EUR 578,251 relates to the receivables of Montenegro bonus, which were not expected to be recovered.

**19 Trade and other receivables (continued)**

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. Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2009, trade receivables of EUR 11,114,612 (2008: EUR 16,337,212) 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:

	<b>2009</b>	<b>2008</b>
Up to 3 months	11,006,055	15,782,389
3 to 6 months	529,955	1,045,202
<b>Total</b>	<b>11,536,010</b>	<b>16,827,591</b>

As of 31 December 2009, trade receivables of EUR 2,519,309 (2008: EUR 3,149,444) were impaired and provided for. 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:

	<b>2009</b>	<b>2008</b>
Up to 3 months	-	-
3 to 6 months	-	-
Over 6 months	2,978,128	3,630,396
<b>Total</b>	<b>2,978,128</b>	<b>3,630,396</b>

Carrying amounts of the Group's trade and other receivables are denominated in EUR:

	<b>2009</b>	<b>2008</b>
EUR	13,703,509	17,518,067
<b>Total</b>	<b>13,703,509</b>	<b>17,518,067</b>

**20 Cash and cash equivalents**

	<b>31-Dec-09</b>	<b>31-Dec-08</b>
Cash in hand	367,631	1,333
Current accounts	29,145,284	19,183,776
Short-term deposits	-	8,400,000
	<b>29,512,914</b>	<b>27,585,109</b>

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

At maturity date short-term deposits were not deposited.

**21 Capital and reserves****21.1 Share capital**

The structure of the Group's share capital and shareholders as of 31 December 2009 is as follows:

	Number of shares	Percentage shareholding	31-Dec-09
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
	<b>4,653,971</b>	<b>100%</b>	<b>67,986,606</b>

The Group's share capital comprises of 4,653,971 common shares with nominal value of EUR 14,6083 per share. In October 2002, Hellenic Petroleum International S.A. acquired 54.4% of the Group's share capital.

**21.2 Statutory reserves**

Legal reserves of EUR 2,469,979 (2008: EUR 2,469,979) were formed based on the decision of the Board of Directors and the Shareholders' Assembly and represent 5% of the Group's statutory after tax profits starting from year 2001.

**21.3 Other reserves***Housing fund*

At the end of each financial year, the Group, 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 Group's employees and/or covers other expenses in relation to residential needs.

Changes in the other reserves were as follows:

	31-Dec-09	31-Dec-08
At 1 January	3,114,281	2,375,616
Opening balance correction		138,665
Reclassification from retained earnings	600,000	600,000
<b>At 31 December</b>	<b>3,714,281</b>	<b>3,114,281</b>

**21 Capital and reserves (continued)**

**21.4 Revaluation reserves from AFS**

The movement on revaluation reserves accounts was as follows:

	<b>2009</b>	<b>2008</b>
<b>At 1 January</b>	901,172	1,581,674
Opening balance adjustment		184
Fair value gains on AFS financial assets	30,687	290,778
Fair value loss on AFS financial assets	(175,355)	(882,337)
Deferred tax charged directly to equity	13,020	(89,127)
<b>At 31 December</b>	<b>769,524</b>	<b>901,172</b>

**21.5 Retained earnings**

The movement on retained earnings accounts was as follows:

	<b>2009</b>	<b>2008</b>
<b>At 31 December prior year</b>	<b>17,594,870</b>	<b>10,411,059</b>
Prior year adjustment (note 2.2.)	(186,457)	(87,231)
<b>At 1 January</b>	<b>17,408,413</b>	<b>10,323,828</b>
Profit for period	1,245,663	6,494,814
Reversal of provisions		1,376,228
Transfer to other reserves	(600,000)	(600,000)
Dividends	(3,000,000)	-
<b>At 31 December</b>	<b>15,054,076</b>	<b>17,594,870</b>

**22 Long term provisions**

Long term provisions include:

	<b>2009</b>	<b>2008</b>
Provision for retirement indemnities	961,043	2,502,586
Provision for jubilee awards	172,432	293,858
Provision for legal cases	4,100,000	2,500,000
	<b>5,233,475</b>	<b>5,296,444</b>

**22 Long term provisions (continued)**

The movements on long term provision account were as follows:

	Long term employee benefits	Provision for court cases	Total
<b>At 1 January 2008</b>	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 provisions		(1,376,228)	(1,376,228)
Used during the year	(194,457)		(194,457)
<b>At 31 December 2008</b>	<b>2,796,444</b>	<b>2,500,000</b>	<b>5,296,444</b>
<b>At 1 January 2009</b>	2,796,444	2,500,000	5,296,444
Charged / credited to P& L	6,229,939	-	6,229,939
Additional provisions (note 9)	-	1,600,000	1,600,000
Used during the year	(7,892,908)	-	(7,892,908)
<b>At 31 December 2009</b>	<b>1,133,475</b>	<b>4,100,000</b>	<b>5,233,475</b>

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

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	
	2009	2008	2009	2008
Current service cost	49,025	81,458	16,380	59,489
Interest cost	65,533	99,482	15,029	48,439
Net amortization	(41,090)	(45,902)	(110,695)	(71,732)
Prior year adjustment	-	-	14,409	(463,839)
Curtailment/Settlement	6,221,348	87,640	-	-
<b>Total</b>	<b>6,294,816</b>	<b>222,678</b>	<b>(64,877)</b>	<b>(427,643)</b>

Income from resolve of jubilee awards provision is included under other income (note 7), and the expense of benefit paid is included under retirement indemnities and jubilee awards (note 8)

The principal actuarial assumptions used were as follows:

o *Financial assumptions*

	2009	2008
Discount rate	6.10%	7.25%
Increase of average salary	1.00%	
Individual pay increase	<b>Actual seniority increase</b>	

**JUGOPETROL A.D., KOTOR****Notes to the consolidated financial statements for the year ended 31 December 2009**

(All amounts expressed in EUR, unless otherwise stated)

**22 Long term provisions (continued)**○ *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

*Legal cases*

Long-term provisions of EUR 4,100,000 (31 December 2008: EUR 2,876,228) relate to legal claims brought against the Group in previous years (placed by the Dunav insurance (EUR 1,000,000) and Jugoskandik (EUR 1,500,000)(Note 27)) and provision in amount of EUR 1,600,000 made for legal cases initiated by the former employees.

The Group used to hire a large number of employees to work at petrol stations in previous years. Their salaries and fees were determined according to the Labor Contract they concluded with the employer, and according with the General Collective Agreement. As these allowances were lower than those made to the contract staffing, 81 of them have indicated trial courses claiming the difference between the amount they received and the amount they should have received according to the Individual Collective Agreement.

As it is highly probable that Jugopetrol might have to pay certain amount to these employees, the provision of funds in the amount of EUR 1,600,000 has been made.

In management 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 2009 .

**23 Trade and other payables**

	<b>31-Dec-09</b>	<b>31-Dec-08</b>
Domestic trade payables	1,220,073	1,163,295
Foreign trade payables	448,942	334,995
Payables to related parties (note 26)	8,196,929	4,297,414
Customer advances	1,185,662	936,938
Salaries and wages payable	12,529	216,701
Payroll taxes and contributions payable	10,054	232,899
Other liabilities to employees	-	127,601
Liabilities to the Board of Directors	-	1,878
Unused holidays	78,768	101,512
Excise and other duties payable	5,105,671	6,237,159
VAT payable on imports	(666,369)	(738,994)
Other taxes payable	-	560,572
Income tax payable	(556,346)	(202,716)
Other payables	157,051	197,180
Accrued expenses	3,812	44,201
<b>Payables, total</b>	<b>15,196,774</b>	<b>13,510,636</b>

Liabilities to suppliers in amount of EUR 9,694,845 are denominated in USD and EUR as at 31 December 2009.

**JUGOPETROL A.D., KOTOR****Notes to the consolidated financial statements for the year ended 31 December 2009**

(All amounts expressed in EUR, unless otherwise stated)

**24 Earnings per share**a) *Basic*

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

	2009	2008
Profit attributable to equity holders of the Group	1,245,663	6,494,814
Weighted average number of ordinary shares in issue	4,653,971	4,653,971
Basic earnings per share	<u>0,27</u>	<u>1,40</u>

**25 Business combinations**

There was no acquisition of subsidiaries for the year ended 31 December 2009 and 2008.

**26 Related party transactions**

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

The following transactions were carried out with related parties:

## (a) Sales of goods and services

	Relationship	Nature of transactions	31-Dec-09	31-Dec-08
Global Petroleum SH	Group company	Sales of oil products	222,311	205,512
<b>Total</b>			<u>222,311</u>	<u>205,512</u>

**JUGOPETROL A.D., KOTOR****Notes to the consolidated financial statements for the year ended 31 December 2009**

(All amounts expressed in EUR, unless otherwise stated)

**26 Related party transactions (continued)**

## (b) Purchases of goods and services

	Relationship	Nature of transactions	31-Dec-09	31-Dec-08
Hellenic Petroleum S.A.	Parent company	Purchases of oil products	98,171,392	173,993,450
Hellenic Petroleum S.A.	Parent company	Insurance services	181,296	-
EKO ELDA ABEE	Group company	Purchases of lubricants	460,114	379,641
HELPE International Con.	Group company	Consultancy services	260,000	180,000
Asprofos Engineering S.A.	Group company	Engineering services	28,442	11,355
EKO Serbia			88,310	
<b>Total</b>			<b>99,189,554</b>	<b>174,564,446</b>

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

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

	Relationship	31-Dec-09	31-Dec-08
<b>Receivables from related parties (Note 19)</b>			
Hellenic Petroleum (non trade debtors)	Parent company	26,167	-
<b>Total</b>		<b>26,167</b>	<b>-</b>
<b>Payables to related parties (Note 23)</b>			
Hellenic Petroleum S.A.	Parent	8,082,095	4,158,738
EKO ELDA ABEE	Group company	95,147	88,676
HELPE International Consulting	Group company	19,687	50,000
		<b>8,196,929</b>	<b>4,297,414</b>

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. There were no provisions on receivables from related parties.

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.



**26 Related party transactions (continued)**

## (d) Key management compensation

	<b>2009</b>	<b>2008</b>
Salaries and other short-term employee benefits	533,409	570,269
<b>Total</b>	<b>533,409</b>	<b>570,269</b>

Key management includes CEO and Head of Departments.

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.

**27 Commitments and contingencies****Legal cases of special importance****1) Jugoskandik DD (in bankruptcy)**

Based on the 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 the effective judgment of the Commercial Court in Belgrade. The Commercial Court in 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 on 20/12/2006 as groundless.

Therefore, there is no legal possibility for further conduct of the proceedings. That means that the proceedings have 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, regarding making an attempt for out-of-court settlement, are in process.

**2) Jugoskandik DD Sveti Stefan (the clients of this Jugoskandik)**

The court procedure regarding the clients of Jugoskandik DD Sveti Stefan is in process before the Municipal Court of Bar. The court trial is being conducted over 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 the judgment of the Belgrade court has been put into effect, Jugopetrol will seek the closure of the dispute, as the two legal entities cannot be the owners of the same quantity of fuel.

**27 Commitments and contingencies (continued)****3) Dunav Insurance Company**

This court trial commenced before the Belgrade courts in 1994. The Commercial Court of Belgrade handed down the judgment in its fifth hearing in favor of Dunav Insurance Company on 27/06/2007. The claim was on the amount of approximately EUR 1,000,000.

Deciding upon the appeal of Jugopetrol AD Kotor, the Higher Commercial Court reached the verdict on 29/12/2008, and prosecutor's claim was rejected as unfounded.

However, the prosecutor, i.e. Dunav Insurance Company, filed a revision to the Supreme Court of Serbia, which rendered a verdict on 17/11/2009, according to which the revision was partially accepted and Jugopetrol AD Kotor was obligated to pay the amount of dinars 48,192,107, with penalty interest starting from 30\10\2005.

Since the judgment of The Supreme Court cannot be disputed, nor appealed, the verdict has to be respected and awarded amount ought to be paid to Dunav Insurance Company Belgrade.

**4) Montenegrobonus DOO Cetinje (dispute number 1)**

On 29/09/2006, Jugopetrol AD Kotor 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 this company to use storage 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 had stated the declaration, the Commercial Court of Podgorica, through its Judgment P 719/05, announced itself incompetent for depositing in this legal matter. This judgment is executive and the court case was given to the Magistrate Court of Kotor, as the competent one.

On the first court hearing, scheduled for 06/11/2009, The Municipal Court of Kotor reached a resolution to suspend the proceedings in this legal matter, until the effective termination of the cases related to the lawsuit of the Republic of Montenegro and Montenegrobonus DOO Cetinje, over the eventual ownership rights on the Petroleum Installation Lipci. Only after the completion of the proceedings on these claims, the court will decide on the possible continuation of this interrupted procedure. The Management expects a positive outcome of the dispute.

**5) Montenegrobonus DOO Cetinje (dispute number 2)**

On 27/08/2009, Jugopetrol AD Kotor was delivered the lawsuit, presented by Montenegrobonus before the Municipal Court of Kotor, in which that company claims the amount of EUR 7,560,000, stating that if they had the storage capacities at petrol installations at their disposal, they could have rented them and gained the profit of EUR 7,560,000, as quoted in the claim.

Jugopetrol AD Kotor has submitted its response to this claim. The Municipal Court of Kotor has not scheduled a trial on this case so far. The Management expects a positive outcome of the dispute.

**27 Commitments and contingencies (continued)****6) 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, so that the company can store its goods in storage capacities at Bar, Lipci and Bijelo Polje Petrol Installations, once property of 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 AD Kotor and Montenegrobonus, claiming the title over the storage capacities of ex Federal Agency for Commodities Reserves of Belgrade. Due to aforesaid facts, all proceedings related 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 the Government of the Republic of Montenegro, which lodged its complaint before the Higher Court of Bijelo Polje. The Higher Court of Bijelo Polje estimated the complaint as founded and returned the case to the court of original jurisdiction. After the Municipal Court of Bijelo Polje had reached the verdict accepting the charges of the Republic of Montenegro, Jugopetrol filed its appeal before the Higher Court of Bijelo Polje. This court has not reached the verdict yet.

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

**7) The accused Montenegrobonus DOO Cetinje**

According to the Interlocutory Injunction of the Commercial Court of Podgorica, Jugopetrol AD Kotor has been handling the fuel oil, property of Montenegrobonus DOO Cetinje, since 2004. As Montenegrobonus has not paid any consideration for these affairs, 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 pay the sum of EUR 887,733 to Jugopetrol, with appropriate interest rate for each invoice beginning from its due date.

Montenegrobonus filed its appeal before the Appellate Court on 01/12/2008, but it was rejected as unfounded. According to the effective and executive judgment of the Commercial Court of Podgorica, this dispute is completed. The Central bank of Montenegro executed the payment of the debt, which, with the interest rate and calculated costs, was approximately EUR 1,200,000.

Montenegrobonus filed a revision to the Supreme Court of Montenegro against aforesaid judgments. Since a revision do not delay the execution of effective judgment, the aforementioned payment has been made.

**27 Commitments and contingencies (continued)****8) The accused Jugoskandik DD Belgrade**

Jugopetrol AD Kotor brought the charges before the Commercial Court of Belgrade on 25/02/2008, 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 EUR 1,723,054.

According to the court settlement of the Commercial Court of Podgorica from 1993, Jugopetrol paid the 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. Consequently 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 AD Kotor effected the payment, we are now attempting to give back these funds through this legal case.

The claim of Jugopetrol a.d. Kotor was rejected as groundless by the enforcement verdict of the Commercial Court of Belgrade, dated 11/09/2009. The law office Milosevic, a legal representative of Jugopetrol AD Kotor in this dispute, has submitted an appeal on quoted judgment.

**9) Prosecutors – former contingent employees**

The Group used to hire a large number of contingent employees to work at petrol stations in previous years. Their salaries and fees were determined according to the Labor Contract they concluded with the employer, and according with the General Collective Agreement. As these allowances were lower than those made to the contract staffing, 81 of them have indicated trial courses claiming the difference between the amount they received and the amount they should have received according to the Individual Collective Agreement.

As it is highly probable that the Group might have to pay certain amount to these employees, the reservation of funds in the amount of EUR 1,600,000 is suggested.

**28 Events after the consolidated balance sheet**

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

The Group has potential liabilities, based on legal proceedings, bank and other guarantees, and other regular business issues.

No materially significant liabilities are predicted to arise from potential liabilities, apart from those that have already been provided for.