

JUGOPETROL A.D., KOTOR

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

JUGOPETROL A.D., KOTOR
Financial statements for the year ended 31 December 2010

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GENERAL INFORMATION

Board of Directors

From 01 January 2010 to 25 May 2010

1. Dr Michalis Myrianthis - President of the Board
2. Vuk Rajkovic – member
3. Dragan Radusinovic - member
4. Stamatia Psyllaki - member
5. Vasilieos Panagopoulos - member
6. Nikolaos Georgoudas – member
7. Matthaïos Matthaïou - member

From 25 May 2010 to 2 November 2010

1. Dr Michalis Myrianthis - President of the Board
2. Vuk Rajkovic – member
3. Dragan Radusinovic - member
4. Stamatia Psyllaki - member
5. Alexandros Panourgias - member
6. Victor Papakonstantinou - member
7. Matthaïos Matthaïou – member

From 02 November 2010 to 31 December 2010

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

Company headquarters

Mata Petrovića 2
85330 Kotor
Montenegro

Lawyer

Raičević Radovan
Mata Petrovića 2
85330 Kotor
Montenegro

Banks

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

Audit Company

PricewaterhouseCoopers doo
Rimski trg 50
81000 Podgorica
Montenegro



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Jugopetrol a.d. Kotor ("the Company"), which comprise the balance sheet as of 31 December 2010 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Jugopetrol a.d. Kotor as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with Law on accounting and auditing of Republic of Montenegro.



Emphasis of matter

Without qualifying our opinion, we draw the attention to:

- a) Note 2 to financial statements which describes the fact that the financial statements do not comply with all of the requirements of International Financial Reporting Standards. Accordingly, the financial statements are not intended to present the financial position and results of operations and cash flows of the Company in accordance with accounting principles generally accepted in jurisdictions outside the Republic of Montenegro.
- b) Note 28 to the financial statements, which disclose the fact that the Company is defendant in a number of court proceedings. The ultimate outcome of these and other cases cannot presently be determined, and, other than as described in that note, no provision for any liability that may result has been made in these financial statements.

PricewaterhouseCoopers d.o.o.

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



M Aleksic

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

Podgorica, 15 April 2011

JUGOPETROL A.D., KOTOR
Financial statements for the year ended 31 December 2010
 (All amounts expressed in EUR, unless otherwise stated)

Income Statement

	Notes	2010	2009
Revenue			
Revenue	6	159,005,184	131,162,828
Other income	7	691,117	2,955,585
		159,696,301	134,118,413
Expenses			
Petrol and other goods cost		(133,382,333)	(106,582,976)
Spare parts and other materials		(413,860)	(480,918)
Energy expense		(1,003,476)	(872,082)
Maintenance		(591,499)	(734,888)
Staff cost	8	(4,734,218)	(12,546,104)
Depreciation and amortization	12,13	(2,891,263)	(2,363,648)
Other expenses	9	(6,998,382)	(8,841,840)
		(150,015,031)	(132,422,456)
Operating profit		9,681,270	1,695,957
Finance income	10	323,196	1,606,895
Finance expenses	10	(311,361)	(1,705,355)
Finance income, net		11,835	(98,460)
Profit before income tax		9,693,105	1,597,497
Income tax expense	11	(845,218)	(51,063)
Profit before deferred taxation		8,847,887	1,546,434
Deferred income tax	11	(21,696)	106,310
		(21,696)	106,310
Profit for the year		8,826,191	1,652,744
Other unrecognized revenues:			
Change in value of revaluation reserves	22.4	(583,690)	(131,648)
Result accomplished, total		8,242,501	1,521,096
Earnings per share			
Basic and diluted earnings per share	25	1.89	0.35
Weighted average number of shares	25	4,653,971	4,653,971

The notes on the pages 7 to 50 form an integral part of these financial statements.

These financial statements are approved by:


 Ioannis Geroulanos
 Chief Executive Officer




 Vinko Nikić
 Chief Finance Officer

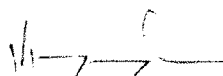
JUGOPETROL A.D., KOTOR
Financial statements for the year ended 31 December 2010
 (All amounts expressed in EUR, unless otherwise stated)

Balance Sheet


		31 December 2010	31 December 2009
ASSETS			
	Notes		
Non-current assets			
Intangible assets	12	5,268,471	5,300,518
Property, plant and equipment	13	43,257,806	42,215,011
Long term financial investments	14	3,494,905	3,494,905
Available for sale financial assets	15	1,238,451	1,879,868
Other long-term financial assets	16	1,313,074	1,129,850
Deferred tax asset		66,485	88,180
		54,639,193	54,108,333
Current assets			
Short term financial assets		120,629	91,188
Inventories	19	15,083,836	13,755,789
Trade and other receivables	20	16,969,592	14,689,276
Cash and cash equivalents	21	20,685,285	29,446,339
		52,859,342	57,982,592
Total assets		107,498,535	112,090,925
EQUITY			
Capital and reserves			
Share capital	22.1	67,986,606	67,986,606
Statutory reserves	22.2	2,469,979	2,469,979
Other reserves	22.3	3,879,556	3,714,281
Revaluation reserves from sale of AFS	22.4	185,834	769,522
Retained earnings	22.5	16,829,897	16,168,981
		91,351,872	91,109,370
LIABILITIES			
Non-current liabilities			
Long-term provisions	23	3,150,075	5,233,475
Deferred income tax liabilities	11	18,379	76,107
		3,168,454	5,309,582
Current liabilities			
Trade and other payables	24	12,978,209	15,671,973
		12,978,209	15,671,973
Total equity and liabilities		107,498,535	112,090,925

The notes on the pages 7 to 50 form an integral part of these financial statements.

These financial statements are approved by:



 Ioannis Geroulanos
 Chief Executive Officer



 Vinko Nikić
 Chief Finance Officer

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

JUGOPETROL A.D., KOTOR
Financial statements for the year ended 31 December 2010

(All amounts expressed in EUR, unless otherwise stated)

Statement of changes in equity

	Share capital	Reserves	Other reserves	Revaluation reserves	Retained earnings/ Accumulated loss	Total
Balance at 1 January 2009	67,986,606	2,469,979	3,114,281	901,172	18,124,633	92,596,671
Opening balance adjustment net	-	-	-	-	(8,396)	(8,396)
Fair value adjustment of AFS, (note 15 and 22.4)	-	-	-	(144,668)	-	(144,668)
Deferred tax charged to equity (note 11)	-	-	-	13,020	-	13,020
Profit for the year	-	-	-	-	1,652,745	1,652,745
Allocation to other reserves (note 22.5)	-	-	600,000	-	(600,000)	-
Dividends paid	-	-	-	-	(3,000,000)	(3,000,000)
Balance at 31 December 2009	67,986,606	2,469,979	3,714,281	769,523	16,168,981	91,109,370
Balance at 1 January 2010	67,986,606	2,469,979	3,714,281	769,523	16,168,981	91,109,370
Fair value adjustment of AFS (note 15 and 22.4)	-	-	-	(641,417)	-	(641,417)
Deferred tax charged to equity (note 11)	-	-	-	57,728	-	57,728
Profit for the year	-	-	-	-	8,826,192	8,826,192
Allocation to other reserves (note 22.5)	-	-	165,275	-	(165,275)	-
Dividends paid	-	-	-	-	(8,000,000)	(8,000,000)
Balance at 31 December 2010	67,986,606	2,469,979	3,879,556	185,834	16,829,897	91,351,872

The notes on the pages 7 to 50 form an integral part of these financial statements.

JUGOPETROL A.D., KOTOR
Financial statements for the year ended 31 December 2010

(All amounts expressed in EUR, unless otherwise stated)

Cash flow statement

	Notes	2010	2009
Cash flows from operating activities			
Net income before income taxes		9,693,106	1,597,498
Adjustment for:			
Depreciation and amortization	12,13	2,891,263	2,363,648
Loss on disposal of PP&E and materials, net	9	145,486	(1,289,658)
Foreign exchange (gain) / loss	10	201,182	1,079,523
Interest income	10	(202,901)	(625,166)
Other movements	23	(986,706)	8,727,228
Operating profit before changes on current assets		11,741,429	11,853,071
(Increase)/decrease in inventories	19	(1,328,047)	1,632,405
(Increase)/decrease in trade and other Receivables	20	(778,011)	3,395,218
(Decrease)/Increase in trade and other payables	24	(4,225,511)	1,876,704
Cash generated from operations		5,409,860	10,857,398
Interest paid	10	(4,613)	(333)
Income tax paid	11	-	(437,353)
Dividends		(8,018,564)	(2,982,142)
Payments for retirements and jubilee awards and legal cases settlements		(1,967,780)	(7,892,908)
Net cash generated from operating activities		(4,581,097)	7,444,664
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(4,047,498)	(6,382,396)
Proceeds from disposal of PP&E and materials		-	95,969
Interest received		80,672	534,747
Net cash used in investing activities		(3,966,826)	(5,751,680)
Cash flows from financing activities			
Proceeds from/(payments) of housing loans	16	(213,131)	224,868
Net cash used in financing activities		(213,131)	224,868
Net increase in cash and cash equivalents		(8,761,054)	1,917,852
Cash and cash equivalents at 1 January	21	29,446,339	27,528,487
Cash and cash equivalents at 31 December		20,685,285	29,446,339

The notes on the pages 7 to 50 form an integral part of these financial statements.

JUGOPETROL A.D., KOTOR

Notes to the financial statements for the year ended 31 December 2010

(All amounts expressed in EUR, unless otherwise stated)

1. General information

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

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

As of 31 December 2010, the Company employed 257 employees (2009: 257 employees).

The Company has a wholly owned subsidiary Jugopetrol Trebinje d.o.o. founded in 2003 and headquartered in Trebinje, Bosnia and Herzegovina.

The Company’s shares are traded on NEX Montenegro stock markets.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

Other than as described below, the financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The Company has prepared these financial statements in accordance with the Law on Accounting and Auditing of Republic of Montenegro (“Official Gazette of the Republic of Montenegro”, no 69/05 and “Official Gazette of Montenegro”, no. 80/08), which requires that financial statements are prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as pronounced by IASB and translated and published by the relevant body which is authorized for translation and publishing by International Federation of Accountants (IFAC).

These financial statements differ from IFRS in the following respect:

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

2. Summary of significant accounting policies (continued)

- The Company consolidated the financial statements of subsidiary Jugopetrol Trebinje d.o.o. as in accordance with the Law of Accounting and Auditing of the Republic of Montenegro the consolidated financial statements for the current year are required to be filed up to the end of June the following year. This investment is accounted for on a cost basis. Under International Financial Reporting Standards, stand alone financial statements of a company which has subsidiaries are only allowed if consolidated financial statements are also prepared and issued at the same time.

Adjustments identified during the audit are included in these financial statements.

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

2.2 Changes in accounting policy and disclosures

a) New and amended standards effective for the Company

The following new standards and interpretations became effective for the Company from 1 January 2010:

- IFRIC 17 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation was published in November 2008. 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.
- IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009. This amendment to IFRIC 9 requires an entity to assess whether the embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety.
- IAS 38 (amendment), 'Intangible assets', effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible asset as a single asset if each asset has similar useful economic lives.

2. Summary of significant accounting policies (continued)

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent. By amending the definition of current liability, the amendment permits a liability to be classified as 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.
- IAS 36 (amendment) 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments, recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Company is yet to assess IFRS 9's full impact.
- Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes AS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company will apply the revised standard from 1 January 2011. When the revised standard is applied, the Company and the parent will need to disclose any transactions between its subsidiaries and its associates. The Company does not expect the amendments to have any material effect on its financial statements.
- 'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer, provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The Company will apply the amended standard from 1 January 2011.

2. Summary of significant accounting policies (continued)

2.3 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions in foreign currency and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

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.

2. Summary of significant accounting policies (continued)

2.4 Intangible assets

Licenses

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (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 Company and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets.

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

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

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

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 public service company Morsko dobro).

2. Summary of significant accounting policies (continued)**2.5 Property, plant, and equipment**

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.6 Investment property

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

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

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists, those investment properties may be impaired; the Company estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through profit or loss. An impairment loss 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 Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

2.7 Impairment of non-financial assets

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

2.8 Long-term financial investments

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

2. Summary of significant accounting policies (continued)

Classification

(a) Loans and receivables

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

(b) Investment in subsidiary

Investment in subsidiary is accounted for at cost less impairment.

(c) Investments in joint venture

Interest in joint venture is recognized using the equity method. Investment in joint ventures represents founding capital of the joint venture in accordance with joint venture agreement concluded with foreign investors in the period 1998 - 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 Company commits to purchase or sell the asset. Loans and receivables are carried at amortized cost using the effective interest method. Available-for-sale financial assets are substantially carried at fair value.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in equity. The fair values of quoted investments are based on current bid prices. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as gains and losses from investment securities.

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

2. Summary of significant accounting policies (continued)*Impairment of non-financial assets*

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

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

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method.

The cost of oil and oil derivatives comprises purchase value, transportation and insurance cost, import duties and other direct costs necessary for bringing the inventories to their present location and condition.

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

2.10 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Alternatively, trade receivables are stated 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 Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'Other expenses' (note 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). Estimated future cash flows and the amount of provision is assessed by the management of the Company.

2. Summary of significant accounting policies (continued)

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.12 Basic capital

(a) *Share Capital*

Ordinary shares are classified as equity.

(b) *Statutory reserves*

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

(c) *Other reserves*

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

(d) *Revaluation reserves*

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

2.13 Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Restructuring provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

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

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2. Summary of significant accounting policies (continued)**2.15 Employee benefits****(a) Pension obligations**

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

(b) Other employee benefits

The Company 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 Company recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.16 Current and deferred income tax

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

Income taxes currently due are calculated and paid in accordance with the Montenegrin Tax Law (Official Gazette of Republic of Montenegro 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, deferred tax is not accounted for, if it, on condition that it has not previously been accounted for, arises from an initial recognition of an asset or liability in a transaction other than a business combination which at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Deferred 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 Company and it is probable that the temporary difference will not reverse in the foreseeable future.

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

2.17 Revenue recognition

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

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

(a) Sales of goods – wholesale

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

2. Summary of significant accounting policies (continued)

(b) *Sales of goods – retail*

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

(c) *Sales of services*

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

(d) *Interest income*

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

2.18 Leases

(a) *Where the Company is the lessor*

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

(b) *Right of use of land*

The right of use of land at Installation Bar, Lipci and Air depot in Tivat is regulated by „Law on Coastal Zone Protection Area“ from 1992. These land lots were acquired via purchase in the late 60-ties and early 70-ties, and due to the then legal framework (the case of public ownership), the Company could not be registered as an owner of land. Instead, these land lots were registered as in public ownership with the right of use of land lots held by the Company.

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.

2.19 Distribution of dividends

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

3 Financial risk management

3.1 Financial risk factors

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

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

(a) *Market risk*

i. Foreign exchange risk

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

ii. Price risk

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

iii. Cash flow and fair value interest rate risk

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

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's short-term investments included within cash and cash equivalents. Investments consist mainly of short-term bank deposits and government bonds to ensure liquidity.

(b) *Credit risk*

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

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Notes to the financial statements for the year ended 31 December 2010

(All amounts expressed in EUR, unless otherwise stated)

3. Financial risk management (continued)

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

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

Counterparty	Rating	31 December 2010		31 December 2009	
		Credit limit/days	Balance	Credit limit	Balance
LUKOIL	A	900,000 (35 days)	789,179	900,000 (35 days)	711,365
EUR Petrol Montenegro	B	1,500,000 (35-45days)	1,471,761	1,500,000 (35-45days)	1,598,645
Airlines Montenegro	C	Without limit ,40 days	1,249,880	500,000	716,635
Petrol Kombinat aluminijuma Podgorica AD	D	350,000 (30 days)	381,351	350,000 (30 days)	349,997
Dekar	E	Advance payment	37,353	-	62,871
	F	200,000 (30 days)	209,868	-	193,582
			3,351,003		3,633,095

Although certain customers exceeded their credit limits, management does not expect any losses arising from non-performance of these receivables.

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

Customers rated as A, B, D and F are privately owned petrol stations' with which the Company has general credit policy (applied to all private petrol stations customers). Credit limits are set for each petrol station separately. Montenegro Airlines is a state owned national airline company, whose balances are settled through the State budget.

Outstanding debt from Montenegrobonus (which as per above explained criteria does not fall into the group of six major counterparties) in the amount of EUR 588,716 (2009: EUR 697,867) refers to current receivables balance from petrol sale, fully covered by the bank guarantee. Remaining amount of EUR 1,581,584 relates to receivable for services rendered (2009: EUR 340,306) that is under court procedure. First instance court ruled in favour of the Company (note 28).

3 Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the possibility of settling of the market position.

3.2 Capital risk management

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

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

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. In 2010 and 2009 the Company did not use any borrowings from the banks. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

Company did not have any borrowings (either current or non-current) as of December 31, 2010 (2009: nil).

3.3 Fair value estimation

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

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

4. Critical accounting estimates and judgments

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

4.1 Critical accounting estimates and assumptions

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

(All amounts expressed in EUR, unless otherwise stated)

4. Critical accounting estimates and judgments (continued)

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

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

(b) *Other employee benefit schemes*

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

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

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

Other key assumptions for obligations for other employee benefits are based partially in the current market conditions. Additional information is disclosed in Note 23.

(c) *Tax legislation*

Deferred income tax asset recognition

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

Value added tax

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

4. Critical accounting estimates and judgments (continued)

4.2 Critical accounting judgments

(a) *Impairment of fixed assets*

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

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

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

(c) *Financial crisis*

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

Management is unable to reliably estimate the effects on the Company'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 Company's business in the current circumstances.

Impact on customers/borrowers:

Debtors [or borrowers] of the Company 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 has 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:

4. Critical accounting estimates and judgments (continued)

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

5. Operating segments

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

When reporting, the Management of the Company uses 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, the Company also generates revenues from sales of merchandise 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:

	2010	2009	2010	2009	2010	2009
	Retail		Wholesale		Other revenues	
Sales income	74,238,095	64,041,000	84,400,905	66,833,007	1,057,302	3,244,408
Costs of petrol and other goods	58,370,354	47,710,968	75,011,979	58,872,008	-	-
Gross revenue	15,867,741	16,330,032	9,388,926	7,960,999	1,057,302	3,244,408

Revenue from sales to third parties communicated to the Supervisory 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.

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6. Revenues

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.

	2010	2009
Retail	74,238,095	63,573,097
Wholesale	62,433,573	51,313,543
Sales of goods in domestic market	136,671,668	114,886,640
Sales of goods abroad	21,967,331	15,987,366
Services rendered	366,185	288,822
Revenues, total	159,005,184	131,162,828

Sales of goods in domestic market in amount of EUR 136,671,668 (2009: EUR 114,886,640) comprise sale of petrol in amount of EUR 130,852,369 (2009: EUR 108,896,613), sale of LPG bottled in amount of EUR 757,409 (2009: EUR 759,715), sale of lubricants in amount of EUR 575,893 (2009: EUR 694,532) and sale of merchandise of EUR 4,485,997 (2009: EUR 4,535,781).

Sales of goods abroad in the amount of EUR 21,967,331 (2009: EUR 15,987,366) relate to the sale of petrol.

Revenue from services rendered in total of EUR 366,184 (2009: EUR 288,822) include car wash services in the amount of EUR 154,113 (2009: EUR 147,086), revenue from rent of business premises in the amount of EUR 141,740 (2009: EUR 123,579), revenue from marketing in the amount of EUR 20,778 (2009: EUR 18,157) and other services in the amount of EUR 49,553 (2009: nil).

7. Other income

	2010	2009
Reversal of bad debt provision (Note 20)	21,386	1,044,379
Inventory surpluses	275,398	402,785
Gains on sale of PPE	-	1,289,658
Diminution of liabilities	9,918	40,390
Other income	384,416	178,374
Other income, total	691,118	2,955,586

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2010**

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7. Other income (continued)

Other income in 2010 includes reversal of provision for dispute with Jugoskandik DD Belgrade in the amount of EUR 350,000 (note 28) and other income in the amount of EUR 34,416.

Other income in 2009 includes reversal of provision for jubilee awards in the amount of EUR 104,975, gains on property insurance in the amount of EUR 32,406 and other income in the amount of EUR 40,993.

Reversal of bad debt provision (note 20) relates to the following:

	2010	2009
Montenegro Bonus, Cetinje	-	887,733
Binasa, Bar	-	61,015
Vukadinovic company, Kotor	-	35,766
Sekretarijat za privredu i finansije, Cetinje	-	13,549
Kimont, Bar	-	8,102
Uniprom pekara, Nikšić	-	7,352
Sodra company	5,486	-
Mib export	1,000	-
Petrolmont D.O.O.	14,900	-
Ostali kupci	-	30,862
Reversal of bad debt provision, total	21,386	1,044,379

8. Staff costs

	2010	2009
Gross salaries and wages	3,027,680	3,948,980
Social security contributions – on behalf of employer	537,112	820,777
Food allowances	344,703	465,837
Transportation allowances	75,627	177,222
Winter food allowances	182,834	172,340
Holiday allowances	186,393	227,682
Social contribution to employees	10,700	10,582
Unused holidays	170,816	78,768
Retirement indemnities and jubilee awards	-	6,334,914
Temporary staff' costs	27,650	24,514
Board of Directors' compensation	99,067	101,367
Other personnel expenses	71,637	183,121
Staff costs, total	4,734,218	12,546,104

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2010**

(All amounts expressed in EUR, unless otherwise stated)

9. Other expenses

	2010	2009
Provision for bad debts (Note 20)	114,187	933,116
Provision for legal cases	-	1,600,000
Indirect taxes and contributions	546,910	541,872
Inventory shortages	735,468	654,506
Bank commissions and fees	318,094	108,763
Transportation cost	481,693	479,982
Marketing and advertising	109,596	59,492
Operating license expenses	181,460	186,953
Write off of inventory and other receivables	28,371	34,538
Loss on sale of materials	-	8
Loss on sale and disposal of fixed assets	145,486	51,619
Telecommunications and postal expenses	294,212	152,608
Scholarships	46,974	92,448
Third party's services	688,130	736,718
Insurance	142,543	176,942
Travel expenses	150,571	176,003
Donations and sponsorships	21,183	52,784
Discounts	10,116	29,936
Representation expenses	41,482	68,398
Rental cost	109,885	127,191
Training and seminars	6,260	19,164
Penalties	4,739	18,985
COMO related expenses	2,612,240	2,364,830
Miscellaneous expenses	208,782	174,986
Other expenses, total	6,998,382	8,841,840

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

10. Financial income and expenses

	2010	2009
Finance income	217,630	677,966
Finance expense	(4,613)	(333)
Foreign exchange gains	105,566	928,929
Foreign exchange losses	(306,748)	(1,705,022)
Financial (expenses)/income, net	11,835	(98,460)

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2010**

(All amounts expressed in EUR, unless otherwise stated)

10. Financial income and expenses (continued)

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

11. Current and deferred tax

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

	2010	2009
Profit before income taxes	9,693,106	1,597,498
Taxable profit / (loss) in accordance with income tax return	9,391,310	(1,372,580)
Capital gain	-	1,134,743
Tax calculated at statutory tax rate – 9%	845,218	102,126
Tax deduction – 50% of capital gain	-	(51,063)
Total current Tax	845,218	51,063
Deferred tax (asset)/liability	21,696	(106,310)
Total deferred tax	21,696	(106,310)
Income tax	866,914	(55,247)

	Accelerated tax depreciation	Fair value gains	Tax income, the transfer of tax losses forward	Total
At 1 January 2010	35,352	76,107	(123,532)	(12,073)
Charged/(credited) to the income statement	21,696	-	-	21,696
Charged directly to equity	-	(57,728)	-	(57,728)
At 31 December 2010	57,048	18,379	(123,532)	(48,105)

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

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2010**

(All amounts expressed in EUR, unless otherwise stated)

11. Current and deferred tax (continued)

As at 31 December 2010, deferred tax liabilities in the amount of EUR 21,696 (2009: EUR 17,222) result from the accelerated tax depreciation. Deferred tax liability in the amount of EUR 57,728 (2009: EUR 13,020) was generated by adjusting the fair value of available for sale financial assets and is directly recognized in equity (note 22.4).

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.

12. Intangible assets**Year ended 31 December 2009**

Opening net book amount	5,478,707
Additions	1,400
Transfer to property, plant and equipment (Note 13)	(144,983)
Amortization charge and write-offs	(34,607)
Net book amount	5,300,518

At 31 December 2009

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

Year ended 31 December 2010

Opening net book amount	5,300,518
Amortization charge and write-offs	(32,047)
Net book amount	5,268,471

At 31 December 2010

Cost	5,588,036
Accumulated amortization and impairment	(319,565)
Net book amount	5,268,471

Intangibles in the amount of EUR 4,852,604 (2009: 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. The amount of EUR 464,760 (2009: EUR 464,760) relates to investment property into land located in Bar EUR 464,760. Other intangible assets of EUR 270,673 (2009: EUR 270,673) comprise of software and licenses.

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2010**

(All amounts expressed in EUR, unless otherwise stated)

13. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Construction in progress	Total
At 31 December 2009					
Opening net book amount	17,923,274	14,039,000	3,699,214	2,650,535	38,312,023
Additions	-	-	-	6,465,397	6,465,397
Transfer from CIP	3,214,431	1,510,043	845,445	(5,569,919)	-
Disposals	(302,905)	(11,809)	(63,639)	-	(378,352)
Other movements (note 12)	144,983	-	-	-	144,983
Depreciation charge	-	(1,545,748)	(783,293)	-	(2,329,041)
Closing net book amount	20,979,783	13,991,487	3,697,728	3,546,013	42,215,011
At 31 December 2009					
Cost	20,979,783	49,705,729	20,374,410	3,546,013	94,605,935
Accumulated depreciation	-	(35,714,242)	(16,676,682)	-	(52,390,924)
Net book amount	20,979,783	13,991,487	3,697,728	3,546,013	42,215,011
At 31 December 2010					
Opening net book amount	20,979,783	13,991,487	3,697,728	3,546,013	42,215,011
Additions	91,972	-	-	3,955,526	4,047,498
Transfer from CIP	-	3,373,727	3,161,613	-6,535,340	-
Disposals	-	(79,616)	(65,870)	-	(145,486)
Depreciation charge	-	(1,700,499)	(1,158,717)	-	(2,859,216)
Closing net book amount	21,071,754	15,585,099	5,634,754	966,199	43,257,806
At 31 December 2010.					
Cost	21,071,754	52,358,036	23,071,909	966,199	97,467,899
Accumulated depreciation	-	(36,772,937)	(17,437,155)	-	(54,210,092)
Net book amount	21,071,754	15,585,099	5,634,754	966,199	43,257,806

The Company performed an impairment test of petrol stations and Bar installation as of 31 December 2010. 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.

JUGOPETROL A.D., KOTOR
Notes to the financial statements for the year ended 31 December 2010

(All amounts expressed in EUR, unless otherwise stated)

13. Property, plant and equipment (continued)

Key assumptions used for value-in-use calculations:

	2010		2009	
	Petrol stations	Installation Bar	Petrol stations	Installation Bar
Gross margin (EUR/m ³)	103	32	98	34
Growth rate	2%	2%	2%	2%
Discount rate	12%	12%	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 in relation to the relevant cash generating units.

14. Long-term financial investments

Long-term financial investments include:

	2010	2009
Investment in subsidiary	3,492,556	3,492,556
Investment in joint venture	2,349	2,349
Total	3,494,905	3,494,905

a) Investment in subsidiary relates to:

	Ownership	2010	2009
Jugopetrol Trebinje d.o.o.	100%	3,492,556	3,492,556
Total		3,492,556	3,492,556

Movements on the account are as follows:

	2010	2009
As at 1 January 2010	3,492,556	3,518,293
Previous years corrections (note 16)	-	(50,000)
Retained earnings corrections	-	24,263
As at 31 December 2010	3,492,556	3,492,556

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2010**

(All amounts expressed in EUR, unless otherwise stated)

14. Long-term financial investments (continued)

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

JPT has acquired three petrol stations in Bosnia and Herzegovina for EUR 3,350,000 (PS Lukavica in December 2003; PS Mrkonjic Grad in April 2004 and PS Sokolac in June 2004).

b) Joint venture relates to:

	Ownership	2010	2009
Star Petroleum Holding Ltd, England	49%	2,349	2,349
		<u>2,349</u>	<u>2,349</u>

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

15. Available for sale financial assets

Available-for-sale financial assets include the following:

	2010	2009
Securities listed on Montenegro Stock Exchange		
Hipotekarna banka a.d., Podgorica	883,200	1,383,680
Lovcen osiguranje a.d., Podgorica	290,997	369,117
Niksicka Banka Montenegro a.d., Niksic	32,226	65,407
Jadransko Brodogradiliste a.d., Bijela	6,390	8,842
CMC a.d., Podgorica	12,741	15,416
	<u>1,225,554</u>	<u>1,842,462</u>
Securities not listed on active market:		
Export drvo – Kolašin	28,496	28,496
Castello Montenegro – Pljevlja	265	265
Novi prvoborac - H. Novi	12,632	37,141
	<u>41,393</u>	<u>65,902</u>
Less: Impairment of shares of Export drvo	(28,496)	(28,496)
Available for sale financial assets, total	<u>1,238,451</u>	<u>1,879,868</u>

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2010**

(All amounts expressed in EUR, unless otherwise stated)

15. Available-for-sale financial assets (continued)

The changes of financial assets' value in 2010 are as follows:

	2010	2009
Balance as at 1 January	1,879,868	2,024,537
Fair value adjustment	(641,417)	(144,669)
Balance as at 31 December	1,238,451	1,879,868

There were no disposals of available-for-sale financial assets in 2010.

The fair value of financial assets traded in an active market is determined based on the current market price on NEX Montenegro stock exchange on 31 December 2010.

Assessment of fair value is done on a quarterly basis in accordance with quotation listings published by NEX Montenegro stock exchange.

Investment into equity securities of Export-drovo Kolasin is impaired since the entity has entered into bankruptcy procedure. The investment is not written off since there is a possibility of collection from Montenegrin state.

16. Other long-term financial assets

Other long-term financial assets include:

	2010	2009
Prepaid employee benefits	391,428	444,375
Housing loans to employees at fair value	871,646	635,475
Housing loans, total	1,263,074	1,079,850
Loans (note 14.1)	50,000	50,000
Total other long term financial assets	1,313,074	1,129,850

In 2009, the Company issued shareholder loan to JPT in the amount of EUR 50,000.

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

	2010	2009
As at 1 January	1,079,850	1,365,018
New loans granted	308,434	30,889
Repayments	(95,768)	(224,868)
Less: Short-term portion of housing loans	(29,442)	(91,189)
As at 31 December	1,263,074	1,079,850

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2010**

(All amounts expressed in EUR, unless otherwise stated)

17. 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
As at 31 December 2009			
Available-for-sale financial assets	-	1,879,868	1,879,868
Housing loans to employees at fair value	635,475	-	635,475
Shareholding loan	50,000	-	50,000
Trade and other receivables	13,779,368	-	13,779,368
Cash and cash equivalents	29,446,340	-	29,446,340
Total	43,911,183	1,879,868	45,791,051

	Loans and receivables	Other financial liabilities	Total
As at 31 December 2009			
Liabilities as per balance sheet	-	10,456,279	10,456,279
Total	-	10,456,279	10,456,279

	Loans and receivables	Available for sale	Total
As at 31 December 2010			
Available-for-sale financial assets	-	1,238,451	1,238,451
Housing loans to employees at fair value	871,646	-	871,646
Shareholding loan	50,000	-	50,000
Trade and other receivables	14,304,503	-	14,304,503
Cash and cash equivalents	20,685,285	-	20,685,285
Total	35,911,434	1,238,451	37,149,885

	Loans and receivables	Other financial liabilities	Total
As at 31 December 2010			
Liabilities as per balance sheet	-	6,064,986	6,064,986
Total	-	6,064,986	6,064,986

18. Credit quality of financial assets

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

Trade receivables	2010	2009
Counterparties without external credit rating		
Group 1	111,519	187,327
Group 2	13,632,821	13,911,551
Group 3	2,612,110	1,769,971
Trade receivables, total	16,356,450	15,868,849

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

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2010**

(All amounts expressed in EUR, unless otherwise stated)

18. Credit quality of financial assets (continued)

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

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, receivable balances were fully provided (Note 20).

	2010	2009
Cash at bank (internal rating)		
A Podgorička Banka	16,014,734	22,127,583
AB Prva Banka CG	2,584,421	3,445,367
ABC Crnogorska Komercijalna Banka	1,364,902	2,856,321
ABCD Hipotekarna Banka	102,519	413,670
ABCDE NLB	125,131	236,513
Cash at bank, total	20,191,706	29,079,454

Remaining balance in the amount of EUR 493,579 (2009: EUR 366,886) relates to cash in hand and cash received by petrol stations as at 30 and 31 December.

As there is no official independent rating of Banks, the Company prepared internal ratings, according to established and implemented practice in business cooperation with each of them. Criteria for internal ranking were based on following indicators: capital size of banks, market coverage, lowest bank fees for domestic & international transactions, range of services, developed network branch in Montenegro, interest rates on short-term deposits, security for collection of day cash from petrol stations, cooperation on Company's credit card program which are guaranteed by banks, etc.

Banks rated A and ABC issue bank guaranties for the use of excise and customs warehouses. Podgorička bank is used to spread the credit risk, as its major shareholder is a recognized international bank.

19. Inventories

	2010	2009
Goods for resale-wholesale	11,728,728	8,508,073
Goods for resale-retail	2,753,928	3,355,125
Spare parts	596,970	526,866
Goods in transit	4,195	1,365,725
Inventories, total	15,083,836	13,755,789

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2010**

(All amounts expressed in EUR, unless otherwise stated)

20. Trade and other receivables

	2010	2009
Domestic trade receivables	13,647,606	13,763,231
Foreign trade receivables	1,604,383	1,092,428
Receivables from related parties (28c)	1,104,461	1,013,190
Trade receivables, total	16,356,450	15,868,850
Receivables from government agencies	19,719	33,785
Refundable VAT	351,453	29,729
Advances to suppliers	308,273	129,650
Prepaid expenses	32,686	51,597
Receivables from employees	6,236	5,709
Other receivables	153,433	248,738
Prepaid VAT	2,346,322	828,582
Receivables from insurance companies	7,130	11,945
Other receivables, total	3,225,252	1,339,735
Receivables, total	19,581,702	17,208,585
Less: Provision for impairment	(2,612,110)	(2,519,309)
Receivables, net	16,969,592	14,689,276

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

	2010	2009
As at 1 January	2,519,309	3,212,885
Provision for receivables impairment (Note 9)	114,187	933,116
Reversal of provision (Note 7)	(21,386)	(1,044,379)
Other corrections	-	(4,063)
Write off	-	(578,251)
As at 31 December	2,612,110	2,519,309

Of total amount of receivables impairment, the amount of EUR 2,343,703 (2009: EUR 2,250,901) refers to domestic trade receivables, while EUR 268,408 (EUR: 268,408) refers to foreign trade receivables.

Provision for impaired receivables is included within other expenses, and reversal of provision is included in other income (notes 9 and 7).

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

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

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2010**

(All amounts expressed in EUR, unless otherwise stated)

20. Trade and other receivables (continued)

Trade receivables that are less than six months past due are not considered impaired. As of 31 December 2010, trade receivables of EUR 12,696,116 (2009: EUR 11,114,612) are such receivables. 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:

	2010	2009
Up to 3 months	12,475,506	10,653,493
3 to 6 months	220,611	461,120
Total	12,696,116	11,114,612

As of 31 December 2010, trade receivables of EUR 2,612,110 (2009: EUR 2,519,309) 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 over 6 months (2009: 6 months).

Carrying amounts of the Company's trade and other receivables are denominated in EUR as at 31 December 2010 and 31 December 2009.

21. Cash and cash equivalents

	2010	2009
Cash in hand and cash received at petrol stations	493,579	366,886
Current accounts with commercial banks	20,191,706	29,079,454
	20,685,285	29,446,340

Current accounts with commercial banks earn interest at weighted average deposit interest rate which was 2.78% per annum in December 2010 (3.32% per annum in December 2009).

22. Capital and reserves

22.1 Share capital

The structure of the Company's share capital and shareholders as of 31 December 2010 is as follows:

	Number of shares	Percentage shareholding	2010
Hellenic Petroleum Int'l S.A. (note 1)	2,529,489	54.4%	36,951,534
Moneta Fond	53,058	1.1%	775,087
Eurofond	37,253	0.8%	544,203
Trend Fond	277,711	6.0%	4,056,886
MIG Fond	307,912	6.6%	4,498,071
Atlas Mont Fond	87,298	1.9%	1,275,275
Republika Crna Gora	1	0.0%	15
Other legal entities	669,265	14.4%	9,776,824
Individuals	691,984	14.8%	10,108,710
Total	<u>4,653,971</u>		<u>67,986,605</u>

Nominal value of 4,653,971 common shares is EUR 14.6083 per share. In October 2002, Hellenic Petroleum International S.A. acquired 54.4% of the Company's share capital.

22.2 Statutory reserves

Statutory reserves of EUR 2,469,979 (2009: EUR 2,469,979) were formed based on the decision of the Board of Directors and the Shareholders' Assembly and represent 5% of the Company's statutory after tax profit starting from year 2001 (note 2.12 b).

22.3 Other reserves

Housing fund

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

Changes were as follows:

	2010	2009
As at 1 January	3,714,281	3,114,281
Allocations for housing fund (note 22.5)	165,275	600,000
As at 31 December	<u>3,879,556</u>	<u>3,714,281</u>

22. Capital and reserves (continued)**22.4 Revaluation reserves for financial assets available for sale**

The movement on revaluation reserves accounts was as follows:

	2010	2009
Fair value gains on AFS financial assets	169,135	30,687
Fair value loss on AFS financial assets	(810,552)	(175,355)
Deferred tax charged directly to equity	57,728	13,020
Total	(583,690)	(131,648)

22.5 Retained earnings

The movement on retained earnings accounts was as follows:

	2010	2009
At 1 January	16,168,982	18,124,633
Profit for period	8,826,192	1,652,745
Transfer to other reserves	(165,275)	(600,000)
Dividends paid	(8,000,000)	(3,000,000)
Prior year adjustment	-	(8,396)
At 31 December	16,829,900	16,168,982

23. Long term provisions

Long term provisions include:

	2010	2009
Provision for retirement indemnities	853,450	961,043
Provision for jubilee awards	164,404	172,432
Provision for legal cases	2,132,220	4,100,000
	3,150,074	5,233,475

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2010**

(All amounts expressed in EUR, unless otherwise stated)

23. Long term provisions (continued)

The movement on long term provision account was as follows:

	Provision for long term employee benefits	Provision for court cases	Total
At 1 January 2009	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)
At 31 December 2009	1,133,475	4,100,000	5,233,475
At 1 January 2010	1,133,475	4,100,000	5,233,475
Charged / credited to P& L	(20,472)	-	(20,472)
Used during the year	(95,149)	(1,967,780)	(2,062,929)
At 31 December 2010	1,017,854	2,132,220	3,150,074

a) Provision for long term employee benefits

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

Amounts recognized in the income statement are as follows:

	Retirement		Jubilee awards	
	2010	2009	2010	2009
Current service cost	47,827	49,025	23,872	16,380
Interest cost	-	65,533	-	15,029
Net amortization (note 7)	(92,171)	(41,090)	-	(110,695)
Prior year adjustment	-	-	-	14,409
Curtailment/Settlement (note 8)	-	6,221,348	-	-
Total	(44,344)	6,294,816	23,872	(64,877)

Income from cancellation of provisions for jubilee awards is included under other income (note 7), and the cost of benefit paid is included under retirement indemnities and jubilee awards (note 8).

23. Long term provisions (continued)

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

- *Financial assumptions*

	2010	2009
Discount rate	6.10%	6.10%
Increase of average salary	1.00%	1.00%
Individual pay increase	Actual seniority increase	

- *Demographic assumptions*

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

b) Legal cases

During 2010, there was a reversal of provision for litigation in the amount of EUR 1,967,780 out of which EUR 1,500,000 relates to settlement with Jugoskandik DD Belgrade and settlement with 78 former employees in the amount of EUR 467,780.

Long-term provisions of EUR 2,132,220 (2009: EUR 4,100,000) relate to legal claims placed by the Dunav insurance EUR 1,000,000 (2009: EUR 1,000,000) and provision in the amount of EUR 1,132,220 (2009: EUR 1,600,000) for legal cases initiated by the former employees.

In the opinion of the Board of Directors, and after appropriate consultations with the Company's legal department, the outcome of litigation with Dunav insurance is not expected to lead to significant losses to the Company above the amount already recorded as recorded provision as 31 December 2010.

The Company 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 to 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 1,132,220 has been made as at 31 December 2010.

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2010**

(All amounts expressed in EUR, unless otherwise stated)

24. Trade and other payables

	2010	2009
Domestic trade payables	1,395,961	1,220,073
Foreign trade payables	328,444	277,843
Payables to related parties (note 28)	5,541,539	8,196,929
Customer advances	800,687	1,185,662
Salaries and wages payable	2,580	(2,027)
Payroll taxes and contributions payable	13,169	4,539
Other liabilities to employees	11,494	-
Unused holidays	92,064	78,768
Excise and other duties payable	4,426,158	5,105,671
Other taxes payable	78	-
Income tax payable	288,872	(556,346)
Other payables	74,163	157,051
Accrued expenses	3,000	3,812
Payables, total	<u>12,978,209</u>	<u>15,671,973</u>

Liabilities to suppliers are denominated in EUR at 31 December 2010 year (2009: EUR 7,929,508 denominated in USD and remaining balance was denominated in EUR).

25. Earnings per share

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

	2010	2009
Profit attributable to equity holders of the Company	8,826,191	1,652,744
Weighted average number of ordinary shares in issue	4,653,971	4,653,971
Basic earnings per share	<u>1.89</u>	<u>0.35</u>

26. Business combinations

There was no acquisition of subsidiaries for the year ended 31 December 2010.

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2010**

(All amounts expressed in EUR, unless otherwise stated)

27. Related party transactions

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

The following transactions were carried out with related parties:

(a) Sales of goods and services

	Relationship	Nature of transactions	2010	2009
Jugopetrol Trebinje	Subsidiary	Sales of oil products	198,207	342,715
Global Petroleum SH	Group company	Sales of oil products	145,894	222,311
Total			344,101	565,026

(b) Purchases of goods and services

	Relationship	Nature of transactions	2010	2009
Hellenic Petroleum S.A.	Parent company	Purchases of oil products	127,953,585	98,171,392
Hellenic Petroleum S.A.	Parent company	Insurance services	-	181,296
EKO ELDA ABEE	Group company	Purchases of lubricants	346,113	460,114
HELPE International Consulting	Group company	Consultancy services	270,000	260,000
Asprofos Engineering S.A.	Group company	Engineering services	6,938	28,442
EKO Serbia	Group company	Purchases of oil products	71,928	88,310
Total			128,648,564	99,189,554

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

JUGOPETROL A.D., KOTOR**Notes to the financial statements for the year ended 31 December 2010**

(All amounts expressed in EUR, unless otherwise stated)

27. Related party transactions (continued)

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

		2010	2009
Receivables from related parties (Note 20)			
Jugopetrol Trebinje d.o.o.	Subsidiary	1,104,347	987,023
Hellenic Petroleum (liabilities for services)	Parent Company	-	26,167
Global Petroleum SH	Group Company	114	-
Total		<u>1,104,461</u>	<u>1,013,190</u>
Payables to related parties (Note 24)			
Hellenic Petroleum S.A.	Parent Company	5,456,016	8,082,095
EKO ELDA ABEE	Group Company	70,248	95,147
Asprofos Engineering S.A.	Group Company	10,000	-
EKO Serbia	Group Company	5,275	-
ELPE Services Limited	Group Company	-	19,687
Total		<u>5,541,539</u>	<u>8,196,929</u>

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.

(d) Key management compensation

	2010	2009
Salaries and other short-term benefits	600,471	533,409
Total	<u>600,471</u>	<u>533,409</u>

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

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

28. Commitments and contingencies**Legal cases of special importance****1) Jugoskandik DD Belgrade (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 of Belgrade. The Commercial Court of Podgorica, with its judgment I No 1780/2006, dated 18/10/2006, allowed the carrying out of the execution. Jugopetrol filed its appeal against this judgment before the Appellate Court of Montenegro, which was turned down 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 petrol ascertained in the judgment, or the funds through the out-of-court settlement.

During 2010 negotiations were completed with Jugoskandik DD in bankruptcy Belgrade and carried out of court settlement under which the Jugopetrol AD Kotor paid to Jugoskandik the amount of EUR 1,000,000. Also, the law firm Kolarevic was paid for consulting and representation services in the amount of EUR 150,000. Provision in the amount of EUR 350,000 was reversed (note 7) as at 31 December 2010.

2) Jugoskandik DD Sveti Stefan

Fulfillment of obligations in bankruptcy Jugoskandik DD Belgrade was in a way that is defined by court order e.g. handing over the petrol or through extra-judicial settlement, will create the legal conditions for the suspension of the proceedings before the Basic Court in Kotor and Bar.

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 plaintiff's claim was rejected as unfounded.

However, the prosecutor, i.e. Dunav Insurance Company, initiated 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 Serbian dinars 48,192,107, with penalty interest starting from 30/10/2005. Since this is the Judgment of the Supreme Court which cannot be further challenged, i.e. there is no possibility of appeal, Supreme Court's ruling has to be respected and the claimed amount should be paid out to Dunav Insurance Company Belgrade.

28. Commitments and contingencies (continued)**4) Montenegrobonus DOO Cetinje (dispute number 1)**

On 29/09/2006, this Company was delivered the action at law, from the Commercial Court of Podgorica, in order to answer to the claims from the action at law. We have been claimed, from Montenegrobonus, to pay out the sum of EUR 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 deposing 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, this Company 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 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.

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, which he did.

But, after a while, the Government of the Republic of Montenegro launched the charges against Jugopetrol 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.

28. Commitments and contingencies (continued)

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) Montenegrobonus DOO Cetinje as defendant

According to the Interlocutory Injunction of the Commercial Court of Podgorica, Jugopetrol has been handling the petrol 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 1,150,000.

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.

8) Jugoskandik DD Belgrade as defendant

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 effected the payment, we are now attempting to give back these funds through this legal case.

28. Commitments and contingencies (continued)

The claim of Jugopetrol AD 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) Former temporary employees as plaintiffs

The company used to hire a large number of ex 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 initiated 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 reservation of funds in the amount of EUR 1,600,000 is suggested.

Therefore, for case with former employees provision was created in the amount of EUR 1,600,000 out of which EUR 467,780 was paid out to 78 former employees for lost disputes and settlements in 2010.