ОКТА Рафинерија на нафта
Акционерско друштво
Бр. 05-935
25.02.2013 год.
Скопје 1

OKTA CRUDE OIL REFINERY A.D. - SKOPJE

Financial Statements

For the year ended 31 December 2012

With Report of the Auditors Thereon

Content

pwc

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and the Shareholders of OKTA Crude Oil Refinery A.D. - Skopje

We have audited the accompanying financial statements of OKTA Crude Oil Refinery A.D. - Skopje (the Company), which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting Laws and Regulations of the Republic of Macedonia, 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 have conducted our audit in accordance with International Standards of 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.

PricewaterhouseCoopers Revizija doo, 16, 8th September Blvd, Hyperium Business Center, 2nd floor, 1000 Skopje, Republic of Macedonia, VAT No. MK4030008022586, T: +389 (02)31 40 900/901, F:+389 (02) 31 16 525, www.pwc.com/mk

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

Basis for Qualified opinion

Following the provisions of the Share Purchase and Concession Agreement dated 8 May 1999 concluded between EL.P.ET Balkanike S.A. (the parent company of OKTA Crude Oil Refinery A.D. - Skopje) and the Government of the Republic of Macedonia, the Company has recognized receivables in the period from 2000 to 2004 in amount of MKD 769,497,000, relating to the period prior to the acquisition. We did not receive sufficient appropriate audit evidence to assess whether the Company will be able to recover the balance of MKD 769,497,000. Our report on the Financial Statements as of 31 December 2011 and for the year then ended was modified accordingly.

Opinion

In our opinion, except for the effect of matter referred to in the preceding paragraph, the financial statements give a true and fair view of the financial position of OKTA Crude Oil Refinery A.D. - Skopje as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with accounting Laws and Regulations of the Republic of Macedonia.

Ljube Gjorgjievski
General Manager

Dragan Davitkov
Certified Auditor

PricewaterhouseCoopers REVIZIJA DOO - Skopje

25 February 2013
Skopje

(all amounts are in thousands of MKD unless otherwise stated)

Statement of comprehensive income

	Note	Year ended 31 December 2012	2011
Sales	5	36,209,040	40,156,610
Cost of sales	6	(36,418,509)	(39,664,888)
Gross profit		**(209,469)**	**491,722**
Administrative expenses	7	(210,720)	(201,465)
Sales and distribution expenses	8	(117,661)	(139,504)
Retail expenses	9	(31,861)	(32,972)
Other operating income	10	12,497	4,631
Other operating expenses	11	(18,342)	(23,440)
Operating profit		**(575,556)**	**98,972**
Finance income	12	941,231	1,105,827
Finance costs	12	(962,919)	(1,257,996)
Finance costs – net		(21,688)	(152,169)
Loss before income tax		**(597,244)**	**(53,197)**
Income tax expense	13	(8,179)	(15,609)
Loss for the year		**(605,423)**	**(68,806)**
Other comprehensive income loss			
Change in employee benefits obligations		(4,593)	-
Change in value of available-for-sale financial assets		(2,042)	(4,747)
Total other comprehensive loss		**(6,635)**	**(4,747)**
Total comprehensive loss for the year		**(612,058)**	**(73,553)**

(all amounts are in thousands of MKD unless otherwise stated)

Statement of financial position

	Note	As at 31 December 2012	2011
ASSETS			
Non-current assets			
Intangible assets		3,128	1,085
Property, plant and equipment	14	2,818,534	2,992,371
Available-for-sale financial assets	15	4,858	6,901
Total non-current assets		**2,826,520**	**3,000,357**
Current assets			
Inventories	16	3,470,518	2,081,844
Trade receivables	17	3,092,070	3,519,221
Other receivables	17	1,624,327	1,047,435
Current income tax receivable		8,428	4,589
Cash and cash equivalents	18	94,261	121,385
Total current assets		**8,289,604**	**6,774,474**
TOTAL ASSETS		**11,116,124**	**9,774,831**
EQUITY AND LIABILITIES			
Equity			
Share capital		2,472,820	2,472,820
Statutory reserves		494,718	494,718
Revaluation and other reserves		396,812	398,740
Retained earnings		1,387,893	1,999,265
Total equity	19	**4,752,243**	**5,365,543**
Non-current liabilities			
Employee benefit obligations	20	22,893	18,300
Total non-current liabilities		**22,893**	**18,300**
Current liabilities			
Trade payables	21	5,466,858	4,101,541
Other current liabilities	21	214,177	289,447
Loans and borrowings	22	659,953	-
Total current liabilities		**6,340,988**	**4,390,988**
TOTAL LIABILITIES AND EQUITY		**11,116,124**	**9,774,831**

The financial statements of OKTA Crude oil refinery A.D. – Skopje were authorised for issue by the Management on 22 February 2013 and will be subject of approval by the Board of Directors on 26 February 2013. These financial statements are subject to approval from Company's Shareholders Assembly, as well.

Signed on behalf of the Management of OKTA Crude Oil Refinery A.D. - Skopje:

Рафинерија на нафта OKTA Скопје Акционерско друштво

Konstantinos Karachalios
Chief Executive Officer

Srecko Surkov
Director for Finance and Administration

Notes on pages 7 to 34 are integral part of these financial statements

(all amounts are in thousands of MKD unless otherwise stated)

Statement of changes in equity

	Capital	Statutory reserves	Revaluation and other reserves	Retained Earnings	Total
Balance at 1 January 2011	**2,472,820**	**494,718**	**403,308**	**2,069,427**	**5,440,273**
Dividends paid	-	-	-	(1,356)	**(1,356)**
Comprehensive income	-	-	(4,747)	-	**(4,747)**
Net loss for 2011	-	-	-	(68,806)	**(68,806)**
Allocation of funds	-	-	179	-	**179**
Balance at 31 December 2011	**2,472,820**	**494,718**	**398,740**	**1,999,265**	**5,365,543**
Dividends paid	-	-		(1,356)	**(1,356)**
Comprehensive income	-	-	(2,042)	(4,593)	**(6,635)**
Net loss for 2012	-	-	-	(605,423)	**(605,423)**
Allocation of funds	-	-	114	-	**114**
Balance at 31 December 2012	**2,472,820**	**494,718**	**396,812**	**1,387,893**	**4,752,243**

(all amounts are in thousands of MKD unless otherwise stated)

Statement of cash flows

	Year ended 31 December 2012	2011
Operating activities		
(Loss)/ profit before tax	**(597,244)**	**(53,197)**
Adjustments for:		
Depreciation	251,541	251,803
Interest income	(36,760)	(42,789)
Interest expense and bank charges	32,348	14,650
Cash generated from operations before changes in working capital	**(350,115)**	**170,467**
Cash flow from operating activities		
Decrease/ (increase) in inventories	(1,388,673)	932,360
(Increase)/ decrease in receivables	(145,153)	(822,649)
(Decrease)/ increase in payables	1,290,688	(290,690)
Cash generated from operations	**(593,253)**	**(10,512)**
Interest and bank charges paid	(32,348)	(14,650)
Income taxes paid	(13,610)	(10,504)
Net cash generated from operating activities	**(639,211)**	**(35,666)**
Cash flow from investing activities		
Acquisition of property, plant and equipment	(83,270)	(103,512)
Proceeds from sale of property, plant and equipment	-	12,078
Interest received	36,760	33,096
Net cash used in investing activities	**(46,510)**	**(58,338)**
Cash flow from financing activities		
Proceeds from loans	659,953	-
Dividends paid	(1,356)	(1,356)
Net cash used in financing activities	**658,597**	**(1,356)**
Net (decrease)/ increase in cash and cash equivalents	**(27,124)**	**(95,360)**
Cash and cash equivalents at 1 January	121,385	216,745
Cash and cash equivalents at 31 December (note 18)	**94,261**	**121,385**

1. General information

OKTA Crude oil refinery A.D. - Skopje (hereinafter "the Company") is a joint stock company established on 26 March 1980. The Company is owned 81.51% by EL.P.ET Balkaniki S.A., a company jointly controlled - 63% by Hellenic Petroleum S.A. and 37% by Consortium of banks APE. The parent company is incorporated in Greece.

The Company's main activities involve refining of crude oil and distribution of oil derivatives. The Company is a hydro skimming type refinery with a nominal capacity of 2.5 million tons a storage capacity of 250,000 mC. The following products are part of the production range: oil, liquid gas, regular and unleaded petrol, diesel fuels, heating fuel, oils and other derivatives.

As at 31 December 2012, the Company has 674 employees (2011: 675 employees).

The address of the Company is as follows:
Street 1 no.25
Miladinovci Ilinden
1000 Skopje
Macedonia

The names of the Directors of the Company serving during the financial year are as follows:

Chief Executive Officer:

- Konstantinos Karachalios starting from 13 December 2012
- Athanasios Paspaliaris starting from 29 March up to 13 December 2012
- Lampros Zogopoulos starting from 29 May 2008 up to 29 March 2012

Director of Finance and Administration: Srecko Surkov

The financial statements of OKTA Crude oil refinery A.D. – Skopje were authorised for issue by the Management and Board of Directors on 26 February 2013. These financial statements are subject to approval from Company's Shareholders Assembly.

2. Summary of significant accounting policies

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

2.1. Basis of preparation

These financial statements are prepared, in all material respects, in accordance with the Company Law (published in Official Gazette No. 28/2004, 84/2005, 25/2007, 87/2008, 42/2010. 48/2010, 24/2011 and 166/2012) and the Rule Book for Accounting (published in Official Gazette No.159/2009 and No.164/2010), whereby the International Financial Reporting Standards (IFRS) were published. This Rule Book of Accounting comprise International Financial Reporting Standards (IFRS) - IFRS 1 to IFRS 8, International Accounting Standards (IAS) - IAS 1 to IAS 41, International Financial Reporting Interpretations Committee (IFRIC) - IFRIC 1 to IFRIC 17 and Standing Interpretations Committee (SIC) Interpretations comprising SIC 7 to SIC 32.

IFRS 9, IFRS 10, IFRS 11, IFRS 12, IFRS 13, IFRIC 18, IFRIC 19 and IFRIC 20 are not included in the Rule Book for Accounting and are not applied by the Company.

2. Summary of significant accounting policies

2.1. Basis of preparation (continued)

IFRS standards (including IFRS 1) were initially published in the Official Gazette in 1997, and since then several updates have followed. The last update was in December 2010. The Company applies all relevant standards and the amendments and interpretations which were published in the Official Gazette.

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets and depreciation and available for sale financial assets.

The financial statements are presented in thousands Macedonian Denars – MKD, unless otherwise stated.

2.2. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') which is Macedonian denars (MKD).

(b) Transactions and balances

Foreign currency transactions are translated into Macedonian denars using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation monetary assets and liabilities denominated in foreign currencies at year-end are recognised in the P&L. Monetary assets and liabilities denominated in foreign currencies at are translated according the middle exchange rates at the National Bank of the Republic of Macedonia valid at the date of the financial statements.

Foreign exchange gains and losses are presented in the P&L within "finance income/ costs (net)".

The foreign currencies deals of the Company are predominantly EURO (EUR) and United States Dollars (USD) based. The exchange rates used for translation at 31 December 2012 and 31 December 2011 were as follows:

Exchange rate:	31 December 2012 MKD	31 December 2011 MKD
EUR	61.50	61.51
USD	46.65	47.53

(all amounts are in thousands of MKD unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.3. Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Up to 2003 they have been revaluated at the year-end by applying official revaluation coefficients based on the general manufactured goods price index. Such coefficients have been applied to historical cost or later valuation and to accumulated depreciation. The effect of the revaluation of property, plant and equipment has been credited to the revaluation reserve.

Additions are recorded at cost. Cost includes the invoiced value and the expenditure that is directly attributable to the acquisition of the items.

Disposal of property, plant and equipment represents expense or technology obsoleteness or other type of elimination of property, plant and equipment, including the accumulated provision. Gains and losses on disposal of property, plant and equipment are recognised in the income statement.

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised 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.

The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the P&L, during the financial period in which they are incurred.

Depreciation

Depreciation of property, plant and equipment is charged using rates not lower than those prescribed by the law and is designed to allocate the cost or valuation of property, plant and equipment on the straight-line basis over their estimated useful lives.

The depreciation of property, plant and equipment shall start after expiration of the month of the start-up in the year in which the utilization of the property, plant and equipment has started.

The following are the ranges of the estimated useful lives applied to items of property, plant and equipment:

	2012	2011
Buildings	40 years	40 years
Computers	4 years	4 years
Equipment	20 years	20 years
Other equipment and vehicles	5 - 10 years	5 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within Other operating income/expense in the P&L.

Land is not depreciated.

2. Summary of significant accounting policies (continued)

2.4. Intangible assets

An intangible asset is measured initially at cost. Acquisition costs include acquisition price (including import duties and non-recoverable taxes, after deducting trade discounts and rebates) and all directly attributable costs which are incurred to prepare the asset for its intended use. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and less any impairment loss. All intangible assets with a finite useful life are amortised over their useful lives using the straight-line method.

Amortisation begins when the asset is available for use and ends when the asset is classified as held for sale or is derecognised. Amortisation is recognised in the income statement as incurred. Estimated useful life over which company's intangible assets are being amortised is 4 years.

2.5. 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 the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. Available-for-sale financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of available for sale investments are recognised in other comprehensive income. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Statement of comprehensive income as 'gains and losses from investment securities'.

Dividends on available-for-sale financial assets are recognised in the P&L as part of other income when the Company's right to receive payments is established.

The company assesses at the end of each reporting period whether there is objective evidence for impairment of an available for sale financial asset. 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 P&L – is removed from equity and recognised in the P&L. 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 P&L, the impairment loss is reversed through the P&L.

2.6. Inventories

Inventories are stated at lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred bringing the inventories to their present location and condition. Cost of crude oil and cost of other raw materials, spare parts and tools and consumable stores, finished and trading goods is determined on a weighted average cost basis.

2. Summary of significant accounting policies (continued)

2.6. Inventories (continued)

The cost of purchase of inventories comprises of the purchase price, import duties, other non-recoverable taxes and other costs, which can be directly attributed to the procurement of the inventories (e.g. transportation costs). Trade discounts, rebates and other similar items are deducted in determining the purchase cost of inventories.

The costs of conversion of inventories comprise those costs that are directly related to the units of production, such as direct labour and a systematic allocation of fixed and variable production overheads. The allocation of fixed production overheads to the cost of conversion is based on the normal capacity of the production facilities. Any unallocated fixed production overheads are recognised as an expense in the period in which they are incurred. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.7. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised 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 the 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 the estimated future cash flows discounted at the financial asset's 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 P&L. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

2.8. Cash and cash equivalents

Cash and cash equivalents comprise bank balances in local and foreign currency, cash in hand and deposits in banks with original maturity with less than 3 months.

2.9. Share capital

Ordinary and preference shares are classified as equity.

2.10. Trade and other 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. If not, they are presented as non-current liabilities.

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

2. Summary of significant accounting policies (continued)

2.11. Provisions and contingent liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured and recorded as the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provision charge is recognized in the Income statement within the expense corresponding to the nature of the provision.

No provision is recognized for contingent liabilities. A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

2.12. Income taxes

Until 1 January 2009, the basis for computation of corporate income tax was the realised profit, reconciled for the amount of the non-deductible expenses incurred in the fiscal year.

As of 1 January 2009 Companies do not have to pay income tax on their profit before tax until the profit is distributed in a form of dividend or other forms of profit distributions regardless of whether in monetary or non-monetary form. 10% income tax is payable on the distributed part of the profit at the moment of the dividend payment. Dividends distributed by Macedonian companies to resident legal entities are exempt from corporate income tax at the level of the distributing entity. Dividends distributed to individuals and foreign legal entities are not exempt from corporate income tax and are subject to 10% income tax at the level of the distributing entity and the corporate income tax liability arises at the time of the dividend payment.

Corporate income tax is also levied on non-deductable expenses incurred in the fiscal year, decreased by the amount of tax credits and other tax relief's. Corporate income tax on non-deductible expenses is payable regardless the companies have generated profit or loss.

Deferred income tax

Due to the changes in the Macedonian tax legislation effective from 1 January 2009, the tax rate for undistributed profits was effectively reduced to zero, as tax is only payable when profits are distributed only to foreign legal entities. According IAS 12.52A and SIC 25, deferred tax assets and liabilities should be measured using the undistributed rate. This resulted in reversal of the deferred tax asset and all deferred tax liability balances as of 31 December 2009, and reversal of all deferred tax assets as of 31 December 2010, if any.

2. Summary of significant accounting policies (continued)

2.13. Employees Benefits

a) Pension

The Company, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax which are calculated on the basis on gross salaries and wages according to the legislation. The Company makes these contributions to the Governmental health and retirement funds as well to private retirement funds. The cost of these payments is charged to the income statement in the same period as the related salary cost.

The Company does not operate any other pension scheme or post retirement benefits plan and consequently, has no obligation in respect of pensions.

b) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

c) Retirement benefits and jubilee awards

Pursuant to the Labour law prevailing in the Republic of Macedonia, the Company is obliged to pay retirement benefits in an amount equal to two average monthly salaries, at their retirement date, for which appropriate liability is recognized in the balance sheet measured at the present value of two average monthly salaries with adjustments incorporated in the actuarial calculation. These obligations are valued annually. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality bonds that are denominated in the currency in which the benefits will be paid. In addition, the Company is not obligated to provide further benefits to current and former employees.

According to the Collective agreement, the Company is obliged to pay jubilee anniversary awards that correspond to the total number of years of service of the employee.

2.14. Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of products, retail goods and services net of value-added tax, excise, rebates and discounts. Sales of products and retail goods are recognised when the Company has delivered it to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products or retail goods have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer 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.

Interest income is recognized in the P&L on a time proportion basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

2. Summary of significant accounting policies (continued)

2.15. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial risk management

3.1 Financial risk factors

The Company does not apply hedge accounting for its financial instruments, all gains and losses are recognized in the income statement. The Company is exposed in particular to risks from movements in exchange rates and market prices that affect its assets and liabilities. Financial risk management aims to limit these market risks through ongoing operational and finance activities.

(i) Market risk

Market risk is defined as the 'risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices' and includes interest rate risk, currency risk and other price risk. The majority of the revenues of the Company are generated in MKD and the remaining part mainly in USD.

Expenses of the Company arise are mainly connected to USD, partially in EUR and the remaining part in MKD. As a result, the Company objective is to minimize the level of its financial risk in MKD terms. For the presentation of market risks according IFRS 7 sensitivity analyses that show the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity are required. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments at the balance sheet date. The balance at the balance sheet date is representative for the year as a whole.

Foreign exchange risk

The Company's functional currency is the MKD. The foreign exchange risk exposure of the Company is related to holding foreign currency cash balances, and operating activities through revenues from and payments to international companies as well as capital expenditure contracted with vendors in foreign currency.

The currency giving rise to this risk is primarily USD. The Company manages the foreign exchange risk exposure by striving to lower the number of contracts in USD and to introduce contracts in EUR. The Company has very small cash reserves in USD currency. The Company uses cash deposits in MKD or cash deposits in MKD indexed to EUR, to economically manage its foreign currency risk as well as local currency risk in accordance with the available banks offers.

However, the purchase of main raw material – crude oil from related parties is denominated in USD and connected to the price movement on the global movement, which is denominated in USD. Therefore there is associated inherent business risk with such transactions. The Company is in process of introducing the purchases of trading goods in EUR.

(all amounts are in thousands of MKD unless otherwise stated)

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

Foreign exchange risk (continued)

The Company's exposure to foreign currency risk was as follows:

2012	MKD	EUR	USD
Assets			
Cash and cash equivalents	76,909	2,418	14,904
Trade receivables and other current financial assets	4,238,262	705	477,430
Total assets	**4,315,171**	**3,123**	**492,334**
Liabilities			
Trade payables	103,623	9,835	5,353,400
Other current liabilities	214,177	-	-
Loans and borrowings	520,000	-	139,953
Total liabilities	**837,800**	**9,835**	**5,493,353**
Net balance sheet exposure	**3,477,371**	**(6,712)**	**(5,001,019)**

2011	MKD	EUR	USD
Assets			
Cash and cash equivalents	92,637	2,489	26,259
Trade receivables and other current financial assets	3,944,293	2,626	619,737
Total assets	**4,036,930**	**5,115**	**645,996**
Liabilities			
Trade payables	104,686	11,305	3,985,550
Other current liabilities	289,447	-	-
Total liabilities	**394,133**	**11,305**	**3,985,550**
Net balance sheet exposure	**3,642,797**	**(6,190)**	**(3,339,554)**

The Company realized more purchases in USD than sales. At 31 December 2012, if USD would have been 5% (2011: 5%) weaker or stronger against MKD profit would have been MKD 242,968 thousand (2011: MKD 168,291 thousand) after tax in net balance higher or lower, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Change in the interest rates and interest margins may influence financing costs and returns on financial investments.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

The Company have borrowings in amounts of MKD 659,953 thousands as of 31 December 2012 (2011: nil), therefore 1 percentage point rise in market interest rate would have caused (ceteris paribus) the interest paid to increase with approx. MKD 6,599 thousands annually before tax, while similar decrease would have caused the same decrease in interest paid.

Changes in market interest rates affect the interest income on time deposits with banks. As of 31 December 2012 the Company has no time deposits in banks (2011: nil).

Price risk

The Company's primary activity as a crude oil refinery and trader of oil products creates two types of commodity price exposures: crude oil and oil products price levels which affect the value of inventory and sales margins which in turn affect the future cash flows of the business. In the case of price risk the level of exposure is determined by the amount of priced inventory carried at each balance sheet date. The Company policy is to report its inventory at the lower of historic cost and net realisable value and the results are affected by the reduction in the carrying value of the inventory.

The extent of the exposure relates directly to the level of stocks and rate of price decrease. Sales margin exposure relates to the absolute level of margin generated by the operation of the refineries mainly driven by the regulated prices for domestic market by the Government Authorities and the Platts prices for foreign market. The Company is managing the risk of margin exposure with production and import optimisation in order to have favourable inventory level in order to control the sales margin.

(ii) Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk from its operating activities and certain financing activities. The process of managing the credit risk from operating activities includes preventive measures such as creditability checking and prevention barring, corrective measures during legal relationship for example reminding and disconnection activities, collaboration with collection agencies and collection after legal relationship as litigation process, court proceedings, involvement of the executive unit and factoring. The overdue payments are followed through a debt escalation procedure based on customer's type, credit class and amount of debt. The credit risk is controlled through credibility checking – which determines that the customer is not indebted and the customer's credit worthiness and through preventive barring – which determinates the credit limit based on the customer's previous revenues.

The Company's procedures ensure on a permanent basis that sales are made to customers with an appropriate credit history and not exceed an acceptable credit exposure limit.

(all amounts are in thousands of MKD unless otherwise stated)

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(ii) Credit risk (continued)

The Company has collaterals from customers in bank guarantees, mortgages and promissory notes in order to ensure their collectability. The Company does not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Consequently, the Company considers that its maximum exposure is reflected by the amount of debtors net of provisions for impairment recognized and the amount of cash deposits in banks at the balance sheet date. Management is focused on dealing with most reputable banks in foreign and domestic ownership on the domestic market.

The following table represents Company's exposure to credit risk as at 31 December 2012 and 31 December 2011:

	2012	2011
Cash and cash equivalents	94,042	121,126
Trade receivables	3,092,070	3,519,221
Other receivables	1,624,327	1,047,435
	4,810,439	**4,687,782**

Cash and cash equivalents in the table above exclude cash on hand since no credit risk exists for this category.

The receivables are summarized as follows:

	31 December 2012		31 December 2011	
	Trade receivables - domestic	Trade receivables - foreign	Trade receivables - domestic	Trade receivables – foreign
Neither past due nor impaired	2,523,391	409,151	2,722,442	597,541
Past due but not impaired	90,544	68,985	174,416	24,822
Impaired	45,043	16,801	42,260	16,210
Gross	**2,658,978**	**494,937**	**2,939,118**	**638,573**
Less: allowance for impairment	(45,043)	(16,802)	(42,260)	(16,210)
Net	**2,613,935**	**478,135**	**2,896,858**	**622,363**

Trade receivables of MKD 159,529 thousands (2011: MKD 199,238 thousands) were past due but not impaired. Main part of these receivables is matured up to 30 days, with no recent history of default and is secured with collaterals. Further details are presented in Note 17.

(all amounts are in thousands of MKD unless otherwise stated)

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(iii) Liquidity risk

Liquidity risk is defined as the risk that the Company could not be able to settle or meet its obligations on time. The Company's policy is to maintain sufficient cash and cash equivalents to meet its commitments in the foreseeable future. Any excess cash is mostly deposited in commercial banks. The Company's liquidity management process includes projecting cash flows by major currencies and considering the level of necessary liquid assets, considering business plan, historical collection and outflow data. Regular cash projections are prepared and updated by the Payment and Treasury Department.

The table below analyses Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 3 month	Between 3 months and 1 year	Over 1 year
At 31 December 2012			
Trade payables	5,466,858	-	-
Other current liabilities	214,177	-	-
Loans from the banks	659,953	-	-
	6,340,988	-	-
At 31 December 2011			
Trade payables	4,101,541		
Other current liabilities	58,004	-	-
	4,159,545	-	-

The maturity analysis applies to financial instruments only and therefore statutory liabilities are not included.

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.

3.3. Fair value estimation

Cash and cash equivalents, trade receivables and other current financial assets mainly have short term maturity. For this reason, their carrying amounts at the reporting date approximate their fair values.

(all amounts are in thousands of MKD unless otherwise stated)

3.3. Fair value estimation (continued)

The table below shows the categorisation of financial assets as at 31 December 2012:

	Carrying amount	Fair Value
Cash and cash equivalents	94,261	94,261
Trade receivables	3,092,070	3,092,070
Other current financial assets	1,624,327	1,624,327
	4,810,658	**4,810,658**

The table below shows the categorisation of financial assets as at 31 December 2011:

	Carrying amount	Fair Value
Cash and cash equivalents	121,385	121,385
Trade receivables	3,519,221	3,519,221
Other current financial assets	1,047,435	1,047,435
	4,688,041	**4,688,041**

4. Critical accounting estimates and judgments

Estimates and judgements 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. 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. The most critical estimates and assumptions are discussed below.

(i) Useful lives of assets

The determination of the useful lives of assets is based on historical experience with similar assets as well as any anticipated technological development and changes in broad economic or industry factors. In addition, as general guidance the Rule Book for depreciation rates prescribed by tax authorities is followed. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions.

Further, due to the significant weight of depreciable assets in our total assets, the impact of any changes in these assumptions could be material to our financial position, and results of operations. If depreciation cost is decreased/increased by 10%, this would result in change of annual depreciation expense of approximately MKD 25,150 thousand (2010: MKD 25,180 thousand)

(ii) Potential impairment of property, plant and equipment and intangibles

The Company (with support from the ultimate parent company) is assessing the impairment of identifiable property, plant, equipment and intangibles whenever there is a reason to believe that the carrying value may materially exceed the recoverable amount and where impairment in value is anticipated. The recoverable amounts are determined by value in use calculations, which use a broad range of estimates and factors affecting those.

4.1. Critical accounting estimates and assumptions (continued)

(ii) Potential impairment of property, plant and equipment and intangibles (continued)

Among others, the Company typically considers future revenues and expenses, macroeconomic indicators, technological obsolescence, discontinuance of operations and other changes in circumstances that may indicate impairment. If impairment is identified using the value in use calculations, the Company also determines the fair value less cost to sell (if determinable), to calculate the exact amount of impairment to be charged (if any). As this exercise is highly judgmental, the amount of potential impairment may be significantly different from that of the result of these calculations.

(iii) Impairment of trade and other receivables

The Company calculates impairment for doubtful accounts based on estimated losses resulting from the inability of its customers to make required payments. For customers in bankruptcy and liquidation, impairment is calculated on an individual basis, while for other customers it is estimated on a portfolio basis, for which the Company base its estimate on the aging of its account receivables balance and its historical write-off experience, customer credit-worthiness and changes in its customer payment terms. These factors are reviewed periodically, and changes are made to calculations when necessary. The estimates involve assumptions about future customer behaviour and the resulting future cash collections. If the financial condition of its customers were to deteriorate, actual write-offs of currently existing receivables may be higher than expected and may exceed the level of the impairment losses recognized so far.

(iv) Provisions

Provisions in general are highly judgmental, especially in the cases of legal disputes. The Company assesses the probability of an adverse event as a result of a past event to happen and if the probability is evaluated to be more than fifty percent, the Company fully provides for the total amount of the liability. The Company is rather prudent in these assessments, but due to the high level of uncertainty, in some cases the evaluation may not prove to be in line with the eventual outcome of the case.

5. Sales

	2012	2011
Sales on domestic market	24,687,387	25,681,962
Sales on foreign market	11,521,653	14,474,648
	36,209,040	**40,156,610**

The sales on domestic and foreign market represent sale of oil derivatives.

(all amounts are in thousands of MKD unless otherwise stated)

6. Cost of Sales

	2012	2011
Cost of traded goods	26,336,927	11,097,710
Consumed crude oil	11,089,365	26,178,587
Gross salaries and wages	361,226	354,874
Depreciation	208,068	208,668
Electricity	128,826	166,602
Expenses for chemicals	121,172	137,861
Maintenance expenses	83,814	57,533
Insurance expenses	41,889	39,930
Personnel transportation expenses	24,500	23,472
Consumed food products	23,105	23,292
Own consumption of fuel oil	20,507	37,573
Other fixed cost	19,454	11,054
Miscellaneous expenses	14,577	11,373
Redundancy expenses	5,802	47,763
Impairment of inventory	3,895	-
Telecommunication expenses	1,098	932
Office supplies expenses	818	548
Inventory movements	(2,066,534)	1,267,116
	36,418,509	**39,664,888**

7. Administrative expenses

	2012	2011
Gross salaries and wages	79,670	77,888
Miscellaneous expenses	56,991	40,329
Public relation and advertising expenses	21,478	16,442
Depreciation	14,223	13,723
Rental expenses	7,948	10,575
Insurance expenses	5,198	5,307
Consumed food products	5,296	5,396
Other fixed cost	4,935	5,803
Personnel transportation expenses	4,473	4,478
Management and allocated expenses	2,417	1,173
Telecommunication expenses	2,552	2,744
Maintenance expenses	2,944	1,764
Business travel	1,437	1,540
Office supplies expenses	1,158	1,431
Redundancy expenses	-	12,872
	210,720	**201,465**

(all amounts are in thousands of MKD unless otherwise stated)

8. Sales and distribution expenses

	2012	2011
Miscellaneous expenses	22,045	17,426
Depreciation	19,720	20,125
Transportation of oil products – abroad	18,543	20,232
Gross salaries and wages	16,820	17,336
Other variable expenses	13,712	18,362
Transportation of oil products - in the country	13,590	30,085
Insurance expenses	4,492	3,052
Other fixed cost	2,009	1,265
Consumed food products	1,787	1,809
Dues and subscriptions	1,538	1,420
Telecommunication expenses	1,040	803
Personnel transportation expenses	874	972
Maintenance expenses	643	753
Public relation and advertising expenses	538	202
Office supplies expenses	310	178
Redundancy expenses	-	5,484
	117,661	139,504

9. Retail expenses

	2012	2011
Depreciation	9,529	9,287
Gross salaries and wages	9,323	8,675
Miscellaneous expenses	5,683	2,346
Maintenance expenses	3,169	6,255
Public relation and advertising expenses	1,606	2,530
Rental expenses	850	810
Other fixed cost	675	2,037
Telecommunication expenses	441	432
Consumed food products	217	229
Personnel transportation expenses	183	178
Office supplies expenses	93	24
Insurance expenses	67	76
Other variable expenses	25	93
	31,861	32,972

10. Other operating income

	2012	2011
Collected written off receivables	37	54
Additionally determined income	621	4,210
Other income	11,839	367
	12,497	4,631

(all amounts are in thousands of MKD unless otherwise stated)

11. Other operating expenses

	2012	2011
Impairment of other receivables	11,650	-
Impairment of bad and doubtful debts	3,402	-
Additionally determined expenses	1,986	3,305
Net book value of disposed fixed assets	16	19,546
Other expenses	1,288	589
	18,342	**23,440**

12. Finance income and costs

	2012	2011
Foreign exchange gain	904,471	1,063,038
Interest income	36,760	42,789
Finance income	**941,231**	**1,105,827**
Foreign exchange loss	(930,571)	(1,243,346)
Interest expenses	(17,806)	(635)
Bank charges	(14,542)	(14,015)
Finance costs	**(962,919)**	**(1,257,996)**
Net finance costs	**(21,688)**	**(152,169)**

13. Income tax expense

	2012	2011
(Loss) / income before tax	(597,244)	(53,197)
Tax calculated at a tax rate of 10%	-	-
Expenses non tax deductible according to local regulations	8,179	15,609
Tax credit	-	-
Tax charge	**8,179**	**15,609**

Commencing from 1 January 2010 the Government of the Republic of Macedonia has introduced modifications and changes in the Profit Tax Law. According to these changes the profit tax shall apply at the moment of distribution of the profits in a form of dividends. In addition, official amendments were made in Income Tax Manual, published on 18 December 2010. According these changes the base for computation of profit tax are non-deductible expenses incurred during the fiscal year. Subsequently, as long as the undistributed profits are retained within the Company the profit tax would not be applied.

The tax authorities may at any time inspect the books and records within 5 to 10 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

(all amounts are in thousands of MKD unless otherwise stated)

14. Property Plant and Equipment

	Land	Buildings	Machinery and equipment	Construction in progress	Total
At 1 January 2011					
Cost	144,259	3,114,154	6,235,800	213,935	9,708,148
Accumulated depreciation	-	(2,576,229)	(3,984,636)	-	(6,560,865)
Net book amount	**144,259**	**537,925**	**2,251,164**	**213,935**	**3,147,283**
Year ended 31 December 2011					
Opening net book amount	144,259	537,925	2,251,164	213,935	3,147,283
Additions	-	-	-	121,192	121,192
Transfer from construction in progress	24	5,792	190,220	(196,036)	-
Disposals (net book value)	-	(3,948)	(4,643)	(16,400)	(24,991)
Depreciation charge	-	(34,923)	(216,190)	-	(251,113)
Closing net book amount	**144,283**	**504,846**	**2,220,551**	**122,691**	**2,992,371**
At 31 December 2011					
Cost	144,283	3,105,052	6,368,718	122,691	9,740,744
Accumulated depreciation	-	(2,600,206)	(4,148,167)	-	(6,748,373)
Net book amount	**144,283**	**504,846**	**2,220,551**	**122,691**	**2,992,371**
Year ended 31 December 2012					
Opening net book amount	144,283	504,846	2,220,551	122,691	2,992,371
Additions	-	-	-	79,762	79,762
Transfer from construction in progress	-	10,484	135,692	(146,176)	-
Disposals (net book value)	-	-	(16)	-	(16)
Transfer to intangible assets	-	-	-	(3,508)	(3,508)
Depreciation charge	-	(34,361)	(215,714)	-	(250,075)
Closing net book amount	**144,283**	**480,969**	**2,140,513**	**52,769**	**2,818,534**
At 31 December 2012					
Cost	144,283	3,115,536	6,494,370	52,769	9,806,958
Accumulated depreciation	-	(2,634,567)	(4,353,857)	-	(6,988,424)
Net book amount	**144,283**	**480,969**	**2,140,513**	**52,769**	**2,818,534**

Out of total depreciation and amortisation expense (of the tangible and intangible assets) amount of MKD 208,068 thousands (2011: MKD 208,668 thousands) has been charged in cost of sales, MKD 14,223 thousands (2011: MKD 13,723 thousands) in administrative costs and MKD 29,249 thousands (2011: MKD 29,412 thousands) in retail, selling and distribution expenses.

The Company has recognised land in the financial statement which is in state ownership and the Company has right of use. The procedure for obtaining the legal titles over the land is in process.

(all amounts are in thousands of MKD unless otherwise stated)

15. Available-for-sale financial assets

	2012	2011
At 1 January	11,648	11,648
Additions	-	-
Disposals	-	-
Net losses transfer to revaluation reserves	(6,790)	(4,747)
At 31 December	**4,858**	**6,901**

Available-for-sale financial assets are denominated in Macedonian denars and include the following:

	2012	2011
Investments in companies	2,484	3,933
Investments in banks	2,374	2,968
	4,858	**6,901**

16. Inventories

	2012	2011
Raw materials - crude oil	649,517	797,235
Raw materials	53,542	70,609
Work in progress	541,998	94,212
Finished goods	2,046,942	428,194
Trade goods	130,467	647,575
Spare parts and tools and consumables stores	48,052	44,019
	3,470,518	**2,081,844**

17. Trade and other receivables

Carrying amount of trade receivables is presented as follows:

	2012	2011
Trade receivables domestic	2,658,978	2,939,118
Trade receivables foreign	494,937	638,573
Trade receivables – gross	**3,153,915**	**3,577,691**
Provision for impairment of trade receivables	(61,845)	(58,470)
	3,092,070	**3,519,221**

(all amounts are in thousands of MKD unless otherwise stated)

17. Trade and other receivables (continued)

Carrying amount of trade and other receivables is presented as follows:

	2012	2011
Trade receivables - domestic	2,658,978	2,939,118
Trade receivables - foreign	494,690	610,086
Foreign receivables from related parties (note 25)	247	28,487
Less: Provision for impairment	(61,845)	(58,470)
Trade receivables – net	**3,092,070**	**3,519,221**
Receivable from Escrow account	769,497	769,497
VAT receivables and other receivables from state institutions	782,525	253,420
Prepaid expenses	68,304	6,120
Advance payments	3,974	7,646
Receivables from employees	27	682
Other short term receivables	-	10,070
Other receivables	**1,624,327**	**1,047,435**
	4,716,397	**4,566,656**

Receivables from related parties represent receivables from Hellenic Petroleum S.A. Greece, EKO Serbia - Belgrade, EL.P.ET. Balkaniki S.A.Greece, Global Petroleum Albania Sh.p.k. Albania, Jugopetrol AD Kotor, EKO ABEE Greece and Vardax S.A. Greece (Note 25). Receivables in amount of MKD 7,917 thousands in 2011 from Hellenic Petroleum S.A. Greece are included under other short term receivables.

Following the provisions of the Share Purchase and Concession Agreement dated 8 May 1999 concluded between EL.P.ET Balkaniki S.A. (the parent company of OKTA crude oil refinery AD Skopje) and the Government of the Republic of Macedonia, the Company has recognized receivables in the period from 2000 to 2004 in the amount of approximately MKD 769,497 thousands which arise from liabilities relating to the period prior to the acquisition.

The ageing analysis of trade receivables is as follows:

	2012	2011
Not past due	2,932,540	3,319,983
less than 30 days	118,006	178,739
30 to 90 days	21,800	12,756
90 days to 1 year	17,744	2,961
Over 1 year	63,825	63,252
Total gross receivables	**3,153,915**	**3,577,691**

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

	2012	2011
At 1 January	58,470	103,050
Provision for receivables impairment	3,402	-
Unused amounts reversed	(27)	(44,580)
At 31 December	**61,845**	**58,470**

(all amounts are in thousands of MKD unless otherwise stated)

17. Trade and other receivables (continued)

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The ageing analysis of provision for impairment is as follows:

	2012	2011
Over 1 year	61,845	58,470
	61,845	**58,470**

Movement in allowance for impairment for the separate categories of receivables is as follows:

Domestic	2012	2011
Opening balance at 1st of January	42,260	86,658
Charged to expenses	2,789	-
Collected receivables recognised as income	(6)	(44,398)
	45,043	**42,260**

Foreign	2012	2011
Opening balance at 1st of January	16,210	16,392
Charged to expenses	613	-
Collected receivables recognised as income	(21)	(182)
	16,802	**16,210**

Amounts charged to the allowance account are generally written-off when there is no expectation of recovering additional cash. According the Company's policies the following factors are taking into consideration when assessing the impairment of receivables: receivables above 90 days, frequent late payments, high risk customers and customer with financial difficulties. Trade receivables are secured with bank guarantees and mortgages.

The carrying amounts of the Company's trade receivables are denominated in the following currencies:

	2012	2011
MKD	2,613,935	2,896,858
EUR	705	2,626
USD	477,430	619,737
	3,092,070	**3,519,221**

The carrying amounts of the Company's other receivables are denominated in the following currencies:

	2012	2011
MKD	1,624,327	1,047,435
	1,624,327	**1,047,435**

The fair value of the trade receivables and the other receivables at the balance sheet date is the same as their carrying value.

(all amounts are in thousands of MKD unless otherwise stated)

18. Cash and cash equivalents

	2012	2011
Bank accounts in domestic currency	75,357	91,643
Bank accounts in foreign currency	17,240	28,646
Letter of credit	-	1
Cash on hand	219	259
Other cash and cash equivalents	1,445	836
	94,261	121,385

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2012	2011
MKD	76,909	92,637
EUR	2,418	2,489
USD	14,904	26,259
GBP	30	-
	94,261	121,385

19. Capital and reserves

Shares

The total authorised number of ordinary shares is 824,799 shares (2011: 824,799) with par value of EUR 51.12 per share (2011: EUR 51.12) and 21,561 preference shares (2011: 21,561) with par value of EUR 51.12 per share (2011: EUR 51.12). All issued shares are fully paid.

For the year 2012 there was no change in the ownership structure of the Company and the shareholders structure as at 31 December 2012 is as follows:

	Number of ordinary shares	Number of preference shares	Total shares	% of total share capital
EL.P.ET Balkaniki S.A.	689,875	-	689,875	81.5 %
Pension and Disability Fund of the Republic of Macedonia	72,317	21,561	93,878	11.1 %
Other 1)	62,607	-	62,607	7.4 %
	824,799	21,561	846,360	100 %

1) Shareholders which individually hold less than 0.4% in share capital.

Pension and Disability Fund at begging of 2013 sold 91,767 shares to Pucko Petrol and 2,111 shares to other minor shareholders (see Note 28).

Dividends

There are no dividend payments during 2012 except dividends for preference shares in amount of MKD 1,356 thousands (2011: MKD 1,356 thousands). There are no other declared dividends.

(all amounts are in thousands of MKD unless otherwise stated)

19. Capital and reserves (continued)

Reserves

Statutory reserves

According to Macedonian regulations, the Company is required to have compulsory statutory reserve established through appropriation of its net profits. The annual contribution to the statutory reserve may not be less than fifteen percent (15%) of the profit, unless or until the Company's reserves reach an amount equal to one-fifth of its basic capital. The Company has achieved the required minimum in prior years and consequently no appropriation in 2012 has been made.

Revaluation reserve

The revaluation reserve relates to: (i) property, plant and equipment and comprises the cumulative increased carrying value based on the increase of the producers' price index on the date of revaluation that was performed up to 2003; and (ii) effects of revaluation of available for sale financial assets.

20. Employee benefit obligations

	2012	2011
Retirement benefit obligations and jubilee awards	22,893	18,300
	22,893	18,300

21. Trade and other payables

Carrying amount of trade payables is presented as follows:

	2012	2011
Domestic trade payables	100,301	102,432
Foreign trade payables	5,363,237	3,996,855
Payables for non-invoiced goods	3,320	2,254
	5,466,858	4,101,541

Carrying amount of trade and other payables is presented as follows:

	2012	2011
Domestic trade payables	100,301	102,432
Foreign trade payables	161,831	160,152
Foreign payables from related parties (note 25)	5,201,406	3,836,703
Payables for non-invoiced goods	3,320	2,254
Trade payables	**5,466,858**	**4,101,541**
Advances received	27,214	33,464
Excise taxes payable	130,587	222,362
Salaries and wages	19,944	19,572
Personal income tax and contributions	9,405	9,081
Withholding tax	17	-
Accrued liabilities	27,010	4,968
Other current liabilities	**214,177**	**289,447**
	5,681,035	4,390,988

(all amounts are in thousands of MKD unless otherwise stated)

21. Trade and other payables (continued)

Liabilities to related parties represent liabilities to Hellenic Petroleum S.A. Greece and Vardax S.A. Greece (Note 25).

The carrying amounts of the trade payables are denominated in the following currencies:

	2012	2011
MKD	103,623	104,686
USD	5,353,400	3,985,550
EUR	9,835	11,305
	5,466,858	**4,101,541**

The carrying amounts of the other payables are denominated in the following currencies:

	2012	2011
MKD	214,177	289,447
	214,177	**289,447**

22. Loans and borrowings

	2012	2011
Bank borrowings	659,953	-
	659,953	**-**

The borrowings are measured at amortised cost. Bank borrowings mature until 2013 and bear average interest rate of 6-7% annually.

The carrying amounts and fair value of the current borrowings are as follows:

	Carrying amount		Fair value	
	2012	2011	2012	2011
Bank Borrowings	659,953	-	659,953	-
	659,953	**-**	**659,953**	**-**

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

The carrying amounts of the borrowings are denominated in the following currencies:

	2012	2011
MKD	520,000	-
USD	139,953	-
	659,953	**-**

(all amounts are in thousands of MKD unless otherwise stated)

23. Expenses by nature

	2012	2011
Cost of trading goods sold	26,336,927	11,097,710
Consumed raw materials	11,090,797	26,181,155
Employee related expenses	467,038	458,773
Depreciation	251,541	251,803
Consumed energy	129,234	166,819
Consumed chemicals	121,175	137,861
Remaining non-material expenses	111,539	88,169
Maintenance services	90,570	66,304
Allowance for the expenses of the employees	63,122	60,804
Insurance premiums	51,646	48,365
Transport services	32,133	51,071
Own consumption	27,249	43,901
Promotion, advertising, entertainment and sponsorship	23,948	19,523
Impairment of bad and doubtful debts	18,947	-
Other services	13,053	7,534
Rental fees	12,704	13,914
Redundancy expenses	5,329	66,119
Telecommunication expenses	5,131	4,911
Remaining expenses	3,250	1,811
Office supply expenses	2,380	2,182
Daily allowance for business trips and travel expenses	2,130	1,922
Dues and subscriptions	1,784	1,650
Additionally determined expenses	1,986	3,306
Net book value of disposed fixed assets	15	19,546
Changes in inventories	(2,066,534)	1,267,116
	36,797,094	40,062,269

24. Employee related expenses

	2012	2011
Salaries and wages	294,362	289,162
Contributions and taxes	130,265	136,682
Other benefits	22,412	32,929
	447,039	458,773

	2012	2011
Average number of employees	675	701

25. Related party transactions

The Company is controlled by EL.P.ET Balkaniki S.A. Greece, which owns 81.51% of the Company's shares. Ultimate parent is Hellenic Petroleum S.A, incorporated in Greece. The remaining 7.41% of the shares are held by the minor shareholders and 11.08% of shares are held by the Pension and Disability Fund.

All transactions with related parties are conducted under normal trading and commercial terms on an arm's length basis.

(all amounts are in thousands of MKD unless otherwise stated)

25. Related party transactions (continued)

The following transactions were carried out with related parties:

i) Sales of goods and services

Sales of goods	2012	2011
EKO Serbia	61,422	240,652
Hellenic Petroleum S.A.	44	186
	61,466	240,838

Sales of services	2012	2011
Vardax S.A.	1,536	5,319
EL.P.ET Balkaniki S.A.	67	216
Hellenic Petroleum S.A.	-	13
	1,603	5,548

ii) Purchases of raw material, goods and services

Purchases of raw material and goods	2012	2011
Hellenic Petroleum S.A.	36,199,027	36,848,567
EKO Serbia	7,505	-
Eko ABEE	5,312	2,297
Global Petroleum Albania Sh.p. Albania	861	-
	36,212,705	36,850,864

Purchases of services	2012	2011
Vardax S.A.	249,380	577,795
EL.P.ET Balkaniki S.A.	5,739	-
Asprofos S.A	3,015	-
	258,134	577,795

iii) Outstanding balances arising from sale of goods/services

Receivables arising from sale of goods	2012	2011
Hellenic Petroleum S.A	25	42
Global Petroleum Albania Sh.p. Albania	2	2
EKO Serbia	-	27,845
Jugopetrol A.D. Kotor	-	5
	27	27,894

Receivables arising from sale of services	2012	2011
Vardax S.A.	201	86
Hellenic Petroleum S.A	13	8,473
EL.P.ET Balkaniki S.A.	6	5
	220	8,564

(all amounts are in thousands of MKD unless otherwise stated)

25. Related party transactions (continued)

iv) Outstanding balances arising from purchase of goods/services

Payables arising from purchase of raw materials and goods	**2012**	**2011**
Hellenic Petroleum S.A.	5,110,958	3,691,781
EKO ABEE	937	-
	5,111,895	**3,691,781**

Payables arising from purchase of services	**2012**	**2011**
Vardax S.A.	89,352	144,922
EL.P.ET Balkaniki S.A	159	-
	89,511	**144,922**

v) Key management compensation

Key management includes members of the Board of Directors and Directors within the Company. The compensation paid or payable to key management for services is shown below:

	2012	**2011**
Salaries	23,532	19,147
Taxes and contributions	6,506	4,613
Other benefits	2,243	1,533
	32,281	**25,293**

26. Contingencies

a) Bank guarantees

The Company has contingent liabilities in respect of bank guarantees arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities. The Company has bank guarantees in the amount of MKD 703,441 thousands as at 31 December 2012 (2011: MKD 736,714 thousands). No additional payments are anticipated at the date of the financial statements.

b) Legal proceedings

From time to time and in the normal course of the business, claims against the Company may be received. On the basis of its own estimates and both internal and external professional advice, the management of the Company is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

(all amounts are in thousands of MKD unless otherwise stated)

27. Commitments

a) Operating lease commitments

The Company leases motor vehicles under operating lease agreements. The lease expenditure charged to the Statement of comprehensive income during the year is disclosed in Note 6,7,8 and 9.

The future aggregate minimum lease payments under operating leases are as follows:

	2012	2011
No later than 1 year	9,859	9,393
Later than 1 year and no later than 5 years	16,574	4,979
Later than 5 years	-	-
	26,433	14,372

28. Events after the reporting period

On 9 January 2013, Pucko Petrol purchased 72,317 ordinary shares and 19,450 priority shares of OKTA that were previously held by the Pension and Disability Fund of the Republic of Macedonia. After that transaction Pucko Petrol gained 10.8% of OKTA's total shares.

There are no other events after the reporting period that would have impact on the 2012 Statement of comprehensive income, Statement of financial position or Statement of cash flow.