JUGOPETROL A.D.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

CONTENTS

GENERAL INFORMATION

Board of Directors

From 01/01/2017-31/12/2017

1. Konstantinos Mademlis – President of the Board
2. Tripko Krgović – member
3. Jelena Mrkobrada – member
4. Stamatia Psyllaki – member
5. Dimitrios Parodos – member
6. Dimitrios Gavrilidis – member
7. Efstathios Devves – member

Company headquarters

Stanka Dragojevica bb
81000 Podgorica
Montenegro

Lawyer

Raičević Radovan
Stanka Dragojevića bb
81000 Podgorica
Montenegro

Banks

Crnogorska Komercijalna Banka
Hipotekarna Banka A.D. Podgorica
NLB Montenegro Banka
Prva banka Crne Gore
Erste Banka
Addiko Bank
Unicredit bank A.D. Banja Luka

Audit Company

Ernst & Young Montenegro d.o.o.
Stanka Dragojevica bb, street
Building Universal Capital Bank, II floor
81000 Podgorica
Montenegro

Ernst & Young Montenegro d.o.o.
Podgorica, ul. Stanka Dragojevića bb
Zgrada Universal Capital Bank,II sprat
Tel: +382 20 238 477
Fax: +382 20 238 476
ey.com

This is translation in English of the Auditor's Report prepared in Montenegrin language

INDEPENDENT AUDITORS' REPORT
TO THE OWNERS OF AKCIONARSKO DRUŠTVO ZA ZA ISTRAŽIVANJE, EKSPLOATACIJU I PROMET NAFTE I NAFTNIH DERIVATA „JUGOPETROL", PODGORICA

Report on Financial Statements

We have audited the accompanying financial statements of Jugopetrol A.D., Podgorica (hereinafter: the Company), which comprise the balance sheet as at 31 December 2017, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law on Accounting and the accounting regulations 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing applicable in Montenegro. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Law on Accounting and the accounting regulations of Montenegro.

Emphasis of matter

We draw attention to the following notes to the accompanying financial statements:

(a) Note 32 to the financial statements which describes the uncertainties related to the outcome of the lawsuits filed by Montenegro Bonus d.o.o., Cetinje. The final effects of this matter cannot be presently determined since they will depend on the outcome of future legal proceedings.

(b) Note 3 to the accompanying financial statements which describes that the comparative information has been restated.

Our opinion is not qualified in respect of these matters.

Other matters

The financial statements as at and for the year ended 31 December 2016 where audited by another auditor who expressed unmodifed opinion on those statement with Emphasis of matter paragraph regarding the outcome of the litigations on 20 April 2017.

Report on other legal and regulatory requirements

We have reviewed the annual management report of the Company. Management is responsible for the preparation of the annual management report in accordance with the legal requirements of Montenegro. Our responsibility is to assess whether the annual management report is consistent with the annual financial statements for the same financial year. Our work regarding the annual management report has been restricted to assessing whether the accounting information presented in the annual management report is consistent with the annual financial statements and did not include reviewing other information contained in the annual management report originating from non-audited financial or other records. In our opinion, the accounting information presented in the annual management report is consistent, in all material respects, with the financial statements of the Company for the year ended 31 December 2017.

Podgorica, 26 April 2018

Ernst & Young Montenegro d.o.o.
Podgorica, Montenegro

Olivera Andrijasevic
Partner

DRUŠTVO ZA REVIZIJU
ERNST & YOUNG
MONTENEGRO
DOO
PODGORICA

Danijela Jovic
Authorized auditor

(All amounts expressed in EUR, unless otherwise stated)

BALANCE SHEET/ASSETS
AS AT 31/12/2017

ASSETS	EDP	NOTE NO.	2017	2016 (RESTATED)
UNPAID SUBSCRIBED EQUITY	001		-	-
NON CURRENT ASSETS	002		43.096.678	41.588.541
GOODWILL	003		848.942	848.942
INTANGIBLE ASSETS	004	6	5.363.688	5.383.643
PROPERTY, PLANTS, EQUIPMENT AND BIOLOGICAL ASSETS	005	7	35.171.384	33.586.940
Property, plants & equipment	006		33.537.425	31.940.480
Investment property	007		1.633.959	1.646.460
Biological assets	008		-	-
LONG-TERM FINANCIAL INVESTMENTS	009		1.712.664	1.769.016
Investments in equity	010	8	67.057	78.124
Investment in affiliated companies using equity method	011		-	-
Other long term investments	012	9	1.645.607	1.690.892
DEFERRED TAX ASSETS	013		-	-
NON-CURRENT ASSETS HELD FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS	014			
CURRENT ASSETS	015		60.812.769	57.520.095
INVENTORIES	016	10	26.606.358	24.586.385
SHORT TERM RECEIVABLES, INVESTMENTS AND CASH AND CASH EQUIVALENTS	017		34.206.411	32.933.710
Trade and Other Receivables	018	11	11.381.169	10.997.165
Overpaid tax receivables	019		-	-
Short-term financial investments	020	12	152.177	319.037
Cash and cash equivalents	021	13	16.190.061	14.581.969
Value added tax and accruals	022	14	6.483.004	7.035.539
TOTAL ASSETS	023		103.909.447	99.108.636

(All amounts expressed in EUR, unless otherwise stated)

BALANCE SHEET/EQUITY
AS AT 31/12/2017

EQUITY & LIABILITIES	EDP	NOTE NO.	2017	2016 (RESTATED)
EQUITY	**101**	**15**	**89.453.785**	**86.826.672**
SHARE CAPITAL	102	15.1	67.986.605	67.986.605
UNPAID SUBSCRIBED CAPITAL	103		-	-
RESERVES	104	15.2	8.550.698	8.550.698
POSITIVE REVALUATION RESERVE AND UNREALIZED GAINS FROM FINANCIAL ASSETS AVAILABLE FOR SALE	105		106.199	105.203
NEGATIVE REVALUATION RESERVE AND UNREALIZED GAINS FROM FINANCIAL ASSETS AVAILABLE FOR SALE	106		(292.584)	(268.106)
RETAINED EARNINGS	107		13.102.867	10.452.272
LOSS	108		-	-
REPURCHASE OF OWN SHARES AND SHARE EQUITY	109		-	-
LONG-TERM PROVISIONS AND LIABILITIES	**110**		**383.094**	**388.704**
LONG TEM PROVISIONS	111	16	383.094	388.704
LONG-TERM LIABILITIES	112		-	-
Long term loans	113		-	-
Other long term liabilities	114		-	-
DEFERRED TAX LIABILITIES	**115**	**29**	**57.226**	**57.601**
SHORT-TERM PROVISIONS AND LIABILITIES	**116**		**14.015.342**	**11.835.659**
SHORT-TERM LIABILITIES	117		14.015.342	11.835.659
Short term financial liabilities	118		-	-
Liabilities attributable to the assets held for sale and discontinued operations	119		-	-
Trade payables	120	17	3.131.675	3.202.250
Other short term liabilities and accruals	121	18	2.381.702	687.518
Liabilities for vat and other public revenues	122	19	7.726.610	7.442.345
Income tax payables	123	29	775.355	503.546
SHORT-TERM PROVISIONS	124			
TOTAL EQUITY & LIABILITIES	**125**		**103.909.447**	**99.108.636**

In Podgorica,

Person responsible for preparation of the financial statement ....

Legal representative ....

Date 31/03/2018

JUGOPETROL akcionarsko društvo za istraživanje, eksploataciju i promet nafte i naftnih derivata, Podgorica
L.S.
2

(All amounts expressed in EUR, unless otherwise stated)

INCOME STATEMENT
FOR THE PERIOD FROM 01/01/2017 TO 31/12/2017

	EDP	Note no.	2017	2016
OPERATING REVENUE	**201**		**135.143.076**	**115.973.048**
Revenues	202	20	134.892.587	115.715.158
Other operating revenues	206	21	250.489	257.890
OPERATING EXPENSES	**207**	**22**	**127.060.424**	**108.767.196**
Cost of goods sold	208		111.562.585	93.544.435
Cost of materials	209		657.496	557.862
Cost of salaries, fringe benefits and other personal expenses	210	23	3.458.329	3.662.250
Cost of depreciation and provisions	211		2.331.633	2.538.095
Other operating expenses	212	24	9.050.381	8.464.554
OPERATING RESULT	**213**		**8.082.652**	**7.205.852**
Financial income	214	25	220.019	234.280
Financial expenses	215	26	45.299	66.776
FINANCIAL RESULT	**216**		**174.720**	**167.504**
Other income	217	27	896.815	1.220.774
Other expenses	218	28	724.598	3.087.785
RESULT FROM OTHER BUSINESS ACTIVITIES	**219**		**172.217**	**(1.867.011)**
NET RESULT BEFORE TAX	**222**		**8.429.589**	**5.506.345**
OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY	**223**		**(23.482)**	**25.865**
Change of revaluation reserves from financial assets available for sale	224		(10.071)	(10.111)
Change of revaluation reserves from actuarial gains/loss in line with pensions	227		(13.411)	35.976
INCOME TAX EXPENSE	**229**		**775.976**	**503.833**
Income tax expense for the period	230	29	775.355	503.546
Deferred income expense for the period	231		621	287
NET RESULT	**232**		**7.630.131**	**5.028.376**
EARNINGS PER SHARE		**30**		
Earnings per share	233		1,64	1,08
Diluted earnings per share	234			

In Podgorica,

Person responsible for preparation of the financial statement

Legal representative

Date 31/03/2018

JUGOPETROL akcionarsko društvo za istraživanje, eksploataciju i promet nafte i naftnih derivata, Podgorica
JPK
L.S.
2

(All amounts expressed in EUR, unless otherwise stated)

CASH FLOW STATEMENT
FOR THE PERIOD FROM 01/01/2017 TO 31/12/2017

	EDP	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Result before tax	301	8.429.589	5.506.345
Depreciation	302	2.331.633	2.538.095
Change in inventory value	303	(2.019.973)	3.729.212
Change in receivables	304	(384.004)	1.058.812
Change in payables to suppliers	305	(70.575)	(401.143)
Change in accruals	306	(5.610)	1.639.629
Paid interest	307	-	-
Income tax paid	308	(473.333)	(468.486)
Payment for other public contributions	309	-	-
Changes in deferred tax and other not listed items which had effect on cash flow from operating activities	310	2.802.418	(344.767)
NET CASH FLOW FROM OPERATING ACTIVITIES	**311**	**10.610.145**	**13.257.697**
CASH FLOWS FROM INVESTMENTS ACTIVITIES			
PROCEEDS FROM INVESTING ACTIVITIES	**312**	**(2.543.463)**	**641.374**
Proceeds from sale of intangible assets, ppe and biological assets	314	116.497	601.195
Impairment		(2.688.592)	-
Interest received	316	28.632	40.179
CASH OUTFLOWS FROM INVESTING ACTIVITIES	**318**	**1.526.746**	**3.224.613**
Purchase of shares/stakes (net outflow)	319	-	-
Purchase of intangible assets, property, plant & equipment and biological assets	320	1.526.746	3.084.613
Other financial investments (net outflow)	321	-	140.000
NET PROCEEDS FROM INVESTMENT ACTIVITIES	**322**	**(4.070.209)**	**(2.583.239)**
CASH FLOWS FROM FINANCING ACTIVITIES			
PROCEEDS FROM FINANCING ACTIVITIES	**323**	**233.304**	**170.788**
Proceeds from long term and short term loans (net inflow)	325	233.304	170.788
CASH OUTFLOWS FROM FINANCING ACTIVITIES	**327**	**5.164.188**	**6.476.173**
Long term, short term and other liabilities (net outflow)	329	161.170	472.550
Dividends paid	331	5.003.018	6.003.623
NET OUTFLOW FROM FINANCING ACTIVITIES	**332**	**(4.930.884)**	**(6.305.385)**
TOTAL OUTFLOW	**333**	**1.609.052**	**4.369.073**
CASH AT THE BEGINNING OF ACCOUNTING PERIOD	**334**	**14.581.969**	**10.237.384**
FOREIGN CURRENCY GAINS ON TRANSLATION OF CASH AND CASH EQUIVALENTS	**335**	**43.876**	**41.729**
FOREIGN CURRENCY LOSSES ON TRANSLATION OF CASH AND CASH EQUIVALENTS	**336**	**44.836**	**66.218**
CASH AT THE END OF ACCOUNTING PERIOD	**337**	**16.190.061**	**14.581.969**

In Podgorica,

Person responsible for preparation of the financial statement

Legal representative

L.S.

Date 31/03/2018

....

JUGOPETROL akcionarsko društvo za istraživanje, eksploataciju i promet nafte i naftnih derivata, Podgorica JPK 2

(All amounts expressed in EUR, unless otherwise stated)

STATISTICAL ANEX
AS AT 31/12/2017

CODE OF ACCOUNT	ITEM	ORD NO.	NOTE NO.	AMOUNT	
				CURRENT YEAR	PREVIOUS YEAR
1	2	3	4	5	6
	Average number of employees (total number of employees as at each month's end divided by the number of months	1		111	113
60	Sales of merchandise	2		134.023.071	114.624.933
61	Sales of products and services	3		869.517	1.090.225
62	Revenue from undertaking of outputs and goods for own purpose	4		-	-
640	Revenues from subventions, grants, donations	5		-	-
650	Revenues from land-rental fees	6		71.935	118.732
673	Sales of material	7		-	-
501	Cost of sales	8		111.562.584	93.544.435
511	Cost of material	9		4.300	10.497
512	Cost of other material (overheads)	10		227.908	136.164
513	Cost of fuel and energy	11		425.287	411.201
520	Cost of salaries and fringe benefits (gross)	12		2.273.133	2.264.277
529	Other personal fees and expenses	13		47.391	43.092
53	Production services cost	14		-	-
531, 532	Transport and maintenance expenses	15		2.667.558	2.473.821
533	Rental cost	16		134.470	37.400
534, 535	Fair and advertising cost	17		339.176	331.629
536	Research cost	18		-	-
550, 551	Non production and representation costs	19		913.257	811.702
552, 553	Insurance and payment transaction costs	20		449.303	324.126
573	Losses from sales of material	21			-
10	Stock of material	22		358.459	524.486
11	Work in progress	23			-
12	Finished goods	24			-
13	Merchandise	25		13.523.407	14.490.706

(All amounts expressed in EUR, unless otherwise stated)

NO	ACCOUNT	ANALYTICAL VIEW OF REVENUES AND EXPENSES OF INTANGIBLE ASSETS	VALUE
	Revenues:		
1	652	Revenue on basis of patents	-
2	652	Revenue on basis of copyrights	-
3	652	Revenue on basis of licences	
	Expenses:		
4	10	Investment in development	-
		0100 Investment in market research, with the effect longer than one year	-
		0101 Investment in technology development, with the effect longer than one year	-
		0102 Investment in product development, with the effect longer than one year	-
		0103 Other expenses for development	-
		0108 Impairment of investment in development	-
		0109 Write off investment in development	-
5	11	Concessions, patents, licenses and similar rights	-
		0110 Concessions	-
		0111 Patents	-
		0112 Licenses	-
		0113 Right to industrial design, brand, model, trademark, etc.	-
		0114 Other similar rights	-
		0118 Impairment of concessions, patents, licenses and similar rights	-
		0119 Write off concessions, patents, licenses and similar rights	-
6	12	Goodwill	-
		0120 Goodwill occurred on basis of the acquired net assets	848.942
		0121 Goodwill occurred on basis of purchase of shares	-
		0129 Write off goodwill	-
7	14	Other intangibles investments	-
		0140 Software	688.329
		0141 Right of use of urban land	4.852.604
		0142 Investments in leasing	-
		0145 Other intangibles assets	645.002
		0148 Accumulated depreciation of other intangible assets	(867.267)
		0149 Impairment of other intangible investments	-
8	15	Intangible investments in progress	-
		0150 Investments in development in progress	-
		0151 Internal generated intangible investments in progress	-
		0155 Other intangible investments in progress	45.021
		0159 Write off intangible investments in progress	-
9	16	Advances for intangibles	-
		0160 Advances for intangibles - development	-
		0161 Advances for other intangibles	-

JUGOPETROL A.D.
Financial statements for the year ended 31 December 2017
(All amounts expressed in EUR, unless otherwise stated)

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 01/01/2017 TO 31/12/2017

Items	Description	Nr	Share capital (Group 30 less 309)	Nr	Other capital (Acc 309)	Nr	Unpaid subscribed capital (Group 31)	Nr	Share premium (Acc 320)	Nr	Reserves (Acc. 321, 322)	Nr	Revaluation reserves (Acc 33)	Nr	Retained earnings (Group 34)	Nr	Loss (Group 35)	Nr	Treasury shares and stakes (Acc. 237)	Nr	Total (col. 2+3+4+5+6+7+8-9-10)
	1		2		3		4		5		6		7		8		9		10		11
1	**Balance as at 31.12. 2015.**	401	67.986.605	410		419		428		437	8.367.365	446	(188.768)	455	14.325.308	464		473		482	90.490.510
2	Adjustments of material errors and changes in accounting policies in previous year	402		411		420		429		438		447		456	(2.688.592)	465		474		483	(2.688.592)
3	**Adjusted opening balance as at 01.01.2016.(no. 1+2)**	403	67.986.605	412		421		430		439	8.367.365	448	(188.768)	457	11.636.716	466		475		484	87.801.918
4	Net changes in 2016.	404		413		422		431		440	183.333	449	25.865	458	(1.184.444)	467		476		485	(975.246)
5	**Balance as at 31.12. 2016. (no. 3+4)**	405	67.986.605	414		423		432		441	8.550.698	450	(162.903)	459	10.452.272	468		477		486	86.826.672
6	Adjustments of material errors and changes in accounting policies in previous year	406		415		424		433		442		451		460		469		478		487	
7	**Adjusted opening balance as at 01.01.2017. (no. 5+6)**	407	67.986.605	416		425		434		443	8.550.698	452	(162.903)	461	10.452.272	470		479		488	86.826.672
8	Net changes in 2017.	408		417		426		435		444	0	453	(23.482)	462	2.650.595	471		480		489	2.627.113
9	**Balance as at 31.12.2017. (no. 7+8)**	409	67.986.605	418		427		436		445	8.550.698	454	(186.385)	463	13.102.867	472		481		490	89.453.785

In Podgorica,

Person responsible for preparation of the financial statement

Legal representative

JUGOPETROL akcionarsko društvo za istraživanje i promet nafte i naftnih derivata, eksploatacija, Podgorica
L.S.

Date 31/03/2018

This version of our report/the accompanying documents is a translation from the original, which was prepared in Montenegrin. All possible care has been taken to ensure that the translation is an accurate represent 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.

1. Corporate information

Jugopetrol A.D. (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 Socialist Federal Republic of Yugoslavia. On January 1, 1996, following the Company’s ownership transformation, the Company was re-registered as a shareholding company under Jugopetrol A.D. Kotor 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 Montenegro. The registered Company’s address up to December 10, 2014 was Trg Mata Petrovica number 2, Kotor. Due to business reasons, the Company decided to change its headquarters and from December 10, 2014 the Company’s registered address is Stanka Dragojevica bb, Podgorica.

The Company is presently the main supplier of oil products in Montenegro. Its main activities include wholesale of oil products through the operation of storage facilities in Bar and two airport fueling depots in Tivat and Podgorica, as well as retail and distribution of oil products through the operation of forty petrol stations and three yachting petrol stations.

As of 31 December 2017, the Company employed 111 employees (2016: 112 employees).

The Company’s shares are traded on Montenegroberza Stock Exchange.

2. Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2017:

2.1 Basis of preparation

These financial statements have been prepared in accordance with the requirements of the Law on accounting ("Official Gazette of Montenegro", no. 052/16 of 08.09.2016.) And the Decision on the application of International Accounting Standards ("IAS") in Montenegro ("Off. Gazette of Montenegro", no. 69 / 2002) and accounting regulation effective in Montenegro.

The Company has prepared these financial statements in accordance with the Rules on the content and form of financial statements ("Official Gazette of Montenegro", 05/2011) issued by the Institute of Certified Accountants of Montenegro on the basis of Article 1 of the Regulation amending the Regulation on the assignation of affairs of state administration in charge of accounting and auditing ("Official Gazette of Montenegro", 44/07 and "Official Gazette of Montenegro", 33/10) which in some parts differs from the presentation of certain items as required under IAS 1 –“Presentation of Financial Statements”.

Changes to the IAS and IFRS issued after January 1, 2003, were not published and officially adopted in Montenegro. In accordance with the Accounting Law of Montenegro, IAS and IFRS issued by International Accounting Standards Board, have to be translated by the appropriate competent authority of Montenegro that owns the right of the translation and publication thereof, approved by the International Federation of Accountants (IFAC). Accordingly, only IFRS and IAS officially translated, approved and published by the Institute of Certified Accountants of Montenegro can be applied. The last official translation was published on December 31st, 2009 and includes only basic text and interpretations and does not include basis for conclusions, iliustrative examples, application guidance, comments, opinions and other explanatory material. Also, the above translation does not contain translation of the Conceptual Framework for Financial Reporting.

These financial statements are prepared on the historical cost basis, unless accounting policies requires otherwise.

a) Changes in accounting policy and disclosures

- IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)

The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment.

2. Summary of significant accounting policies (continued)

- IAS 7: Disclosure Initiative (Amendments)

The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes.

- The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle, which is a collection of amendments to IFRSs. The following annual improvement has not yet been endorsed by the EU.
  - IFRS 12 Disclosure of Interests in Other Entities: The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

b) Standards issued but not yet effective and not early adopted

- IFRS 9 Financial Instruments: Classification and Measurement

The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Management has made an assessment of the effect of the standard and does not expect that material effects will arise from changes in IFRS 9 standard.

- IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management has assessed the effect of the standard and have not identified contracts for which significant adjustments are required for transition to IFRS 15 standard.

- IFRS 15: Revenue from Contracts with Customers (Clarifications)

The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. Management has assessed the effect of the standard and have not identified contracts for which significant adjustments are required for transition to IFRS 15 standard.

- IFRS 16: Leases

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged

2. Summary of significant accounting policies (continued)

b) Standards issued but not yet effective and not early adopted (continued)

- Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

- IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU.

- IAS 40: Transfers to Investment Property (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU.

- IFRS 9: Prepayment features with negative compensation (Amendment)

The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. These Amendments have not yet been endorsed by the EU.

- IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)

The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU.

- IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU.

2. Summary of significant accounting policies (continued)

b) Standards issued but not yet effective and not early adopted (continued)

- The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU.
  - IFRS 1 First-time Adoption of International Financial Reporting Standards: This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
  - IAS 28 Investments in Associates and Joint Ventures: The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU.

- The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU.
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
  - IAS 12 Income Taxes: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
  - IAS 23 Borrowing Costs: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

The preparation of financial statements requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

The Company is preparing financial statements on a going concern basis.

2.2 Comparative figures

The Company's comparative figures for 2016 are restated compared to audited financial statements (Note 3).

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

The BoD considers the business from a distribution channel perspective. The Company operates in one segment with two revenue streams (retail and wholesale).

2. Summary of significant accounting policies (continued)

2.4 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of the 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 presentational currency.

b) Transactions and balances

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

2.5 Intangible assets

a) 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).

b) 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 are amortized over their estimated useful lives (do not exceed 3 years).

c) *Right of use of land*

Right of use of land is accounted for at cost and is not amortised as the Company expects ownership to be eventually transferred.

2.6 Property, plant, and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

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. 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.

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

Buildings and structures	5%
Machinery and equipment	5-15%
Office furniture and fittings	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.

2. Summary of significant accounting policies (continued)

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 2.8).

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 27 and 28).

2.7 Impairment of non-financial assets

Assets with indefinite useful service life are not subject to depreciation 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 Financial assets

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.

Classification

a) Other long term investments

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

A subsidiary is an entity controlled by another entity (the parent). Control exists and consolidation is required when: a) investor has the power over the investee, b) there is exposure or rights of the investor to variable returns from its involvement with the investee and c) there is ability to use its power to affect the amount of the investor's returns. Control exists when there is: a) power over more than half of the voting rights through an agreement with other investors; b) power to govern the financial and operating policies of the enterprise under a statute or an agreement; c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body. Company reasseses does the control exists if there are circumstances that indicate that there are changes in some of the elements from the definition of control.

Investments in subsidiaries are accounted for at cost less any provision for impairment in the stand-alone financial statement of the parent company.

c) 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.

2. Summary of significant accounting policies (continued)

Changes in the fair value of 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.

Impairment of 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 the Company uses to determine whether there is objective evidence of impairment loss include:

- Significant financial difficulty of the issuer;
- 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.

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. Summary of significant accounting policies (continued)

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.

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

Inventories include advances to the suppliers for goods.

2.10 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.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost 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 recoverable amount. 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 28). 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 27).

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand and current accounts with commercial banks.

2.12 Basic capital

a) Share Capital

Ordinary shares are classified as equity.

b) 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. This distribution was done in the period from 2001 to 2003, based on Company's law from 1996 which is not enforce anymore and it does not prescribe obligation to the companies to have legal reserves any more.

In accordance with the Collective Agreement portion of retained earnings was allocated to the housing fund based on the decisions of the Shareholders’ Assembly. The purpose of this fund is to finance housing needs of the employees and accompanying expenses.

c) 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.

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.

2. Summary of significant accounting policies (continued)

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.

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. Refer to the Note 23.

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 are charged or credited to the income statement in the period in which they arise. (Note 16)

b) 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: 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 Montenegro", 65/01, 12/02, 80/04, 40/08, 86/09, 40/11, 14/12, 61/13 i 55/16), by applying the tax rate of 9%. The calculated income tax is paid no later than three months after the expiration of the period for which tax is being assessed as determined by the tax authorities.

Deferred income tax is recognized, using the balance sheet 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 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. Summary of significant accounting policies (continued)

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.

b) Sales of goods – retail

Sales of goods are recognized when the Company sells a product to the customer. Retail sales are usually in cash or by credit card.

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

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.

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.

(All amounts expressed in EUR, unless otherwise stated)

3. Adjustment of comparatives

As part of their periodic review of asset values, during the year, management reassessed the value of land in Kolasin which was previously valued at cost. To this effect a valuation was carried out whereby it was determined that the current value of this land was less than its carrying value by an amount of € 2.688.592. It was considered that the indicators of this reduction in value existed from periods prior to 1 January 2016 and that it should be recognised as an impairment in the financial statements as of then.

The above change has no impact on the net profit for the year. The effect on retained earnings of this change as of 1 January 2016 and 31 December 2016 is presented below:

	Retained earnings
Retained earnings in the financial statements of the Company for 2015 year	14.325.311
Impairment of land	(2.688.592)
Balance 1 January 2016 restated	11.636.719
Retained earnings in the financial statements of the Company for 2016 year	13.140.864
Impairment of land	(2.688.592)
Balance 31 December 2016 restated	10.452.272

The effects of the restatement in the Balance sheet of the Company as of 31 December 2016 and 2015 are presented in the table below:

(All amounts expressed in EUR, unless otherwise stated)

3. Adjustment od comparatives (continued)

The effects of the restatement are presented in the table below:

	31 December 2015	Restate-ment	31 December 2015 Restated	31 December 2016	Restate-ment	31 December 2016 Restated
ASSETS						
Non current assets						
Goodwill				848.942		848.942
Intangible assets	5.347.700		5.347.700	5.383.643		5.383.643
Property plant and equipment	39.235.053	(2.688.592)	36.546.461	36.275.532	(2.688.592)	33.586.940
Long term financial investments	1.526.800		1.526.800	1.769.016		1.769.016
	46.109.553	(2.688.592)	43.420.961	44.277.133	(2.688.592)	41.588.541
Current assets						
Inventories	28.315.597		28.315.597	24.586.385		24.586.385
Receivables	12.055.977		12.055.977	10.997.165		10.997.165
Short term financial investments	157.545		157.545	319.037		319.037
Cash and cash equivalents	10.237.384		10.237.384	14.581.969		14.581.969
Prepaid expenses and VAT	5.137.200		5.137.200	7.035.539		7.035.539
	55.903.703		55.903.703	57.520.095		57.520.095
TOTAL ASSETS	102.013.256	(2.688.592)	99.324.664	101.797.228	(2.688.592)	99.108.636
EQUITY AND LIABILITIES						
Equity						
Share capital	67.986.605		67.986.605	67.986.605		67.986.605
Reserves	8.367.365		8.367.365	8.550.698		8.550.698
Positive revaluation reserves and unrealized gains on available for sales securities	68.227		68.227	105.203		105.203
Negative revaluation reserves and unrealized losses on available for sales securities	(256.994)		(256.994)	(268.106)		(268.106)
Retained earnings	14.325.311	(2.688.592)	11.636.719	13.140.864	(2.688.592)	10.452.272
	90.490.514	(2.688.592)	87.801.922	89.515.264	(2.688.592)	86.826.672
Long term provisions	435.443		435.443	388.704		388.704
Deferred tax liabilities	58.314		58.314	57.601		57.601
Current liabilities						
Trade payables	3.603.393		3.603.393	3.202.250		3.202.250
Other current liabilities and accruals	350.593		350.593	687.518		687.518
Liabilities for VAT and other public duties	6.576.610		6.576.610	7.442.345		7.442.345
Liabilities for income tax	498.389		498.389	503.546		503.546
TOTAL EQUITY AND LIABILITIES	102.013.256	(2.688.592)	99.324.664	101.797.228	(2.688.592)	99.108.636

4. Financial risk management

4.1 Financial risk factors

The Company's activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on individual risk areas by addressing each class of risk individually.

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, credit risk and investment of excess liquidity.

a) Market risk

i. Foreign exchange risk

The Company operates and sells mainly in Montenegro and neighbouring countries. Due to the fact that the functional currency of the Company is EUR and sales and purchases are denominated in EUR, management assessed exposure to foreign currency fluctuations as immaterial.

ii. *Price risk*

The Company has exposure to the risk of commodity prices of oil. However, taken into consideration the fact that selling prices follow market prices of oil, exposure to price risk is not material.

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

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's short-term deposits included within cash and cash equivalents. Given current market interest rates cash flow risk is assessed as not material.

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. The Company has policies that limit the amount of credit exposure to any financial institution.

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.

4.2 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 2017 the Company did not use any borrowings from the banks. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

4. Financial risk management (continued)

4.3. 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 carrying value less impairment provision of receivables and liabilities is assumed to approximate their fair values.

5. 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.

5.1 Critical accounting estimates and assumptions

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

a) Useful lives of property, plant and equipment

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

b) Employee benefit schemes

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 difference between market interest rate applicable for that year and contracted interest rate and is used to determine the present value of estimated future cash outflows expected to be required to settle the obligations for other employee benefits.

Other key assumptions for obligations for other employee benefits are based partially on the current market conditions.

c) Tax legislation

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.

d) Litigations

As disclosed in note 32, the Company is involved in several litigation proceedings, the ultimate outcome of which could not be determined. Based on internal and external legal advice, the Company raises provisions where an outflow of resources is expected.

5. Critical accounting estimates and judgments (continued)

5.2 Critical accounting judgments

a) Impairment of fixed assets

The Company tests fixed assets for impairment if there are any impairment indicators. 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.

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) Deterioration of the economy

Deteriorating operating conditions for customers 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.

(All amounts expressed in EUR, unless otherwise stated)

6. Intangible assets

	Software and licences	Right of use of land	Goodwill	Construction in progress	Total
Year ended 31 December 2016					
Opening net book amount	495.096	4.852.604			5.347.700
Additions			848.942	113.723	962.665
Transfer from CIP	106.690			(107.223)	(533)
Disposals					
Depreciation charge	(77.247)				(77.247)
Closing net book amount	524.539	4.852.604	848.942	6.500	6.232.585
Year ended 31 December 2016					
Cost	1.321.734	4.852.604	848.942	6.500	7.029.780
Accumulated depreciation	(797.195)				(797.195)
Net book amount	524.539	4.852.604	848.942	6.500	6.232.585
Year ended 31 December 2017					
Opening net book amount	524.539	4.852.604	848.942	6.500	6.232.585
Additions				50.117	50.117
Transfer from CIP	11.597			(11.597)	
Disposals					
Depreciation charge	(70.072)				(70.072)
Closing net book amount	466.064	4.852.604	848.942	45.020	6.212.630
Year ended 31 December 2017					
Cost	1.333.331	4.852.604	848.942	45.020	7.079.897
Accumulated depreciation	(867.267)				(867.267)
Net book amount	466.064	4.852.604	848.942	45.020	6.212.630

The right of use of land at Installation Bar, Kotor and Air depot in Tivat is regulated by “Law on Costal Zone Protection Area” from 1992. These land lots were acquired via purchase in the late 1960’s and early 1970’s, 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 plots 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.

Goodwill represents the intangible assets consisting of cash surplus value which is transmitted through the participation i.e. Company's share in the net fair value of identifiable assets (land, building, tanks, etc.) purchased from Dak petrol. It consists of established network, regular customers, etc.

Valuation of goodwill after initial recognition is done annually or more frequently if events or changes in circumstances indicate the possible existence of impairment in accordance with IAS 36. The net book value of goodwill is compared with its recoverable value, which is the higher of value in use and fair value reduced for costs.
Any impairment is recognized immediately as an expense and is not subsequently reversed.

(All amounts expressed in EUR, unless otherwise stated)

7. Property, plant, equipment and biological assets

	Land	Land held for sale	Buildings	Buildings held for sale	Machinery and equipment	Construction in progress (CIP)	Investment property	Total
Year ended 31 December 2016								
Opening net book amount	19.560.016		12.489.609		3.888.819	1.624.002	1.672.608	39.235.054
Additions	329.505					1.569.273		1.898.778
Transfer from CIP			1.624.950		645.829	(2.270.246)		533
Disposals	(6.442)		(81.590)		(67.046)		(17.539)	(172.617)
Transfer between the group								
Impairment		(2.688.592)						(2.688.592)
Depreciation charge			(1.584.320)		(867.919)		(8.609)	(2.460.848)
Provisions	(2.207.881)		(17.487)					(2.225.368)
Closing net book amount	17.675.198	(2.688.592)	12.431.162		3.599.683	923.029	1.646.460	33.586.940
Year ended 31 December 2016								
Cost	19.883.079		54.045.245		22.463.290	923.029	1.732.512	99.047.155
Accumulated depreciation			(41.596.596)		(18.863.607)		(86.052)	(60.546.255)
Impairment		(2.688.592)						(2.688.592)
Provisions	(2.207.881)		(17.487)					(2.225.368)
Net book amount	17.675.198	(2.688.592)	12.431.162		3.599.683	923.029	1.646.460	33.586.940
Year ended 31 December 2017								
Opening net book amount	17.675.198	(2.688.592)	12.431.162		3.599.683	923.029	1.646.460	33.586.940
Additions						3.881.037		3.881.037
Transfer from CIP			1.454.089		468.234	(1.922.323)		
Disposals	(2.144.148)		(59.034)		(49.705)		(7.514)	(2.260.401)
Transfer between the group	(3.679.843)	3.679.843	(140.733)	140.733				
Impairment								
Depreciation charge			(1.521.176)		(735.397)		(4.987)	(2.261.560)
Provisions	2.207.881		17.487					2.225.368
Closing net book amount	14.059.088	991.251	12.181.796	140.733	3.282.815	2.881.742	1.633.959	35.171.384
Year ended 31 December 2017								
Cost	14.059.088	991.251	49.812.233	3.890.259	21.866.752	2.881.742	1.702.874	95.204.199
Accumulated depreciation			(37.630.437)	(3.749.526)	(18.583.937)		(68.915)	(60.032.815)
Provisions								
Net book amount	14.059.088	991.251	12.181.796	140.733	3.282.815	2.881.742	1.633.959	35.171.384

Depreciation expense of EUR 2.331.633 (2016: EUR 2.538.095) are charged under operating expenses in income statements (note 22).

(All amounts expressed in EUR, unless otherwise stated)

7. Property, plant and equipment (continued)

Final judgment of the Basic Court of Bar no. 281/13 of 27th June, 2013 adopted the claim of the State of Montenegro. Jugopetrol submitted an Appeal to the Supreme Court of Montenegro which was rejected under the judgement no. 1081/15 of 16th December 2015. Under the Decision of the Real Estate Administration no. 954-2754/1-016 from 16th August 2016, registration of property rights was changed. By acting in accordance with the judgment of the Basic Court of Bar and in accordance with the Decision of the Real Estate Administration, the Company wrote off from its books the assets valued at EUR 91.424, which was according to the said judgment awarded to the State of Montenegro. These impacted result of 2016.

Final judgment of the Basic Court Bijelo Polje No. 500/15-05 from 13th April.2016 adopted the claim of the State of Montenegro. Jugopetrol submitted an Appeal to the Supreme Court of Montenegro which was rejected under the judgment Rev. no. 1093/16 of 20th December 2016. By acting in line with the above judgment of the Basic Court of Bijelo Polje, the Company made a provision in the amount of EUR 539.000, which was by the said judgment awarded to the State of Montenegro. By acting in accordance with the Decision of the Real Estate Agency no. 954-105-487/2-2017 from 28th April 2017, the Company wrote off from its books the assets valued at EUR 539.000, for which was made a provision in previous period. These impacted result of 2016.

Final judgment of the Basic Court of Kotor no. 1033 / 15-05 of 24th May 2016 adopted the claim of the State of Montenegro. Jugopetrol submitted an Appeal to the Supreme Court of Montenegro which was rejected under the judgment Rev. no. 1182/16 of 14th February 2017, which was submitted to the Company on 13th March 2017. In accordance with the IAS 10 and IAS 37, this event is a post balance sheet adjusting event and therefore the Company made a provision in the amount of EUR1.686.368 in the 2016 Financial Statements. These impacted result of 2016. By acting in accordance with the Decision of the Real Estate Agency no. 954-106-UPI-2659/16 from 17th July 2017, the Company wrote off from its books the assets valued at EUR 1,686,368, for which was made a provision in previous period.

In accordance with the planned activities within the project of reconstruction of petrol stations, the Company has begun to align the data on land parcels in our books with the data from the Cadastre and Municipal Decisions and other legal legislation. Within these activities, the Company has approached the assessment of the land in Kolasin, which is not related to PS Kolasin and reclassified it as land held for sale. The company engaged RZUP Podgorica, as an authorized institution, to perform an estimation of the fair value of the mentioned land. The estimated fair value was EUR 124.251 and led to a decrease in the book value of this asset to the estimated fair value. The Company has impaired the value of this asset by EUR 2.688.529 (Note 3). These impacted result of periods before 2016.

On 13 December 2017, the Company concluded a Memorandum of Understanding with the Municipality of Kotor, the object of which is the sale of proprerties owned by the Company located in Kotor. In accordance with the Memorandum, we reclassified the aforementioned assets in two groups - land held for sale and buildings held for sale. Realization of sales is expected in 2018.

8. Investments in equity

	31. December 2017	31. December 2016
Investment in subsidiary and joint venture*	2.349	2.349
Available for sale financial assets	64.708	75.775
Total	67.057	78.124

a) Investments

*Investment in joint ventures mainly relates to 49% of stake owned in Starmonte Ltd. Kotor, the company for exploration and distribution of oil or/and gas, founded in Kotor on 3 February 2000. As at 31 December 2017 and year that ended, Starmonte's activities were limited to administrative operations. No other business operations were recorded in 2016.

b) Available for sale financial assets

The changes in the fair value of available for sale financial assets are as follows:

	2017	2016
Balance as at 1 January	75.775	86.886
Fair value adjustment	(11.067)	(11.111)
Sale of available for sale financial assets	-	-
Balance as at 31 December	64.708	75.775

(All amounts expressed in EUR, unless otherwise stated)

Available for sale financial assets are listed on Montenegroberza and valued at the market price of share as at 31 December 2017.

9. Other long-term investments

Other long-term investments include:

	31. December 2017	31. December 2016
Prepaid employee benefits	273.411	478.843
Housing loans to employees	1.372.196	1.212.049
Housing loans, total	1.645.607	1.690.892

Movements in the Other long-term investments are as follows:

	2017	2016
As at 1 January	1.690.892	1.437.564
New loans granted	161.170	472.550
Repayments	(233.304)	(170.788)
Loans directly written off	(11)	(26.942)
Transferred from short-term part of housing loans	26.860	(21.492)
As at 31 December	1.645.607	1.690.892

Housing loans are issued for the period from 5 to 20 years with interest rate defined as EURIBOR less 2% and cannot be lower than 2%. The Company in most cases holds property title as collateral and payment is secured via payroll deductions. EURIBOR is yearly rate calculated and like that represents floating rate.

Maturity of total long-term and short-term receivables from housing loans and prepaid employee benefits is as follows:

	31. December 2017	31. December 2016
More than 1 year	1.645.607	1.690.892
Up to 1 year (Note 12)	152.177	179.037
Total	1.797.784	1.869.929

10. Inventories

	31. December 2017	31. December 2016
Goods for resale-wholesale	9.976.597	8.143.967
Goods for resale-retail	3.544.864	3.403.069
Spare parts	358.459	524.486
Advances to suppliers	12.724.492	9.571.193
Goods in transit	1.946	2.943.670
Inventories, total	26.606.358	24.586.385

Out of total amount of advances given to suppliers, the amount of EUR 12.310.201 relates to prepayment to Hellenic Petroleum for purchases of oil and oil derivatives (EUR 9.343.342 in 2016). Amount of EUR 58.666,84 (EUR 146.667 in 2016) is related to prepaid rent for petrol station in Herceg Novi (for the five year period which expires on 01st September 2018.)

11. Receivables

	31. December 2017	31. December 2016
Domestic trade receivables	12.156.097	12.097.092
Foreign trade receivables	41.881	120.045
Receivables from related parties (Note 32)	3.956	0
Trade receivables, total	12.201.934	12.217.137

Trade receivables	12.201.934	12.217.137
Less: provision for impairment of trade receivables	(1.137.951)	(1.554.141)
Trade receivables – net	11.063.983	10.662.996
Prepaid VAT	20.390	148.207
Receivables from government agencies	27.877	4.617
Prepaid expenses	895	1.375
Receivables from employees	1.627	2.946
Other receivables	266.397	177.024
Other receivables, total	317.186	334.169
Receivables, total	12.519.120	12.551.306
Provision for impairment domestic receivables	(1.137.951)	(1.470.860)
Provision for impairment foreign receivables	-	(83.281)
Provision for impairment	(1.137.951)	(1.554.141)
Receivables, net	11.381.169	10.997.165

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

	2017	2016
As at 1 January	1.554.141	2.097.497
Provision for receivables impairment (Note 28)	526	21.374
Written off as uncollectable	(279.210)	(515.609)
Reversal of provision (Note 27)	(137.506)	(49.121)
As at 31 December	1.137.951	1.554.141

Provision for impaired receivables is included within other expenses, and reversal of provision is included in other income (notes 27 and 28). There is EUR 685 that represent direct write off of receivables which together with EUR 526 makes total provision expense of EUR 1.211 (Note 28). Part of the income from reversal of provision in amount of EUR 137.506 has been presented as other income (Note 27).

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. All receivables are denominated in EUR as at 31 December 2017 and 2016.

Credit quality of receivables

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

	31. December 2017	31. December 2016
Trade receivables		
Group 1	6.730.710	7.694.918
Group 2	4.333.273	2.968.078
Total	11.063.983	10.662.996

(All amounts expressed in EUR, unless otherwise stated)

11. Receivables (continued)

In the Group 1, the Company classifies customers for which Bank guarantees, promissory notes or other collaterals have been received.

In the Group 2, the Company classifies customers for which no collateral has been received.

Ageing of trade receivables is as follows:

	31. December 2017	31. December 2016
Trade receivables		
Up to 6 months	11.011.319	10.215.243
More than 6 months	1.190.615	2.001.894
Total	12.201.934	12.217.137

Structure of receivables over 6 months is as follows:

	31. December 2017	31. December 2016
Trade receivables over 6 months		
State – owned companies	180.318	9.743
Municipalities	1.682	1.763
Private Petrol Stations	276.785	276.962
Other	731.830	1.713.426
Total	1.190.615	2.001.894

The amount of EUR 1.137.951 of receivables older than 6 months has been impaired. The rest is secured by bank guarantee.

12. Short-term financial investments

	31. December 2017	31. December 2016
Short-term financial investments		
Short-term portion of housing loans (note 9)	152.177	179.037
Short-term deposits	-	140.000
Total	152.177	319.037

(All amounts expressed in EUR, unless otherwise stated)

13. Cash and cash equivalents

	31. December 2017	31. December 2016
Treasury and cash registers of retail outlets	882.063	603.632
Bank account	15.307.998	13.978.337
Total	16.190.061	14.581.969

	31. December 2017	31. December 2016
Cash at bank account		
Crnogorska Komercijalna banka	118.941	312.836
Prva banka Crne Gore	74.958	39.480
Hipotekarna banka	44.383	65.063
NLB	27.328	51.454
Erste banka	15.035.735	13.503.679
Addiko banka	6.400	5.510
Unicredit banka	253	315
Total	15.307.998	13.978.337

Current accounts with commercial banks earn interest at weighted average deposit interest rate which was from 0% to 0,1% per annum in 2017 (from 0% to 0,1% per annum in 2016).

14. Value added tax and accruals

	31. December 2017	31. December 2016
Value added tax recoverable and excise advanced	6.296.045	6.922.304
Prepaid expenses	186.959	113.235
Total	6.483.004	7.035.539

On 13 October 2015, the Company filed the request for VAT credit return to the tax authorities of Montenegro for the amount of EUR 4.848.675. The VAT credit relates to the period between October 2012 and August 2015.

On 03 February 2017, the Company filed another request for VAT credit return to the tax authorities of Montenegro for the amount of EUR 2.072.048. The VAT credit relates to the period between September 2015 and December 2016.

After audit performed by the Tax Administration for the period between January 2014 and December 2016 the Company received two Decisions for VAT credit return in total amount of EUR 5.540.531. Total amount from these Decisions was collected during 2017. The rest of requested VAT credit return in total amount of EUR 1.380.192 relates to period between October 2012 and December 2013 and is a subject of ongoing audit for period 2011-2013.

During 2017, the Company filed the request for Tax credit return to the tax authorities of Montenegro for the amount of EUR 4.126.257. The VAT credit relates to the period between January to August 2017.

On 31 January 2018, the Company filed another request for VAT credit return to the tax authorities of Montenegro for the amount of EUR 766.663. The VAT credit relates to the period between September and December 2017. The Company expects that this amounts will be collected within 2018.

Total VAT recoverable on 31 December 2017 amounts to EUR 6.273.122.

(All amounts expressed in EUR, unless otherwise stated)

15. Equity

	Share capital	Reserves	Revaluation reserves	Retained earnings	Total
Balance as at 31.12.2015	67.986.605	8.367.365	(188.768)	14.325.308	90.490.510
Restatement				(2.688.592)	(2.688.592)
Balance as at 31.12.2015 - Restated	67.986.605	8.367.365	(188.768)	11.636.716	87.801.918
As at 01.01.2016	67.986.605	8.367.365	(188.768)	14.325.308	90.490.510
Change in fair value of financial assets available for sale			(11.111)		(11.111)
Deferred tax			1.000		1.000
Actuarial gains			35.976		35.976
Profit for the year				5.002.512	5.002.512
Transfer to other reserves		183.333		(183.333)	
Paid dividends				(6.003.623)	(6.003.623)
Balance as at 31.12.2016	67.986.605	8.550.698	(162.903)	13.140.864	89.515.264
Restatement				(2.688.592)	(2.688.592)
Balance as at 31.12.2016 - Restated	67.986.605	8.550.698	(162.903)	10.452.272	86.826.672
Change in fair value of financial assets available for sale			(11.067)		(11.067)
Deferred tax			996		996
Actuarial (losses)			(13.411)		(13.411)
Profit for the year				7.653.613	7.653.613
Transfer to other reserves					
Paid dividends				(5.003.018)	(5.003.018)
Balance as at 31.12.2017	67.986.605	8.550.698	(186.385)	13.102.867	89.453.785

15.1 Share capital

The structure of the Company's share capital and shareholders as of 31 December 2017 is as follows:

	No. of shares	Percentage	31 December 2017
Hellenic Petroleum Int'l S.A.	2.529.489	54,35%	36.951.534
NM zbirni kastodi racun 5	430.662	9,25%	6.291.240
EK Zbirni kastodi racun 1	341.650	7,34%	4.990.926
NM zbirni kastodi racun 8	153.273	3,29%	2.239.058
CK - Zbirni kastodi racun 1	78.519	1,69%	1.147.029
CK - Zbirni kastodi racun 1	49.972	1,07%	730.006
Investment fund "TREND"	42.372	0,91%	618.983
Podravska banka DD	38.677	0,83%	565.005
SIG DOO	1	0,00%	15
Other legal entities	161.314	3,48%	2.356.523
Individuals	828.042	17,79%	12.096.286
Total	4.653.971	100%	67.986.605

Each share has a nominal value of EUR 14.6083 per share and equal voting rights.

(All amounts expressed in EUR, unless otherwise stated)

15.2 Reserves

	31. December 2017	31. December 2016
Housing fund	6.080.719	6.080.719
Statutory reserves	2.469.979	2.469.979
Reserves	8.550.698	8.550.698

Statutory reserves of EUR 2.469.979 (2016: 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 for the period up to 2003 (note 2.12 b) based on the previous Company's Law that prescribed obligation on allocating portion of after tax profit to legal reserves. In the meantime, the Company Law changed and obligation for legal reserves is removed.

Housing funds

Based on the decision of the General Assembly, the Company allocates, as necessary, according to the Collective Agreement, 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:

	2017	2016
As at 1 January	6.080.719	5.897.386
Allocations for housing fund	-	183.333
As at 31 December	6.080.719	6.080.719

16. Long term provisions

Long term provisions include:

	31. December 2017	31. December 2016
Provision for retirement indemnities	306.624	311.313
Provision for jubilee awards	76.470	77.391
Total	383.094	388.704

The movement on long term provision account was as follows:

	Other benefits to the employees
As at 01/01/2016	435.443
Remeasurement charged to P&L	388.746
Used during the year	(399.509)
Actuarial (gains)/losses	(35.976)
As at 31/12/2016	388.704
As at 01/01/2017	388.704
Charged to P&L	224.902
Used during the year	(243.923)
Actuarial (gains)/losses	13.411
As at 31/12/2017	383.094

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

(All amounts expressed in EUR, unless otherwise stated)

16. Long term provisions (continued)

Movement in the accounts is as follows:

	Retirement benefits		Jubilee awards	
	2017	2016	2017	2016
Current service cost	13.002	19.335	3.626	846
Interest cost	7.898	10.161	2.491	2.377
Past service cost	197.884	356.027	-	-
Used during the year	(236.885)	(388.266)	(7.038)	(11.242)
Actuarial gains/(losses)	13.411	(35.976)	-	-
Total	(4.690)	(38.719)	(921)	(8.019)

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

Main assumptions

	31. December 2017	31. December 2016
Discount rate	2,8%	3,0%
Increase of average salary	0,5%	0,5%

17. Trade payables

	31. December 2017	31. December 2016
Domestic trade payables	1.612.284	1.780.326
Foreign trade payables	226.099	264.987
Received advances	1.293.292	1.156.937
Total	3.131.675	3.202.250

18. Other short term liabilities and accruals

	31. December 2017	31. December 2016
Salaries and wages payable	-	200
Taxes on salaries	19	(12)
Salaries payable to executives	-	900
Liabilities for other personnel expenses	170.854	45.685
Liabilities for contributions	-	53
Liabilities for other compensations	234	-
Enforcement of court decisions	-	(1)
Liabilities for dividends from the previous period	439.916	-
Other short term liabilities and accruals	1.770.679	640.693
Total	2.381.702	687.518

(All amounts expressed in EUR, unless otherwise stated)

19. Liabilities for VAT and other public revenues

	31. December 2017	31. December 2016
Liabilities for value added tax	63.439	65.668
Liabilities for excise	7.662.171	7.376.680
Other taxes and contributions	1.000	(3)
Total	7.726.610	7.442.345

20. Revenues

	2017	2016
Sales of goods	134.892.587	115.715.158
Other operating revenue	250.489	257.890
Total	135.143.076	115.973.048

The Management considers the business from a product and distribution channel perspective. Product channel perspective includes revenue from sales of fuel products and revenue from sales of non-fuel merchandise sold at petrol stations. From distribution channel perspective, the management reviews retail and wholesale revenue streams.

	2017	2016
Retail	68.052.082	62.180.755
Wholesale	66.840.505	53.534.403
Total	134.892.587	115.715.158

In addition, the Management monitors sale on domestic market and export markets:

	2017	2016
Revenues from domestic sales	112.843.271	99.767.149
Sale of fuel	102.274.005	87.567.581
Sale of LPG	1.920.397	3.846.056
Sale of lubricants	1.175.594	1.123.782
Sale of merchandise	7.426.228	7.179.741
Sale of services	47.047	49.989
Revenues from export sales	22.049.316	15.948.009
Sale of fuel	21.999.772	15.924.426
Sale of services	49.544	23.583
Total	134.892.587	115.715.158

21. Other operating revenue

	2017	2016
Rental income	71.935	118.732
Other income	178.554	139.158
Total	250.489	257.890

22. Operating expenses

	2017	2016
Cost of goods sold	111.562.585	93.544.435
Cost of materials	657.496	557.862
Cost of salaries, fringe benefits and other personal expenses (note 24)	3.458.329	3.662.250
Depreciation and provision	2.331.633	2.538.095
Other operating expenses (note 25)	9.050.381	8.464.554
Total	127.060.424	108.767.196

(All amounts expressed in EUR, unless otherwise stated)

23. Cost of salaries, fringe benefits and other personal expenses

	2017	2016
Gross salaries and wages	2.273.133	2.264.277
Social security contributions – on behalf of employer	367.908	346.578
Transportation allowances	6.000	6.000
Winter food allowances	83.077	83.846
Humanitarian aid to employees	10.048	8.714
Retirement indemnities and jubilee awards	224.883	444.656
Temporary staff costs	60.936	67.206
Travel expenses	41.391	37.092
Board of Directors' compensation	89.838	90.034
Personnel expense from discounting of housing loans	39.441	65.488
Other personnel expenses	261.674	248.359
Total	3.458.329	3.662.250

Retirement indemnities and jubilee awards consist of actual amount paid for VRS and provisions for retirement indemnities and jubilee award posted as per Actuarial report.

24. Other operating expenses

	2017	2016
Petrol station management fees (COMO)	3.388.929	3.134.825
Transportation cost	1.271.384	1.191.721
Telecommunications and postal expenses	157.055	178.594
Maintenance	1.239.118	1.103.507
Rental expense	134.470	86.554
Marketing expense	339.176	331.629
Third party's services	779.914	722.127
Training and seminars	24.878	26.093
Donations and sponsorships	143.339	144.437
Hospitality expenses	29.684	30.615
Insurance	161.391	82.357
Bank commissions and fees	287.912	241.769
Indirect taxes and contributions	689.234	649.841
Scholarships	8.400	10.400
Licenses	205.116	253.122
Other items	190.381	276.963
Total	9.050.381	8.464.554

In COMO operations system (Company owned/Management operated), 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 the Company and under its brand name and trademark, with the sole purpose of selling 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.
Third party services mostly refer to the consulting and professional services (EUR 494.757) and lawyers' fees (EUR 132.484).

25. Financial income

	2017	2016
Interest income	106.490	97.160
Foreign exchange gains	43.876	41.729
Interest income on discounting of housing loans	69.653	95.391
Total	220.019	234.280

(All amounts expressed in EUR, unless otherwise stated)

26. Financial expenses

	2017	2016
Interest expense	463	558
Foreign exchange losses	44.836	66.218
Other financial expenses	-	-
Total	45.299	66.776

27. Other income

	2017	2016
Reversal of bad debt provision (note 11)	137.506	49.121
Revenues from decrease of liabilities	12.727	98.330
Other - VAT	28.907	-
Income from insurance	4.002	1.262
Gains on sale of PPE	76.376	553.108
Inventory surpluses	583.461	484.067
Other	53.836	34.886
Total	896.815	1.220.774

28. Other expenses

	2017	2016
Provision for impaired receivables (note 11)	526	21.374
Direct write off of receivables	685	4.406
Direct write off of housing loans	-	26.942
Loss on sale and disposal of fixed assets	89.620	114.924
Loss of PPE (legal case)	(94.288)	2.225.368
Write off of inventory	85.279	121.084
Inventory shortages	631.556	461.622
Other	11.220	112.065
Total	724.598	3.087.785

29. Income tax expense

	2017	2016
Current tax on profit for the year	775.355	503.546
Current tax	775.355	503.546
Deferred tax	621	287
Deferred tax	621	287
Total	775.976	503.834

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:

	2017	2016
Profit before income taxes	8.429.589	5.506.345
Tax calculated at statutory tax rate – 9%	758.663	495.571
Tax effect from:		
Expenses not deductible for tax purposes	17.313	8.262
Utilisation of deferred tax assets	-	-
Tax expense	775.976	503.833

(All amounts expressed in EUR, unless otherwise stated)

29. Income tax expense (continued)

Deferred tax liabilities	Accelerated tax depreciation	Fair value gains	Total
	(74.875)	16.561	(58.314)
(Charged)/credited to the income statement	(287)	-	(287)
Charged directly to equity		1.000	1.000
At 31 December 2016	(75.162)	17.561	(57.601)
(Charged)/credited to the income statement	(621)	-	(621)
Charged directly to equity		996	996
At 31 December 2017	(75.783)	18.557	(57.226)

30. Earnings per share and dividends 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.

Dividends per share are calculated as dividends paid during the year divided by the weighted average number of ordinary shares.

	2017	2016
Profit attributable to equity holders of the Company	7.630.131	5.002.511
Weighted average number of ordinary shares in issue	4.653.971	4.653.971
Basic and diluted earnings per share	1,64	1,08
Dividends paid	5.003.018	6.003.623
Weighted average number of ordinary shares in issue	4.653.971	4.653.971
Dividends per share	1,07	1,29

31. 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 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 consulting services. The company provided consulting services to EKO Serbia, Group company ultimately owned by Hellenic Petroleum S.A., during 2016 and 2017.

(All amounts expressed in EUR, unless otherwise stated)

31. Related party transactions (continued)

The following transactions were carried out with related parties:

a) Purchases of goods and services:

Purchases of goods and services	Relationship	Nature of transaction	2017	2016
Hellenic Petroleum S.A.	Parent company	Purchases of oil products	102.033.141	90.473.841
Hellenic Petroleum S.A.	Parent company	IT services	223.823	203.514
EKO ABEE	Group company	Purchases of lubricants	226.230	206.156
HELPE International Consulting	Group company	Consulting services	270.000	270.000
Asprofos Engineering S.A.	Group company	Maintenance services	-	10.146
Okta Crude Oil Refenery AD	Group company	Consulting and analyses services	15.061	50.739
Global Petroleum SH.A	Group company	Purchases of goods	-	2.060
EKO Serbia	Group company	Purchases of goods	388	-
Total			102.768.643	91.216.456

b) Sales to related parties:

Sales of goods and services	Relationship	Nature of transaction	2017	2016
EKO Serbia	Group company	Consulting services	47.343	23.583
Total			47.343	23.583

Purchase of goods and services with related parties are made based on normal commercial terms in force with non-related parties (on arm-length basis).

Receivables from related parties	Relationship	31. December 2017	31. December 2016
Hellenic Petroleum S.A.	Parent company	12.310.201	9.343.342
Global Petroleum SH.A	Group company	3.110	3.110
EKO Serbia	Group company	3.956	-
Total		12.317.267	9.346.452

Note: The stated amount is presented at net value.

c) Payables to related parties:

Payables to related parties	Relationship	31. December 2017	31. December 2016
EKO ABEE	Group company	80.227	-
Okta Crude Oil Refinery AD	Group company	-	548
Asprofos Engineering S.A.	Group company	-	-
HELPE International Consulting	Group company	67.500	67.500
EKO Serbia	Group company	-	-
Total		147.727	68.048

Receivables and payables from transactions with related parties are unsecured and bear no interest. There were no provisions on receivables from related parties.

(All amounts expressed in EUR, unless otherwise stated)

32. Related party transactions (continued)

d) Key management compensation

	2017	2016
Salaries and other short-term benefits	562.488	691.737
Total	562.488	691.737

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

The management team is treated in accordance with regulation (Labour Law, Personal Income Tax, General and Individual Collective Agreement, other regulations) which is applied to all other employees.

32. Commitments and contingencies

As of 31 December 2017, the Company has two main groups of litigations still ongoing, hence unresolved. The management believes that in all below listed cases there is no need for additional provision to be made based to requirements of IAS 37. The progress of litigations is monitored on day to day basis. Summary of litigations is as follows:

(a) State of Montenegro

Before the Constitutional Court of Montenegro there are three court cases in relation to the Constitutional Appeal filed by Jugopetrol AD, with respect to the Installations Bar, Bijelo Polje and Lipci (note 7).

(b) Montenegrobonus doo Cetinje vs the Company

The plaintiff initiated two claims against the Company:

- One, in the amount of EUR 11.024.960 where the Company according to the plaintiff's claim denied use of storage facilities to the plaintiff, contrary to temporary measure of the Commercial Court of Podgorica dated 2004. In 2009, the Municipal Court of Kotor reached a resolution to suspend the proceedings in this legal matter, until the effective resolution of the lawsuit between the Company and the Montenegro Government over the eventual ownership rights on the petrol installations described above.

- The second one in the amount of EUR 7.560.000 claimed lost ability to earn rental income from lease of disputed storage facilities to third parties. As of 2010, this dispute is also suspended until the resolution of ownership rights over the disputed storage facilities.

(c) Tax risks

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Company's management. As result, some transactions may be disputed by tax authorities and the Company may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Company has paid all tax liabilities as of 31 December 2017.

Tax audits for Jugopetrol have been completed by the Tax Authorities for all types of taxes for the period up to September 2011 and for VAT and Excise up to January 2012.

In 2014 the Tax Authorities initiated an audit for the period between January 2011 and December 2013 based on all types of taxes administered by the Tax Authority. This procedure is ongoing and no decision is currently submitted given that the first three decisions of the inspector have been annuled by the Ministry of Finance Appeal Committee.

Based on internal reviews and on the assessment of external lawyers/experts, the management does not believe there will be any exposure due to this case.

33. Events after the balance sheet date

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

In Podgorica	Person responsible for preparation of financial statements	Responsible person
As at 31/03/2018	…………………………………………	…………………………………

JUGOPETROL akcionarsko društvo za istraživanje, eksploataciju i promet nafte i naftnih derivata, Podgorica JPK 2