JUGOPETROL A.D.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

CONTENTS

GENERAL INFORMATION

Board of Directors

From 01/01/2018-31/05/2018

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

From 31/05/2018-31/12/2018

1. Konstantinos Mademlis - President of the Board
2. Tripko Krgović – member
3. Žiga Peljko – member
4. Stamatia Psyllaki – member
5. Konstantinos Koliopoulos - member
6. Spyridon Gkikas - 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

Building a better
working world

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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 2018, 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 2018, 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.

Registarski broj: 5-0537154 kod Centralnog registra privrednih subjekata u Podgorici
Upisan i unijet osnovni kapital: EUR 5.000,00; PIB: 02759080; PDV: 30/31-08878-9
Poslovni račun: 520-13125-82 kod Hipotekarne banke A.D., Podgorica

Emphasis of matter

We draw attention to the note 31 to the accompanying 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.
Our opinion is not qualified in respect of these matter.

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 2018.

Podgorica, 02 April 2019

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

DRUŠTVO ZA REVIZIJU
ERNST & YOUNG MONTENEGRO DOO
PODGORICA

Danijela Mirkovic
Partner

Danijela Jovic
Authorized auditor

(All amounts expressed in EUR, unless otherwise stated)

BALANCE SHEET/ASSETS
AS AT 31/12/2018

ASSETS	EDP	NOTE NO.	2018	2017
UNPAID SUBSCRIBED EQUITY	**001**		-	-
NON CURRENT ASSETS	**002**		**45.739.754**	**43.096.678**
GOODWILL	003		848.942	848.942
INTANGIBLE ASSETS	004	5	5.420.634	5.363.688
PROPERTY, PLANTS, EQUIPMENT AND BIOLOGICAL ASSETS	005	6	37.672.069	35.171.384
Property, plants & equipment	006		34.911.067	33.537.425
Investment property	007		2.761.002	1.633.959
Biological assets	008		-	-
LONG-TERM FINANCIAL INVESTMENTS	009		**1.798.109**	**1.712.664**
Investments in equity	010	7	56.309	67.057
Investment in affiliated companies using equity method	011		-	-
Other long term investments	012	8	1.741.800	1.645.607
DEFERRED TAX ASSETS	**013**		-	-
NON-CURRENT ASSETS HELD FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS	**014**			
CURRENT ASSETS	**015**		**61.086.166**	**60.812.769**
INVENTORIES	016	9	21.320.910	26.606.358
SHORT TERM RECEIVABLES, INVESTMENTS AND CASH AND CASH EQUIVALENTS	017		**39.765.256**	**34.206.411**
Trade and Other Receivables	018	10	11.411.260	11.381.169
Overpaid tax receivables	019		-	-
Short-term financial investments	020	11	155.116	152.177
Cash and cash equivalents	021	12	17.363.530	16.190.061
Value added tax and accruals	022	13	10.835.350	6.483.004
TOTAL ASSETS	**023**		**106.825.920**	**103.909.447**

(All amounts expressed in EUR, unless otherwise stated)

BALANCE SHEET/EQUITY
AS AT 31/12/2018

EQUITY & LIABILITIES	EDP	NOTE NO.	2018	2017
EQUITY	**101**	**14**	**91.711.470**	**89.453.785**
SHARE CAPITAL	102	14.1	67.986.605	67.986.605
UNPAID SUBSCRIBED CAPITAL	103		-	-
RESERVES	104	14.2	8.550.698	8.550.698
POSITIVE REVALUATION RESERVE AND UNREALIZED GAINS FROM FINANCIAL ASSETS AVAILABLE FOR SALE	105		107.166	106.199
NEGATIVE REVALUATION RESERVE AND UNREALIZED GAINS FROM FINANCIAL ASSETS AVAILABLE FOR SALE	106		(332.174)	(292.584)
RETAINED EARNINGS	107		15.399.175	13.102.867
LOSS	108		-	-
REPURCHASE OF OWN SHARES AND SHARE EQUITY	109		-	-
LONG-TERM PROVISIONS AND LIABILITIES	**110**		**394.722**	**383.094**
LONG TEM PROVISIONS	111	15	394.722	383.094
LONG-TERM LIABILITIES	112		-	-
Long term loans	113		-	-
Other long term liabilities	114		-	-
DEFERRED TAX LIABILITIES	**115**	**28**	**55.728**	**57.226**
SHORT-TERM PROVISIONS AND LIABILITIES	**116**		**14.664.001**	**14.015.342**
SHORT-TERM LIABILITIES	117		14.664.001	14.015.342
Short term financial liabilities	118		-	-
Liabilities attributable to the assets held for sale and discontinued operations	119		-	-
Trade payables	120	16	3.278.657	3.131.675
Other short term liabilities and accruals	121	17	2.919.660	2.381.702
Liabilities for vat and other public revenues	122	18	7.761.505	7.726.610
Income tax payables	123	28	704.179	775.355
SHORT-TERM PROVISIONS	124		-	-
TOTAL EQUITY & LIABILITIES	**125**		**106.825.920**	**103.909.447**

In Podgorica,

Date 31/03/2019

Person responsible for preparation of the financial statement

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L.S.

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

Legal representative

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(All amounts expressed in EUR, unless otherwise stated)

INCOME STATEMENT
FOR THE PERIOD FROM 01/01/2018 TO 31/12/2018

	EDP	Note no.	2018	2017
OPERATING REVENUE	**201**		**163.835.569**	**135.143.076**
Revenues	202	19	163.637.632	134.892.587
Other operating revenues	206	20	197.937	250.489
OPERATING EXPENSES	**207**	**21**	**156.530.692**	**127.060.424**
Cost of goods sold	208		140.688.816	111.562.585
Cost of materials	209		683.110	657.496
Cost of salaries, fringe benefits and other personal expenses	210	22	3.619.831	3.458.329
Cost of depreciation and provisions	211		2.474.749	2.331.633
Other operating expenses	212	23	9.064.186	9.050.381
OPERATING RESULT	**213**		**7.304.876**	**8.082.652**
Financial income	214	24	174.797	220.019
Financial expenses	215	25	52.445	45.299
FINANCIAL RESULT	**216**		**122.352**	**174.720**
Other income	217	26	836.788	896.815
Other expenses	218	27	749.708	724.598
RESULT FROM OTHER BUSINESS ACTIVITIES	**219**		**87.080**	**172.217**
NET RESULT BEFORE TAX	**222**		**7.514.308**	**8.429.589**
OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY	**223**		**(38.622)**	**(23.482)**
Change of revaluation reserves from financial assets available for sale	224		(9.780)	(10.071)
Change of revaluation reserves from actuarial gains/loss in line with pensions	227		(28.842)	(13.411)
INCOME TAX EXPENSE	**229**		**703.648**	**775.976**
Income tax expense for the period	230	28	704.179	775.355
Deferred income expense for the period	231		(531)	621
NET RESULT	**232**		**6.772.038**	**7.630.131**
EARNINGS PER SHARE				
Earnings per share	233	29	1,46	1,64
Diluted earnings per share	234			

In Podgorica,

Person responsible for preparation of the financial statement

Legal representative

Date 31/03/2019

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 01/01/2018 TO 31/12/2018

	EDP	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Result before tax	301	7.514.307	8.429.589
Depreciation	302	2.474.749	2.331.633
Change in inventory value	303	5.285.447	(2.019.973)
Change in receivables	304	(30.090)	(384.004)
Change in payables to suppliers	305	146.982	(70.575)
Change in accruals	306	11.628	(5.610)
Paid interest	307	-	-
Income tax paid	308	(728.834)	(473.333)
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	(3.852.168)	2.802.418
NET CASH FLOW FROM OPERATING ACTIVITIES	**311**	**10.822.022**	**10.610.145**
CASH FLOWS FROM INVESTMENTS ACTIVITIES			
PROCEEDS FROM INVESTING ACTIVITIES	**312**	**37.849**	**(2.543.463)**
Proceeds from sale of intangible assets, ppe and biological assets	314	10.395	116.497
Impairment		-	(2.688.592)
Interest received	316	27.454	28.632
CASH OUTFLOWS FROM INVESTING ACTIVITIES	**318**	**4.726.056**	**1.526.746**
Purchase of shares/stakes (net outflow)	319	-	-
Purchase of intangible assets, property, plant & equipment and biological assets	320	4.726.056	1.526.746
Other financial investments (net outflow)	321	-	-
NET PROCEEDS FROM INVESTMENT ACTIVITIES	**322**	**(4.688.207)**	**(4.070.209)**
CASH FLOWS FROM FINANCING ACTIVITIES			
PROCEEDS FROM FINANCING ACTIVITIES	**323**	**(164.153)**	**233.304**
Proceeds from long term and short term loans (net inflow)	325	(164.153)	233.304
CASH OUTFLOWS FROM FINANCING ACTIVITIES	**327**	**4.777.906**	**5.164.188**
Long term, short term and other liabilities (net outflow)	329	263.550	161.170
Dividends paid	331	4.514.356	5.003.018
NET OUTFLOW FROM FINANCING ACTIVITIES	**332**	**(4.942.059)**	**(4.930.884)**
TOTAL OUTFLOW	**333**	**1.191.756**	**1.609.052**
CASH AT THE BEGINNING OF ACCOUNTING PERIOD	**334**	**16.190.061**	**14.581.969**
FOREIGN CURRENCY GAINS ON TRANSLATION OF CASH AND CASH EQUIVALENTS	**335**	**26.062**	**43.876**
FOREIGN CURRENCY LOSSES ON TRANSLATION OF CASH AND CASH EQUIVALENTS	**336**	**44.349**	**44.836**
CASH AT THE END OF ACCOUNTING PERIOD	**337**	**17.363.530**	**16.190.061**

In Podgorica,

Date 31/03/2019

Person responsible for preparation of the financial statement

L.S.

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

Legal representative

(All amounts expressed in EUR, unless otherwise stated)

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 01/01/2018 TO 31/12/2018

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 on 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 31.12.2016**	401	67.986.605	410		419		428		437	8.550.698	446	(162.903)	455	10.452.272	464		473		482	86.826.672
2	Adjustments of material errors and changes in accounting policies in previous year	402		411		420		429		438		447		456		465		474		483	
3	**Adjusted opening balance as at 01.01.2017.(no. 1+2)**	403	67.986.605	412		421		430		439	8.550.698	448	(162.903)	457	10.452.272	466		475		484	86.826.672
4	Net changes in 2017.	404		413		422		431		440	0	449	(23.482)	458	2.650.595	467		476		485	2.627.113
5	**Balance as at 31.12.2017. (no. 3+4)**	405	67.986.605	414		423		432		441	8.550.698	450	(186.385)	459	13.102.867	468		477		486	89.453.785
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 01.01.2018. (no. 5+6)**	407	67.986.605	416		425		434		443	8.550.698	452	(186.385)	461	13.102.867	470		479		488	89.453.785
8	Net changes in 2018.	408		417		426		435		444	0	453	(38.623)	462	2.296.307	471		480		489	2.257.685
9	**Balance as at 31.12.2018. (no. 7+8)**	409	67.986.605	418		427		436		445	8.550.698	454	(225.007)	463	15.399.174	472		481		490	91.711.469

In Podgorica,

Person responsible for preparation of the financial statement

Legal representative

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

Date 31/03/2019

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 fortyone petrol stations and three yachting petrol stations.

As of 31 December 2018, the Company employed 102 employees (2017: 111 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 changes describes in 2.1.a which have been adopted by the Company as of 1 January 2018.

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

- IFRS 9 Financial Instruments

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 considers it will not have significant impact on its Balance sheet and Equity.

2. Summary of significant accounting policies (continued)

- IFRS 15 Revenue from Contracts with Customers

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 made an assessment of the effect of the standard and considers it will not have significant impact on its Balance sheet and Equity.

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

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 made an assessment of the effect of the standard and considers it will not have significant impact on its Balance sheet and Equity.

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

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. Management has not made use of this assessment.

- IAS 40: Transfers to Investment Property (Amendments)

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. Management has not made use of this assessment.

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

- 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. Management has made use of this assesment (note 2.18).

- 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. Management has not made use of this assessment.

2. Summary of significant accounting policies (continued)

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

- 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. Management has not made use of this assessment.

- 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. Management has not made use of this assessment.

- IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These Amendments have not yet been endorsed by the EU. Management has not made use of this assessment.

- Conceptual Framework in IFRS standards

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- IFRS 3: Business Combinations (Amendments)

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. Management has not made use of this assessment.

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. These Amendments have not yet been endorsed by the EU. Management has not made use of this assessment.

2. Summary of significant accounting policies (continued)

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

- IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration

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. Management has not made use of this assessment.

- 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. Management has not made use of this assessment.

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. Management has not made use of this assessment.

- 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 4.

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

2.2 Comparative figures

The Company's comparative figures are its 2017 audited financial statements.

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.

The reducing-balance method is used to calculate depreciation on intangible assets.

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 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%

2. Summary of significant accounting policies (continued)

2.6. Property, plant, and equipment (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 26 and 27).

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

2.8.1 Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section 2.17 Revenue from contracts with customers. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

• Financial assets at amortised cost (debt instruments)
• Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
• Financial assets at fair value through profit or loss

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

2. Summary of significant accounting policies (continued)

2.8.1 Initial recognition and measurement (continued)

Derivatives are also categorised as 'held for trading' unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the end of the reporting period, otherwise they are classified as non-current. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

(b) Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met: a) the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(c) Financial assets at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its listed equity investments under this category.

2.8.2 Derecognition and impairment

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when: The rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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 27). 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 26).

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.

(All amounts expressed in EUR, unless otherwise stated)

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 22.

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 15)

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 from contracts with customers

Revenue comprises the fair value of the sale of goods and services, net of value-added tax and any excise duties, rebates and discounts. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Control over goods sold and services rendered is transferred to the customer upon delivery of the respective products or service respectively. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Payment terms vary in line with the type of sales transactions and depend mainly on the products sold or services rendered, the distribution channels as well as each customer's specifics.
The Company assesses whether it acts as a principal or agent in each of its revenue arrangements. The Company has concluded that in all sales transactions it acts as a principal.

When goods are exchanged or swapped for goods which are of a similar nature and value the exchange is not regarded as a transaction which generates revenue. The net result of such transactions is recognized within Cost of sales.

Revenue is recognised as follows:

Sales of goods – wholesale & retail

Revenue is recognized when a contractual promise to a customer (performance obligation) is fulfilled by transferring the promised goods (which is when the customer obtains control over the promised goods). If a contract contains more than one performance obligation, the total transaction price of the contract is allocated among the individual, separate performance obligations based on their relative standalone selling prices. The amount of revenue recognized is the amount allocated to the satisfied performance obligation based on the consideration that the Company expects to receive in accordance with the terms of the contracts with the customers.

Provision of services

For sales of services, revenue is recognised in the accounting period in which the services are rendered, as the customer obtains control over the promised services, by reference to stage of completion of each specific performance obligation and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Variable consideration

If the consideration in a contract includes a variable amount, the Company recognizes this amount as revenue only to the extent that it is highly probable that a significant reversal will not occur in the future.

Volume discounts

The Company provides volume discounts to customers based on thresholds specified in the respective contracts. Options for volume related discounts are assessed by the Company to determine whether they constitute a material right that the customer would not receive without entering into that contract. For all such options that are considered as material rights, the Company assesses the likelihood of its exercise and then the portion of the transaction price allocated to the option is deferred and recognized when it is either exercised or lapsed.
Under the new requirements, the Company concluded that volume discounts constitute a material right which should be recognized over time up to the point it is either exercised or lapsed. All such discounts are accrued within the financial year.

Interest income

Interest income is recognised 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.

2. Summary of significant accounting policies (continued)

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.

Transition to IFRS 16

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of "low-value" assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 month or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Company transitioned to IFRS 16 in accordance with the modified retrospective approach. The prior year figures were not adjusted. The Group elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The following categories of leases were identified and entirely relate to cars, real estate, where as a consequence of the change to IFRS 16 as of 1 January 2019, contracts that previously had been recognized as operating leases, now qualify as leases as defined by the new standard.

During the first-time application of IFRS 16, the right to use the leased asset was generally measured at the amount of lease liability, using the average incremental borrowing rate of 3%. The first time application resulted in recording lease liabilities in the amount of EUR 818.602 and accordingly, right-of-use asset in the amount of EUR 818.602 in the Statement of Financial Position as of 1 January 2019. In addition, prepayments for the lease of petrol station in Lapcici in amount of EUR 65.982 has been reclassified to right of use asset.

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. Financial risk management

3.1 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.

3.2 Capital risk management

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

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

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. In 2018 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.

(All amounts expressed in EUR, unless otherwise stated)

3. Financial risk management (continued)

3.3. Fair value estimation

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The carrying value less impairment provision of receivables and liabilities is assumed to approximate their fair values.

4. Critical accounting estimates and judgments

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

4.1 Critical accounting estimates and assumptions

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

a) Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. Management will amend the depreciation charge where useful lives are changed 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 31, 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.

(All amounts expressed in EUR, unless otherwise stated)

4. Critical accounting estimates and judgments (continued)

4.2 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 IFRS 9 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)

5. Intangible assets

	Software and licences	Right of use of land	Goodwill	Construction in progress	Total
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**
Year ended 31 December 2018					
Opening net book amount	**466.064**	**4.852.604**	**848.942**	**45.020**	**6.212.630**
Additions	-	-	-	58.140	**58.140**
Transfer from CIP	35.621	-	-	(35.621)	-
Transfer from CIP tangibles	74.688	-	-	-	**74.688**
Disposals	-	-	-	-	-
Depreciation charge	(75.882)	-	-	-	**(75.882)**
Closing net book amount	**500.491**	**4.852.604**	**848.942**	**67.540**	**6.269.576**
Year ended 31 December 2018					
Cost	**1.443.640**	**4.852.604**	**848.942**	**67.540**	**7.212.725**
Accumulated depreciation	(943.149)	-	-	-	**(943.149)**
Net book amount	**500.491**	**4.852.604**	**848.942**	**67.540**	**6.269.576**

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.

The balance of position “Transfer from CIP tangibles” (74.688 EUR) is in correlation with the balance on the same position in the table of Property, plant, equipment and biological assets (-74,688 EUR note 6). When placing the asset into use its software part has been transferred from tangible assets to intangibles.

(All amounts expressed in EUR, unless otherwise stated)

6. 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 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	-	-	-	**-**
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)	**(60.032.816)**
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 2018								
Opening 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**
Additions	131.599	-	-	-	-	5.013.882	-	**5.145.481**
Transfer from CIP	-	-	2.641.317	-	1.691.690	(4.333.007)	-	**-**
Transfer from CIP to intangibles	-	-	-	-	-	(74.688)	-	**(74.688)**
Disposals	(70.950)	-	(55.265)	-	(45.025)	-	-	**(171.240)**
Transfer between the group	-	(991.251)	-	(140.733)	-	-	1.131.987	**-**
Depreciation charge	-	-	(1.545.512)	-	(848.414)	-	(4.941)	**(2.398.867)**
Provisions	-	-	-	-	-	-	-	**-**
Closing net book amount	**14.119.736**	**-**	**13.222.336**	**-**	**4.081.066**	**3.487.930**	**2.761.002**	**37.672.070**
Year ended 31 December 2018								
Cost	14.119.736	-	51.201.041	-	23.028.540	3.487.930	2.834.858	**94.672.105**
Accumulated depreciation	-	-	(37.978.706)	-	(18.947.474)	-	(73.856)	**(57.000.036)**
Net book amount	**14.119.736**	**-**	**13.222.335**	**-**	**4.081.066**	**3.487.930**	**2.761.002**	**37.672.069**

Depreciation expense from notes 5 and 6 of EUR 2.474.749 (2017: EUR 2.331.633) are charged under operating expenses in income statements (note 21).

(All amounts expressed in EUR, unless otherwise stated)

7. Investments in equity

	31. December 2018	31. December 2017
Investment in subsidiary and joint venture*	2.349	2.349
Available for sale financial assets	53.960	64.708
Total	**56.309**	**67.057**

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 2018 and year that ended, Starmonte's activities were limited to administrative operations. No other business operations were recorded in 2018.

b) Available for sale financial assets

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

	2018	2017
Balance as at 1 January	64.708	75.775
Fair value adjustment	(10.748)	(11.067)
Balance as at 31 December	**53.960**	**64.708**

Available for sale financial assets are listed on Montenegroberza and valued at the market price of share as at 31 December 2018.

8. Other long-term investments

Other long-term investments include:

	31. December 2018	31. December 2017
Prepaid employee benefits	277.168	273.411
Housing loans to employees	1.464.631	1.372.196
Housing loans, total	**1.741.800**	**1.645.607**

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

	2018	2017
As at 1 January	1.645.607	1.690.892
New loans granted	263.550	161.170
Repayments	(164.153)	(233.304)
Loans directly written off	(266)	(11)
Transferred from short-term part of housing loans	(2.938)	26.860
As at 31 December	**1.741.800**	**1.645.607**

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.

(All amounts expressed in EUR, unless otherwise stated)

8. Other long-term investments (continued)

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

	31. December 2018	31. December 2017
More than 1 year	1.741.800	1.645.607
Up to 1 year (Note 11)	155.115	152.177
Total	**1.896.915**	**1.797.784**

9. Inventories

	31. December 2018	31. December 2017
Goods for resale - wholesale	11.879.051	9.976.597
Goods for resale - retail	4.512.588	3.544.864
Spare parts	228.036	358.459
Advances to suppliers	4.700.382	12.724.492
Goods in transit	854	1.946
Inventories, total	**21.320.910**	**26.606.358**

Out of total amount of advances given to suppliers, the amount of EUR 4.104.006 relates to prepayment to Hellenic Petroleum for purchases of oil and oil derivatives (EUR 12.310.201 in 2017).

10. Receivables

	31. December 2018	31. December 2017
Domestic trade receivables	12.241.150	12.156.097
Foreign trade receivables	15.337	41.881
Receivables from related parties (Note 30)	-	3.956
Trade receivables, total	**12.256.487**	**12.201.934**

Trade receivables	12.256.487	12.201.934
Less: provision for impairment of trade receivables	(1.083.196)	(1.137.951)
Trade receivables – net	**11.173.291**	**11.063.983**
Prepaid VAT	20.390	20.390
Receivables from government agencies	13.223	27.877
Prepaid expenses	1.159	895
Receivables from employees	(1.584)	1.627
Receivables from insurance companies	1.466	-
Other receivables	203.315	266.397
Other receivables, total	**237.969**	**317.186**
Receivables, total	**12.494.455**	**12.519.120**
Provision for impairment domestic receivables	(1.083.196)	(1.137.951)
Provision for impairment foreign receivables	-	-
Provision for impairment	**(1.083.196)**	**(1.137.951)**
Receivables, net	**11.411.259**	**11.381.169**

10. Receivables (continued)

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

	2018	2017
As at 1 January	1.137.951	1.554.141
Provision for receivables impairment (Note 27)	-	526
Written off as uncollectable	(45.247)	(279.210)
Reversal of provision (Note 26)	(9.509)	(137.506)
As at 31 December	**1.083.195**	**1.137.951**

Provision for impaired receivables is included within other expenses, and reversal of provision is included in other income (notes 26 and 27). There is EUR 40.873 that represent direct write off of receivables, and amount of EUR 266 represents direct write off of receivables from housing loans (Note 27). Part of the income from reversal of provision in amount of EUR 9.509 has been presented as other income (Note 26).

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 2018 and 2017.

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 2018	31. December 2017
Trade receivables		
Group 1	6.908.543	6.730.710
Group 2	4.264.748	4.333.273
Total	**11.173.291**	**11.063.983**

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 2018	31. December 2017
Trade receivables		
Up to 3 months	11.143.183	10.874.025
3 to 6 months	16.832	137.294
More than 6 months	1.096.471	1.190.615
Total	**12.256.486**	**12.201.934**

Structure of receivables over 6 months is as follows:

	31. December 2018	31. December 2017
Trade receivables over 6 months		
State – owned companies	36.923	180.318
Municipalities	-	1.682
Private Petrol Stations	276.962	276.785
Other	782.586	731.830
Total	**1.096.471**	**1.190.615**

The amount of EUR 1.083.196 of receivables older than 6 months has been impaired. The rest is secured by bank guarantee.

(All amounts expressed in EUR, unless otherwise stated)

11. Short-term financial investments

	31. December 2018	31. December 2017
Short-term financial investments		
Short-term portion of housing loans (note 8)	155.115	152.177
Total	**155.115**	**152.177**

12. Cash and cash equivalents

	31. December 2018	31. December 2017
Treasury and cash registers of retail outlets	304.945	882.063
Bank account	17.058.585	15.307.998
Total	**17.363.530**	**16.190.061**

	31. December 2018	31. December 2017
Cash at bank account		
Crnogorska Komercijalna banka	269.105	118.941
Prva banka Crne Gore	138.901	74.958
Hipotekarna banka	100.002	44.383
NLB	53.243	27.328
Erste banka	16.432.885	15.035.735
Addiko banka	64.258	6.400
Unicredit banka	192	253
Total	**17.058.586**	**15.307.998**

Current accounts with commercial banks earn interest at weighted average deposit interest rate which was from 0% to 0,1% per annum in 2018 (from 0% to 0,1% per annum in 2017).

13. Value added tax and accruals

	31. December 2018	31. December 2017
Value added tax recoverable and excise advanced	10.718.282	6.296.045
Prepaid expenses	117.068	186.959
Total	**10.835.350**	**6.483.004**

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 to December 2017.

After audit performed by the Tax Administration for the period between January 2017 and December 2017 the Company received two Decisions for VAT credit return in total amount of EUR 4.892.920. Total amount from these Decisions was collected during 2018.

(All amounts expressed in EUR, unless otherwise stated)

13. Value added tax and accruals (continued)

On 14 November 2018, the Company filed request for VAT credit return to the tax authorities of Montenegro for the amount of EUR 7.322.018. The VAT credit relates to the period between January to October 2018.

After audit performed by the Tax Administration for the period between January 2018 and October 2018 the Company received Minutes of tax audit and expects the Decision for VAT credit return in total amount of EUR 7.322.018, as well as collection of this amount during 2019.

Total VAT recoverable on 31 December 2018 amounts to EUR 10.835.350.

14. Equity

	Share capital	Reserves	Revaluation reserves	Retained earnings	Total
As at 01.01.2017	**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 gains	-	-	(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**
Change in fair value of financial assets available for sale	-	-	(10.748)	-	**(10.748)**
Deferred tax	-	-	967	-	**967**
Actuarial (losses)	-	-	(28.842)	-	**(28.842)**
Profit for the year	-	-	-	6.810.660	**6.810.660**
Transfer to other reserves	-	-	-	-	-
Paid dividends	-	-	-	(4.514.352)	**(4.514.352)**
Balance as at 31.12.2018	**67.986.605**	**8.550.698**	**(225.008)**	**15.399.175**	**91.711.470**

14.1 Share capital

The structure of the Company's share capital and shareholders as of 31 December 2018 is as follows:

	No. of shares	Percentage	31 December 2018
Hellenic Petroleum Int'l S.A.	2.529.489	54,35%	36.951.534
EK Zbirni kastodi racun 1	430.653	9,25%	6.291.108
NM zbirni kastodi racun 5	430.441	9,25%	6.288.011
CK zbirni kastodi racun 1	168.181	3,61%	2.456.839
NM zbirni kastodi racun 8	110.873	2,38%	1.619.666
NM zbirni kastodi racun 6	52.409	1,13%	765.606
HB Zbirni kastodi racun 1	24.841	0,53%	362.885
Otvoreni investicioni fond Moneta	24.512	0,53%	358.079
Montenegro	1	0,00%	15
Other legal entities	69.734	1,50%	1.018.695
Individuals	812.837	17,47%	11.874.167
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)

14.2 Reserves

	31. December 2018	31. December 2017
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 (2017: 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.

15. Long term provisions

Long term provisions include:

	31. December 2018	31. December 2017
Provision for retirement indemnities	314.172	306.624
Provision for jubilee awards	80.550	76.470
Total	**394.722**	**383.094**

The movement on long term provision account was as follows:

	Other benefits to the employees
As at 01/01/2017	**388.704**
Remeasurement charged to P&L	224.902
Used during the year	(243.923)
Actuarial (gains)/losses	13.411
As at 31/12/2017	**383.094**
As at 01/01/2018	**383.094**
Charged to P&L	268.568
Used during the year	(285.781)
Actuarial (gains)/losses	28.842
As at 31/12/2018	**394.723**

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)

15. Long term provisions (continued)

Movement in the accounts is as follows:

	Retirement benefits		Jubilee awards	
	2018	**2017**	**2018**	**2017**
Current service cost	14.140	13.002	20.773	3.626
Interest cost	7.319	7.898	2.319	2.491
Past service cost	224.017	197.884	-	-
Used during the year	(266.770)	(236.885)	(19.011)	(7.038)
Actuarial gains/(losses)	28.842	13.411	-	-
Total	**7.548**	**(4.690)**	**4.081**	**(921)**

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

Main assumptions

	31. December 2018	31. December 2017
Discount rate	2,6%	2,8%
Increase of average salary	0,5%	0,5%

16. Trade payables

	31. December 2018	31. December 2017
Domestic trade payables	1.580.188	1.612.284
Foreign trade payables	289.977	226.099
Received advances	1.408.492	1.293.292
Total	**3.278.657**	**3.131.675**

17. Other short term liabilities and accruals

	31. December 2018	31. December 2017
Salaries and wages payable	-	-
Taxes on salaries	880	19
Salaries payable to executives	6.472	-
Liabilities for other personnel expenses	387.763	170.854
Liabilities for contributions	-	-
Liabilities for other compensations	1.691	234
Enforcement of court decisions	-	-
Liabilities for dividends from the previous period	359.861	439.916
Other short term liabilities and accruals	2.162.992	1.770.679
Total	**2.919.660**	**2.381.702**

(All amounts expressed in EUR, unless otherwise stated)

18. Liabilities for VAT and other public revenues

	31. December 2018	31. December 2017
Liabilities for value added tax	121.323	63.439
Liabilities for excise	7.637.182	7.662.171
Other taxes and contributions	3.000	1.000
Total	**7.761.505**	**7.726.610**

19. Revenues

	2018	2017
Sales of goods	163.637.632	134.892.587
Other operating revenue	197.937	250.489
Total	**163.835.569**	**135.143.076**

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.

	2018	2017
Retail	77.934.266	68.052.082
Wholesale	85.703.366	66.840.505
Total	**163.637.632**	**134.892.587**

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

	2018	2017
Revenues from domestic sales	**134.057.489**	**112.843.271**
Sale of fuel	123.918.955	102.274.005
Sale of LPG	1.899.823	1.920.397
Sale of lubricants	1.092.140	1.175.594
Sale of merchandise	7.106.218	7.426.228
Sale of services	40.353	47.047
Revenues from export sales	**29.580.143**	**22.049.316**
Sale of fuel	29.548.024	21.999.772
Sale of services	32.119	49.544
Total	**163.637.632**	**134.892.587**

20. Other operating revenue

	2018	2017
Rental income	58.832	71.935
Other income	139.105	178.554
Total	**197.937**	**250.489**

21. Operating expenses

	2018	2017
Cost of goods sold	140.688.817	111.562.585
Cost of materials	683.110	657.496
Cost of salaries, fringe benefits and other personal expenses (note 22)	3.619.832	3.458.329
Depreciation and provision	2.474.748	2.331.633
Other operating expenses (note 23)	9.064.186	9.050.381
Total	**156.530.693**	**127.060.424**

(All amounts expressed in EUR, unless otherwise stated)

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

	2018	2017
Gross salaries and wages	2.385.169	2.273.133
Social security contributions – on behalf of employer	384.851	367.908
Transportation allowances	6.000	6.000
Winter food allowances	78.315	83.077
Humanitarian aid to employees	13.027	10.048
Retirement indemnities and jubilee awards	268.567	224.883
Temporary staff costs	69.610	60.936
Travel expenses	58.381	41.391
Board of Directors' compensation	82.270	89.838
Personnel expense from discounting of housing loans	39.421	39.441
Other personnel expenses	234.221	261.674
Total	**3.619.832**	**3.458.329**

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.

23. Other operating expenses

	2018	2017
Petrol station management fees (COMO)	3.241.124	3.388.929
Transportation cost	1.352.048	1.271.384
Telecommunications and postal expenses	156.394	157.055
Maintenance	1.201.800	1.239.118
Rental expense	178.283	134.470
Marketing expense	272.328	339.176
Third party's services	926.044	779.914
Training and seminars	11.292	24.878
Donations and sponsorships	139.854	143.339
Hospitality expenses	39.393	29.684
Insurance	224.070	161.391
Bank commissions and fees	291.905	287.912
Indirect taxes and contributions	665.928	689.234
Scholarships	7.800	8.400
Licenses	163.324	205.116
Other items	192.599	190.381
Total	**9.064.186**	**9.050.381**

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 638.149) and lawyers' fees (EUR 153.950).

24. Financial income

	2018	2017
Interest income	62.793	106.490
Foreign exchange gains	26.062	43.876
Interest income on discounting of housing loans	39.421	39.440
Other financial income	46.521	30.213
Total	**174.797**	**220.019**

(All amounts expressed in EUR, unless otherwise stated)

25. Financial expenses

	2018	2017
Interest expense	8.096	463
Foreign exchange losses	44.349	44.836
Other financial expenses	-	-
Total	**52.445**	**45.299**

26. Other income

	2018	2017
Reversal of bad debt provision (note 10)	9.509	137.506
Revenues from decrease of liabilities	-	12.727
Other - VAT	6.561	28.907
Income from insurance	5.909	4.002
Gains on sale of PPE	63.700	76.376
Inventory surpluses	659.956	583.461
Other	91.153	53.836
Total	**836.788**	**896.815**

27. Other expenses

	2018	2017
Provision for impaired receivables (note 10)	-	526
Direct write off of receivables	40.873	685
Direct write off of housing loans	266	-
Loss on sale and disposal of fixed assets	100.290	89.620
Loss of PPE (legal case)	-	(94.288)
Write off of inventory	54.744	85.279
Inventory shortages	543.731	631.556
Other	9.805	11.220
Total	**749.709**	**724.598**

28. Income tax expense

	2018	2017
Current tax on profit for the year	704.179	775.355
Current tax	**704.179**	**775.355**
Deferred tax	(531)	621
Deferred tax	**(531)**	**621**
Total	**703.648**	**775.976**

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:

	2018	2017
Profit before income taxes	7.514.308	8.429.589
Tax calculated at statutory tax rate – 9%	676.288	758.663
Tax effect from:		
Expenses not deductible for tax purposes	27.360	17.313
Utilisation of deferred tax assets		
Tax expense	**703.648**	**775.976**

(All amounts expressed in EUR, unless otherwise stated)

28. Income tax expense (continued)

Deferred tax liabilities	**Accelerated tax depreciation**	**Fair value gains**	**Total**
At 1 January 2017	**(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)**
(Charged)/credited to the income statement	531	-	531
Charged directly to equity	-	967	967
At 31 December 2018	**(75.252)**	**19.524**	**(55.728)**

29. 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.

	2018	**2017**
Profit attributable to equity holders of the Company	6.772.038	7.630.131
Weighted average number of ordinary shares in issue	4.653.971	4.653.971
Basic and diluted earnings per share	**1,46**	**1,64**
Dividends paid	4.514.356	5.003.018
Weighted average number of ordinary shares in issue	4.653.971	4.653.971
Dividends per share	**0,97**	**1,07**

30. 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 2017 and 2018.

(All amounts expressed in EUR, unless otherwise stated)

30. 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	2018	2017
Hellenic Petroleum S.A.	Parent company	Purchases of oil products	134.454.195	102.033.141
Hellenic Petroleum S.A.	Parent company	IT services	257.039	223.823
EKO ABEE	Group company	Purchases of lubricants	166.441	226.230
HELPE International Consulting	Group company	Consulting services	270.000	270.000
Okta Crude Oil Refenery AD	Group company	Consulting and analyses services	9.058	15.061
Global Petroleum SH.A	Group company	Purchases of goods	6.210	-
EKO Serbia	Group company	Purchases of goods	4.197	388
Total			**135.167.140**	**102.768.643**

b) Sales to related parties:

Sales of goods and services	Relationship	Nature of transaction	2018	2017
EKO Serbia	Group company	Consulting services	31.697	47.343
Total			**31.697**	**47.343**

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 2018	31. December 2017
Hellenic Petroleum S.A.	Parent company	4.104.006	12.310.201
Global Petroleum SH.A	Group company	-	3.110
EKO Serbia	Group company	-	3.956
Total		**4.104.006**	**12.317.267**

Note: The stated amount is presented at net value.

c) Payables to related parties:

Payables to related parties	Relationship	31. December 2018	31. December 2017
Hellenic Petroleum S.A.	Parent company	5.039	-
EKO ABEE	Group company	-	80.227
HELPE International Consulting	Group company	67.500	67.500
EKO Serbia	Group company	4.197	-
Total		**76.736**	**147.727**

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

d) Key management compensation

	2018	2017
Salaries and other short-term benefits	538.635	562.488
Total	**538.635**	**562.488**

30. Related party transactions (continued)

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.

31. Commitments and contingencies

As of 31 December 2018, 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 6).

(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 2018.

Tax audits for Jugopetrol AD 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 2011 up to 2014 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 four 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.

32. 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 31/03/2019 ....