

Hellenic Petroleum Cyprus Limited

Original

*Report and
financial
statements*

31 December 2010



Hellenic Petroleum Cyprus Limited

Report and financial statements 31 December 2010

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Hellenic Petroleum Cyprus Limited

Board of Directors and other officers

Board of Directors

Michail Myrianthis (Chairman) (resigned 05 January 2011)
Akis Pegasiou (Chairman)
Garry John Pegg
George Gregoras
Andreas Shiamishis
Stelios Livadiotis (appointed 01 January 2011)
Victor Papaconstantinou (appointed 01 January 2011)
Petros Karalis (appointed 01 January 2011)
David Hywel Jones (appointed 30 April 2010)
Jonathan Ivinson (resigned 30 April 2010)
Nikolaos Georgoudas (resigned 31 December 2010)
Christos Tziolas (resigned 31 December 2010)

Company Secretary

Theodora Papadimitriou
17th km Athens-Corinth National Highway
GR 19300 – Aspropyrgos
Greece

Registered office

125 Old Broad Street
London EC2N 1AR
United Kingdom

Hellenic Petroleum Cyprus Limited

Report of the Board of Directors

1 The Board of Directors presents its report together with the audited financial statements of the Company for the year ended 31 December 2010.

Principal activities

2 The principal activity of the Company, which is unchanged from last year, is to buy, sell and otherwise deal in petroleum products in Cyprus through a local branch. It is the intention of the board of directors that this business will continue for the foreseeable future.

Review of developments, position and performance of the Company's business

3 The profit of the Company for the year ended 31 December 2010 was €9.909.299 (2009: profit of €11.330.934). On 31 December 2010 the total assets of the Company were €102.805.257 (2009: €78.725.279) and the net assets were €47.319.028 (2009: €37.409.729). The financial position, development and performance of the Company as presented in these financial statements is considered satisfactory.

4 (a) the Decision of the Commission for the Protection of Competition by means of which an administrative fine of €14.269.000,00 was imposed on the Company has been challenged by the Company. A Recourse was filed on 17 November 2009 before the Supreme Court. The Recourse was fixed for directions before the Full Bench of the Supreme Court on 18 January 2010. On that date, the Full Bench of the Supreme Court gave directions for the exchange of Written Addresses. Applicants, i.e. the Company, filed its Written Address on 8 March 2010. Respondents' Written Address was filed on 10 September 2010. The Company will now proceed with the filing of a Reply of Respondents' Written Address. Upon the filing of the Reply, the Full Bench of the Supreme Court will proceed with the fixing of the case. Pending the Recourse, the Company, upon receiving legal advice, decided not to pay the fine. A hearing of the Recourse took place before the Full Bench of the Supreme Court on 18 January 2011. On 25.5.2011 the Full Bench of the Supreme Court issued its judgment and accepted the arguments of the Company with costs in favour of the Company and against the Commission to be assessed by the Registrar. In consequence, the Decision of the Commission for the Protection of Competition dated 24.5.2009 by means of which it imposed an administrative fine upon the Company in the amount of €14.269.000,00 was annulled.

(b) due to the delay in implementing the Government plan of the relocation of the Cyprus oil companies' terminals at Vassilico Energy Centre, the latest expected dates of relocation are in years 2013-2015. The Company may face exceptional costs in that year and increased storage costs following the relocation; and

(c) the worldwide instability in the price of oil makes the preparation of budgets and long term planning more difficult.

Hellenic Petroleum Cyprus Limited

Report of the Board of Directors (continued)

Business risks

5 Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators (KPI's) is not necessary for an understanding of the development, performance or position of the business. The Company measures its performance against a five year business plan which includes revenue and profits.

Financial risk management

6 The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, commodity price risk and fair value interest rate risk), credit risk and liquidity risk.

7 Market risk - foreign exchange risk

The Company imports petroleum products from overseas and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency. Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

8 Market risk - commodity price risk

The Company is exposed to commodity price risk through its purchases and distribution of petrol and petroleum products within Cyprus. Management monitors the price fluctuations on a continuous basis and acts accordingly.

9 Market risk - fair value interest rate risk

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's interest rate risk arises principally from short-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

10 Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. Where debt finance is utilised, this is subject to pre-approval by the board of directors and such approval is limited to reputable financial institutions. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually.

11 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities. The management maintains flexibility in funding by maintaining availability under committed credit lines.

Hellenic Petroleum Cyprus Limited

Report of the Board of Directors (continued)

12 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. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

During 2010, the Company's strategy, which was unchanged from 2009, was to maintain the gearing ratio within 20% to 40%.

Supplier payment policy

13 The group's policy is to agree the terms of payment at the start of business with each supplier, to ensure suppliers are aware of those terms and to abide by them. The wholly owned subsidiaries of the group comply with the Confederation of British Industry (CBI) Prompt Payers Code, copies of which can be obtained from the CBI, Centrepont, 103 New Oxford Street, London, WC1A 1DU. The group's creditor days (year end trade creditors divided by purchases) for its continuing business for the year were 37 days (2009: 17 days). This calculation excludes the businesses acquired during the year.

Future developments of the Company

14 The Board of Directors does not expect any material changes or developments in the operations, financial position and performance of the Company in the foreseeable future.

Results

15 The Company's results for the year are set out on page 9.

Board of Directors

16 The Directors who held office during the year and at the date of this report are shown on page 1.

Hellenic Petroleum Cyprus Limited

Report of the Board of Directors (continued)

Statement of Directors' Responsibilities

17 The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

18 Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

19 The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

20 The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Branches

21 The Company currently operates through a branch in Cyprus.

Events after the balance sheet date

22 There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

Hellenic Petroleum Cyprus Limited

Report of the Board of Directors (continued)

Independent Auditors and Disclosure of Information to Auditors

23 So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are not aware. The Directors have taken all the relevant steps that they ought to have taken in their duty as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

24 This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

25 The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, PricewaterhouseCoopers LLP shall be deemed to be re-appointed as auditors for a further term.

By Order of the Board



Akis Pegasiou
Chairman

Nicosia
29 June 2011

Independent Auditor's Report

To the Members of Hellenic Petroleum Cyprus Limited

We have audited the financial statements of Hellenic Petroleum Cyprus Limited for the year ended 31 December 2010 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act - 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Board of Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Stephney Dallmann (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 June 2011

Hellenic Petroleum Cyprus Limited

Statement of Comprehensive Income for the year ended 31 December 2010

| | Note | 2010 € | 2009 € |
|---|------|-------------------------|--------------------------|
| Revenue | 6 | 269.212.524 | 222.603.607 |
| Cost of sales | | <u>(233.603.736)</u> | <u>(183.920.866)</u> |
| Gross profit | | 35.608.788 | 38.682.741 |
| Distribution costs | | (18.755.513) | (20.586.458) |
| Administrative expenses | | <u>(2.069.022)</u> | <u>(2.422.800)</u> |
| Operating profit | | 14.784.253 | 15.673.483 |
| Finance income | 10 | 11.450 | 638.319 |
| Finance costs | 5 | <u>(776.641)</u> | <u>(524.433)</u> |
| Profit before tax | | 14.019.062 | 15.787.369 |
| Income tax expense | 11 | <u>(4.109.763)</u> | <u>(4.456.435)</u> |
| Profit and total comprehensive income for the year | | <u>9.909.299</u> | <u>11.330.934</u> |

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 11.

The notes on pages 13 to 47 are an integral part of these financial statements.

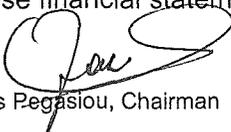
Hellenic Petroleum Cyprus Limited

Balance Sheet at 31 December 2010

| | Note | 2010 € | 2009 € |
|-------------------------------------|------|---------------------------|--------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 35.756.034 | 35.475.105 |
| Intangible assets | 15 | 26.668 | 47.206 |
| Investment in subsidiaries | 16 | <u>610.586</u> | <u>610.586</u> |
| | | <u>36.393.288</u> | <u>36.132.897</u> |
| Current assets | | | |
| Inventories | 17 | 17.307.186 | 8.178.780 |
| Trade and other receivables | 18 | 39.743.864 | 25.344.111 |
| Cash and cash equivalents | 19 | <u>9.360.919</u> | <u>9.069.491</u> |
| | | <u>66.411.969</u> | <u>42.592.382</u> |
| Total assets | | <u><u>102.805.257</u></u> | <u><u>78.725.279</u></u> |
| Equity and liabilities | | | |
| Capital and reserves | | | |
| Ordinary share capital | 20 | 6.284.140 | 6.284.140 |
| Other reserves | | 1.587.086 | 1.587.086 |
| Retained earnings | | <u>39.447.802</u> | <u>29.538.503</u> |
| Total equity | | <u>47.319.028</u> | <u>37.409.729</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | 22 | 2.703.841 | 2.320.492 |
| Pension liabilities | 23 | <u>561.500</u> | <u>702.782</u> |
| | | <u>3.265.341</u> | <u>3.023.274</u> |
| Current liabilities | | | |
| Trade and other payables | 25 | 30.380.593 | 16.906.893 |
| UK corporation tax payable | | 1.837.170 | 859.261 |
| Cyprus corporation tax payable | | 320.569 | 493.915 |
| Borrowings | 21 | <u>19.682.556</u> | <u>20.032.207</u> |
| | | <u>52.220.888</u> | <u>38.292.276</u> |
| Total liabilities | | <u>55.486.229</u> | <u>41.315.550</u> |
| Total equity and liabilities | | <u><u>102.805.257</u></u> | <u><u>78.725.279</u></u> |

Please note that the comparative balance of the line 'Other payables' has been modified from €5,473,777 to €5,862,590 due to a reclassification of debit balances to the comparative line 'Other receivables' which has been modified from €2,448,422 to €2,837,325.

On 29 June 2011 the Board of Directors of Hellenic Petroleum Cyprus Limited authorised these financial statements for issue.


Akis Pegasios, Chairman

The notes on pages 13 to 47 are an integral part of these financial statements.

Hellenic Petroleum Cyprus Limited

Statement of Changes in Equity for the year ended 31 December 2010

| | Share capital € | Other reserves (1) € | Retained earnings € | Total € |
|---|-----------------------|----------------------------|---------------------------|---------------------|
| Balance at 1 January 2009 | <u>6 284 140</u> | <u>1 587 086</u> | <u>28 207 569</u> | <u>36 078 795</u> |
| Comprehensive income | | | | |
| Profit for the year | - | - | <u>11 330 934</u> | <u>11 330 934</u> |
| Transactions with owners | | | | |
| Dividend relating to 2008 paid in June 2009 | - | - | <u>(10 000 000)</u> | <u>(10 000 000)</u> |
| Balance at 31 December 2009/1 January 2010 | <u>6 284 140</u> | <u>1 587 086</u> | <u>29 538 503</u> | <u>37 409 729</u> |
| Comprehensive income | | | | |
| Profit for the year | - | - | <u>9 909 299</u> | <u>9 909 299</u> |
| Balance at 31 December 2010 | <u>6 284 140</u> | <u>1 587 086</u> | <u>39 447 802</u> | <u>47 319 028</u> |

(1) Other reserves include a revaluation reserve of €317 130 (2009 €317 130), a special reserve of €0 (2009 €0) and a general reserve of €1 269 956 (2009 €1 269 956). The special reserve has been utilised for the issue of bonus shares and the general reserve has been utilised for the dividend distributions.

The notes on pages 13 to 47 are an integral part of these financial statements.

Hellenic Petroleum Cyprus Limited

Statement of Cash Flows for the year ended 31 December 2010

| | Note | 2010 € | 2009 € |
|---|--------|--------------------|---------------------|
| Cash flows from operating activities | | | |
| Profit before tax | | 14.019.062 | 15.787.369 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 14 | 3.603.590 | 3.111.475 |
| Amortisation of intangible assets | 15 | 21.738 | 18.140 |
| Impairment of intangible assets | 15 | - | 91.701 |
| Loss on sale of property, plant and equipment | 14 | 15.317 | - |
| Finance income | 10 | (11.450) | (638.319) |
| Finance expense | 5 | 776.641 | 524.433 |
| | | <u>18.424.898</u> | <u>18.894.799</u> |
| Changes in working capital: | | | |
| Inventories | | (9.128.406) | (2.394.221) |
| Trade and other receivables | | (14.399.753) | 6.779.702 |
| Trade and other payables | | 13.473.700 | (2.876.398) |
| Net movement in pension liabilities | | (141.282) | 75.231 |
| Cash generated from operations | | <u>8.229.157</u> | <u>20.479.113</u> |
| UK Corporation Tax paid | | (1.524.078) | (4.023.340) |
| Cyprus Corporation Tax paid | | (1.397.773) | 493.915 |
| Net cash from operating activities | | <u>5.307.306</u> | <u>16.949.688</u> |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | 14 | (3.903.836) | (6.257.218) |
| Proceeds from sale of property, plant and equipment | 14 | 4.000 | - |
| Purchases of intangibles | 15 | (1.200) | (461.796) |
| Proceeds from sale of intangibles | | - | 3.747.313 |
| Interest received | | 11.450 | 638.319 |
| Net cash used in investing activities | | <u>(3.889.586)</u> | <u>(2.333.382)</u> |
| Cash flows from financing activities | | | |
| Proceeds from/ (repayment of) bank borrowings | | 4.000.000 | (3.331.577) |
| Repayment of loans from related parties | 28(vi) | (5.000.000) | (3.000.000) |
| Interest paid | | (776.641) | (524.433) |
| Dividends paid to Company's shareholders | | - | (10.000.000) |
| Net cash used in financing activities | | <u>(1.776.641)</u> | <u>(16.856.010)</u> |
| Net decrease in cash, cash equivalents and bank overdrafts | | <u>(358.921)</u> | <u>(2.239.704)</u> |
| Cash, cash equivalents and bank overdrafts at beginning of year | | <u>4.037.284</u> | <u>6.276.988</u> |
| Cash, cash equivalents and bank overdrafts at end of year | 19 | <u>3.678.363</u> | <u>4.037.284</u> |

The notes on pages 13 to 47 are an integral part of these financial statements.

Hellenic Petroleum Cyprus Limited

Notes to the financial statements

1 General information

Country of incorporation

The Company is incorporated in the United Kingdom as a private limited liability company operating in Cyprus as a branch. Its registered office is at 125 Old Broad Street, London EC2N 1AR, United Kingdom.

2 Summary of significant accounting policies

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

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention.

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

The directors consider that the accounting policies as set out below are suitable, have been consistently applied and are supported by appropriate judgements and estimates.

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2010. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective and the Company has not early adopted:

Hellenic Petroleum Cyprus Limited

2 Summary of significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) *Adopted by the European Union*

- IAS 24 (Revised) "Related Party Disclosures" (effective for annual periods beginning on or after 1 January 2011).

Amendments

- Amendments to IAS 32 "Financial Instruments: Presentation; Classifications of Rights Issues" (effective for annual periods beginning on or after 1 February 2010).
- Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First Time Adopters" (effective for annual periods beginning on or after 1 July 2010).
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011).
- Annual Improvements 2010 (effective for annual periods beginning on or after 1 July 2010 and 1 January 2011).

New IFRICs

- IFRIC 19 "Extinguishing Financial Liabilities with Equity"

Hellenic Petroleum Cyprus Limited

2 Summary of significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(ii) *Not adopted by the European Union*

New standards

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2013).

Amendments

- Amendments to IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 July 2011).
- Amendment to IAS 12 "Income Taxes" (effective for annual periods beginning on or after 1 January 2012).
- Amendment to IFRS 1 "First-time adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 July 2011).

The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business. Revenue is shown net of value added tax, rebates and discounts. Revenues earned by the Company are recognised on the following bases:

(i) **Sales of goods and related commissions**

Sales of goods are recognised when significant risks and rewards of ownership of the goods have been transferred to the customer, which is usually when the Company has sold or delivered goods to the customer, the customer has accepted the goods and collectibility of the related receivable is reasonably assured.

(ii) **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 flows discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired receivables are recognised using the original effective interest rate.

Hellenic Petroleum Cyprus Limited

2 Summary of significant accounting policies (continued)

Employee benefits

The Company and the employees contribute to the Cyprus Government Social Insurance Fund based on employees' salaries. This Fund is treated as a defined contribution scheme. In addition, the Company operates two defined benefit retirement schemes the assets of which are held in a separate trustee-administered fund. The Company has elected to recognise actuarial gains and losses through the Income Statement using the corridor approach (further refer to Note 24). The defined contribution scheme is funded by contributions from employees and by the Company. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no further payment obligations once the contributions have been paid. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, a defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on factors, such as age, years of service and compensation.

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement under finance costs.

Current and deferred income tax

Taxation on profits and losses for the year comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Hellenic Petroleum Cyprus Limited

2 Summary of significant accounting policies (continued)

Current and deferred income tax (continued)

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders. Interim dividends, that are approved by the Board of Directors of the Company as a distribution to the Company's shareholders, are recognised at payment date.

Property, plant and equipment

Property, plant and equipment are stated at their historical cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Certain tangible fixed assets reflect a previous revaluation which was carried out as at 1 January 1987 (other than fixed assets in territories occupied by Turkish forces).

Land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values, over their estimated useful lives. The annual depreciation rates are as follows:

| | % |
|--|-------|
| Buildings | 3-4 |
| Furniture, fixtures and office equipment | 10 |
| Motor vehicles | 10-20 |
| Furniture and fixtures | 20 |

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.

Hellenic Petroleum Cyprus Limited

2 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which they were incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset 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.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and these are included in the income statement.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure, which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programmes are charged to the income statement of the year in which they were incurred. Computer software costs are amortised using the straight-line method over their estimated useful lives, not exceeding a period of five years. Amortisation commences when the computer software is available for use and is included within administrative expenses.

The annual amortisation rate is 33,33%.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell 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).

Hellenic Petroleum Cyprus Limited

2 Summary of significant accounting policies (continued)

Investments in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The Company carries the investments in subsidiaries at cost less any impairment.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

Share capital

Ordinary shares are classified as equity.

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2 Summary of significant accounting policies (continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Company and the costs can be measured reliably.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Trade payables

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. In the balance sheet bank overdrafts are shown within borrowings in current liabilities.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Hellenic Petroleum Cyprus Limited

3 Financial risk management

(i) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, commodity price risk and fair value interest rate risk), credit risk and liquidity risk.

- **Market risk**

Foreign exchange risk

The Company imports petroleum products from overseas and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency.

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Commodity price risk

The Company is exposed to commodity price risk through its purchases and distribution of petrol within Cyprus.

Management monitors the price fluctuations on a continuous basis and acts accordingly, by seeking to pass any change in market price to its customers to minimize the profit and loss impact.

As a result of passing changes in prices to its customers, the impact on profit and loss is immaterial.

Fair value interest rate risk

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company's interest rate risk primarily arises from short-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

At 31 December 2010, if interest rates on € -denominated borrowings at that date had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been €98.413 (2009: €100.161) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Hellenic Petroleum Cyprus Limited

3 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Credit risk**

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. Where debt finance is utilised, this is subject to pre-approval by the board of directors and such approval is limited to reputable financial institutions. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

- **Liquidity risk**

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | Up to 1 month | 1 to 3 months |
|-----------------------------|-------------------|------------------|
| | € | € |
| At 31 December 2009 | | |
| Borrowings | 20.032.207 | - |
| Trade and other payables | <u>14.917.577</u> | <u>1.989.316</u> |
| | <u>34.949.784</u> | <u>1.989.316</u> |
| At 31 December 2010 | | |
| Borrowings | 19.682.556 | - |
| Trade and other payables | <u>28.270.628</u> | <u>2.109.965</u> |
| | <u>47.953.184</u> | <u>2.109.965</u> |

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Management maintains flexibility in funding by maintaining availability under committed credit lines.

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3 Financial risk management (continued)

(ii) Capital risk management

The capital as defined by management at 31 December 2010 and 2009 was as follows:

| | 2010 € | 2009 € |
|---|--------------------|--------------------|
| Total borrowings (Note 21) | 19.682.556 | 20.032.207 |
| Less: cash and cash equivalents (Note 19) | <u>(9.360.919)</u> | <u>(9.069.491)</u> |
| Net debt | 10.321.637 | 10.962.716 |
| Total equity | <u>47.319.028</u> | <u>37.409.729</u> |
| Total capital as defined by management | <u>57.640.665</u> | <u>48.372.445</u> |
| Gearing ratio | 18% | 23% |

The gearing ratio of year 2010 decreased in comparison with year 2009, primarily from the borrowings repayment during the year.

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. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

During 2010, the Company's strategy, which was unchanged from 2009, was to maintain the gearing ratio within 20% to 40%.

4 Critical accounting estimates and judgements

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

(i) Critical accounting estimates and assumptions

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

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4 Critical accounting estimates and judgements (continued)

(i) Critical accounting estimates and assumptions (continued)

- **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Pension benefits**

The present value of the pension 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 pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 24.

Hellenic Petroleum Cyprus Limited

4 Critical accounting estimates and judgements (continued)

- **Contingency**

Significant judgement is required in determining whether any contingencies relating to pending events require further provision or disclosure.

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

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the company, or present obligations where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote.

These are assessed based on consultation with legal counsel. The facts and circumstances relating to a particular case are evaluated in determining whether it is probable that there will be a future outflow of funds.

Accordingly, significant management judgement relating to contingent liabilities is required, since the outcome of litigation is difficult to predict.

5 Finance cost

| | 2010 € | 2009 € |
|-------------------|----------------|----------------|
| Interest expense: | | |
| Bank borrowings | 140.573 | 5.692 |
| Bank overdraft | 434.651 | 196.151 |
| Overdue taxation | 5.915 | - |
| Group borrowings | <u>195.502</u> | <u>322.590</u> |
| | <u>776.641</u> | <u>524.433</u> |

6 Revenue

| | 2010 € | 2009 € |
|-----------------------|--------------------|--------------------|
| Sales of goods | 283.914.531 | 234.553.805 |
| Commissions | (18.662.865) | (15.019.103) |
| Management fee income | 367.012 | 20.503 |
| Other income | <u>3.593.846</u> | <u>3.048.402</u> |
| | <u>269.212.524</u> | <u>222.603.607</u> |

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7 Expenses by nature

| | 2010 € | 2009 € |
|---|---------------------------|---------------------------|
| Changes in inventories of petroleum products | 229.155.966 | 181.016.821 |
| Other direct costs | 4.447.770 | 2.904.045 |
| Depreciation, amortisation and impairment charges (Notes 14 and 15) | 3.625.328 | 3.221.316 |
| Loss on sale of property, plant and equipment (Note 14) | 15.317 | - |
| Repairs and maintenance | 2.978.561 | 3.019.981 |
| Operating lease rentals | 3.920.454 | 4.081.560 |
| Insurance | 135.359 | 120.998 |
| Trade receivables - impairment charge for receivables | 23.620 | 53.753 |
| Staff costs (Note 8) | 4.515.483 | 4.567.966 |
| Marketing | 567.022 | 674.613 |
| Other expenses | 334.308 | 208.702 |
| Auditors' remuneration: | | |
| - for statutory audit | 67.521 | 75.000 |
| - for statutory audit - prior years | - | 66.251 |
| Bank commissions | 80.126 | 144.760 |
| Indirect taxes | 228.172 | 194.598 |
| Training | 67.950 | 103.829 |
| Travelling | 301.719 | 303.855 |
| Utilities | 127.717 | 305.277 |
| Telecommunications | 98.999 | 91.098 |
| Consultancy and services | 1.016.918 | 3.041.680 |
| Freight | <u>2.719.961</u> | <u>2.734.021</u> |
| Total cost of goods sold, distribution costs, administrative expenses and other expenses | <u>254.428.271</u> | <u>206.930.124</u> |

8 Staff costs

| | 2010 € | 2009 € |
|---|-------------------------|-------------------------|
| Wages and salaries | 3.478.359 | 3.318.390 |
| Cyprus Government social insurance costs | 377.695 | 359.602 |
| Defined benefit pension schemes (Note 24) | 339.866 | 548.075 |
| Stakeholder pension scheme | 141.510 | 138.000 |
| Other | <u>178.053</u> | <u>203.899</u> |
| | <u>4.515.483</u> | <u>4.567.966</u> |

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8 Staff costs (continued)

The average monthly number of persons (including executive directors) employed by the Company during the year was

By activity

| | 2010 | 2009 |
|----------------|------|------|
| Distribution | 20 | 20 |
| Administration | 44 | 43 |

9 Directors' emoluments

| | 2010 € | 2009 € |
|---|----------------|----------------|
| Aggregate emoluments | 473.014 | 355 631 |
| Company contributions to money purchase pension schemes | <u>18.463</u> | <u>14 520</u> |
| | <u>491.477</u> | <u>370 151</u> |

The information above relates to 2 (2009 : 2) directors.

| | 2010 € | 2009 € |
|--|----------------|----------------|
| Highest paid director | | |
| Wages and salaries | 344.645 | 232 915 |
| Accrued benefit under the defined benefit scheme | <u>-</u> | <u>55 140</u> |
| | <u>344.645</u> | <u>288 055</u> |

Retirement benefits are accruing for 1 (2009: 2) director under the defined benefit scheme.

| | 2010 € | 2009 € |
|---|-----------|----------------|
| Accrued pension of the highest paid director | <u>-</u> | <u>73 332</u> |
| Accrued lump sum of the highest paid director | <u>-</u> | <u>366 660</u> |

10 Finance income

| | 2010 € | 2009 € |
|--|-----------------|------------------|
| Interest income | | |
| Bank balances | (11.450) | (26 623) |
| Reversal of prior years overprovision of interest on settlement of loans | <u>-</u> | <u>(611 696)</u> |
| | <u>(11.450)</u> | <u>(638 319)</u> |

Hellenic Petroleum Cyprus Limited

11 Income tax expense

| | 2010 € | 2009 € |
|---|------------------|------------------|
| Current tax | | |
| United Kingdom | | |
| Corporation tax at 28% | 4.113.719 | 4.142.869 |
| Adjustments in respect of prior years | (225.113) | (305.151) |
| Double taxation relief | (1.386.619) | (1.508.315) |
| Tax effect of rate change | - | (14.891) |
| | <u>2.501.987</u> | <u>2.314.512</u> |
| Foreign tax | | |
| Corporation tax | 1.386.619 | 1.508.315 |
| Adjustments in respect of prior years | (162.192) | (35.066) |
| | <u>1.224.427</u> | <u>1.473.249</u> |
| Total Current Tax | <u>3.726.414</u> | <u>3.787.761</u> |
| Deferred tax | | |
| Origination and reversal of temporary differences | 183.638 | 599.497 |
| Adjustments in respect of prior years | 199.711 | 69.177 |
| Total deferred tax (Note 22) | <u>383.349</u> | <u>668.674</u> |
| Income tax expense | <u>4.109.763</u> | <u>4.456.435</u> |

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

| | 2010 € | 2009 € |
|---|-------------------|-------------------|
| Profit before tax | <u>14.019.062</u> | <u>15.787.369</u> |
| Tax calculated at the standard rate of corporation tax in the UK of 28% | 3.925.337 | 4.420.464 |
| Tax effect of expenses not deductible for tax purposes | 472.162 | 321.909 |
| Tax effect of rate change | - | (14.891) |
| Adjustments to tax charge in respect of prior years | (187.594) | (271.047) |
| Deferred tax rate difference (28% to 27%) | <u>(100.142)</u> | <u>-</u> |
| Tax charge | <u>4.109.763</u> | <u>4.456.435</u> |

The standard rate of Corporation Tax in the UK is 28% with effect from 1 April 2008.

Based on current capital investment plans, the Company expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

Hellenic Petroleum Cyprus Limited

12 Financial instruments by category

| | Loans and receivables € | Total € |
|--|-------------------------------------|--------------------------|
| 31 December 2010 | | |
| Assets as per balance sheet | | |
| Trade and other receivables (excluding prepayments) | 38 201 566 | 38 201 566 |
| Cash and cash equivalents | <u>9 360 919</u> | <u>9 360 919</u> |
| Total | <u><u>47 562 485</u></u> | <u><u>47 562 485</u></u> |
| | Other financial liabilities € | Total € |
| Liabilities as per balance sheet | | |
| Borrowings | 19 682 556 | 19 682 556 |
| Trade and other payables (excluding statutory liabilities) | <u>29 572 360</u> | <u>29 572 360</u> |
| Total | <u><u>49 254 916</u></u> | <u><u>49 254 916</u></u> |
| | Loans and receivables € | Total € |
| 31 December 2009 | | |
| Assets as per balance sheet | | |
| Trade and other receivables (excluding prepayments) | 24 422 842 | 24 422 842 |
| Cash and cash equivalents | <u>9 069 491</u> | <u>9 069 491</u> |
| Total | <u><u>33 492 333</u></u> | <u><u>33 492 333</u></u> |
| | Other financial liabilities € | Total € |
| Liabilities as per balance sheet | | |
| Borrowings | 20 032 207 | 20 032 207 |
| Trade and other payables (excluding statutory liabilities) | <u>15 908 583</u> | <u>15 908 583</u> |
| Total | <u><u>35 940 790</u></u> | <u><u>35 940 790</u></u> |

Hellenic Petroleum Cyprus Limited

13 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

| | 2010 € | 2009 € |
|---|-------------------|-------------------|
| Fully performing trade receivables | | |
| Counterparties without external credit rating | | |
| Group 1 | 2.324.565 | 516.631 |
| Group 2 | <u>32.394.948</u> | <u>21.068.976</u> |
| Total fully performing trade receivables | <u>34.719.513</u> | <u>21.585.607</u> |
| Fully performing other receivables | | |
| Group 3 | <u>3.482.053</u> | <u>3.373.258</u> |
| Cash at bank and short-term bank deposits ⁽¹⁾ | | |
| A3 | 377.007 | 385.365 |
| Baa2 | 475.127 | 396.402 |
| Baa3 | 14.185 | - |
| | <u>-</u> | <u>-</u> |
| | <u>866.319</u> | <u>781.767</u> |

(1)The rest of the balance sheet item 'cash and cash equivalents' is cash in hand.

As at 31 December 2010 the 'cash and cash equivalents' include an amount of €8.489.921 which represents cheques received in December 2010 but not deposited to the bank. These cheques were deposited in January 2011.

As at 31 December 2009 the 'cash and cash equivalents' include an amount of €8.284.982 which represents cheques received in December 2009 but not deposited to the bank. These cheques were deposited in January 2010.

Group 1 – new customers and related parties (less than 6 months).

Group 2 – existing customers and related parties (more than 6 months) with no defaults in the past.

Group 3 – other receivables

Hellenic Petroleum Cyprus Limited

14 Property, plant and equipment

| | Land and buildings € | Plant and machinery € | Furniture, fixtures and office equipment € | Motor vehicles € | Total € |
|------------------------------------|----------------------------|-----------------------------|--|------------------------|---------------------|
| At 1 January 2009 | | | | | |
| Cost | 18 152 233 | 34 541 266 | 372 877 | 1 750 128 | 54 816 504 |
| Accumulated depreciation | <u>(4 347 734)</u> | <u>(17 542 773)</u> | <u>(251 448)</u> | <u>(345 187)</u> | <u>(22 487 142)</u> |
| Net book amount | <u>13 804 499</u> | <u>16 998 493</u> | <u>121 429</u> | <u>1 404 941</u> | <u>32 329 362</u> |
| Year ended 31 December 2009 | | | | | |
| Opening net book amount | 13 804 499 | 16 998 493 | 121 429 | 1 404 941 | 32 329 362 |
| Additions | 2 178 370 | 3 598 761 | 207 128 | 272 958 | 6 257 217 |
| Depreciation charge (Note 7) | (320 662) | (2 558 296) | (16 558) | (215 958) | (3 111 474) |
| Transfer | - | - | - | - | - |
| Closing net book amount | <u>15 662 207</u> | <u>18 038 958</u> | <u>311 999</u> | <u>1 461 941</u> | <u>35 475 105</u> |
| At 31 December 2009 | | | | | |
| Cost | 20 330 603 | 38 140 027 | 580 005 | 2 023 087 | 61 073 722 |
| Accumulated depreciation | <u>(4 668 396)</u> | <u>(20 101 069)</u> | <u>(268 006)</u> | <u>(561 146)</u> | <u>(25 598 617)</u> |
| Net book amount | <u>15 662 207</u> | <u>18 038 958</u> | <u>311 999</u> | <u>1 461 941</u> | <u>35 475 105</u> |
| Year ended 31 December 2010 | | | | | |
| Opening net book amount | 15 662 207 | 18 038 958 | 311 999 | 1 461 941 | 35,475,105 |
| Additions | 1 290 912 | 2 367 785 | 180 596 | 64 543 | 3,903,836 |
| Disposals | - | - | - | (19 317) | (19,317) |
| Depreciation charge (Note 7) | (379 895) | (2 844 504) | (34 748) | (344 443) | (3,603,590) |
| Transfers | - | - | - | - | - |
| Closing net book amount | <u>16 573 224</u> | <u>17 562 239</u> | <u>457 847</u> | <u>1 162 724</u> | <u>35,756,034</u> |
| At 31 December 2010 | | | | | |
| Cost | 21 621 516 | 40 507 812 | 760 600 | 2 058 729 | 64,948,657 |
| Accumulated depreciation | <u>(5 048 292)</u> | <u>(22 945 573)</u> | <u>(302 753)</u> | <u>(896 005)</u> | <u>(29,192,623)</u> |
| Net book amount | <u>16 573 224</u> | <u>17 562 239</u> | <u>457 847</u> | <u>1 162 724</u> | <u>35,756,034</u> |

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

| | 2010 € | 2009 € |
|--|-----------------|-----------|
| Net book amount | 19,317 | - |
| Loss on sale of property, plant and equipment (Note 7) | <u>(15,317)</u> | <u>-</u> |
| Proceeds from sale of property, plant and equipment | <u>4,000</u> | <u>-</u> |

Hellenic Petroleum Cyprus Limited

15 Intangible assets

| | Goodwill € | Computer software € | Total € |
|---|------------------|---------------------------|------------------|
| At 1 January 2009 | | | |
| Cost | 3 409 014 | 1 185 945 | 4 594 959 |
| Accumulated amortisation and impairment | - | (1 152 395) | (1 152 395) |
| Net book amount | <u>3 409 014</u> | <u>33 550</u> | <u>3 442 564</u> |
| Year ended 31 December 2009 | | | |
| Opening net book amount | 3 409 014 | 33 550 | 3 442 564 |
| Additions | 430 000 | 31 796 | 461 796 |
| Amortisation charge (Note 7) | - | (18 140) | (18 140) |
| Impairment charge (Note 7) | (91 701) | - | (91 701) |
| Transfer to related company | (3 747 313) | - | (3 747 313) |
| Closing net book amount | <u>-</u> | <u>47 206</u> | <u>47 206</u> |
| At 31 December 2009 | | | |
| Cost | - | 1 217 741 | 1 217 741 |
| Accumulated amortisation and impairment | - | (1 170 535) | (1 170 535) |
| Net book amount | <u>-</u> | <u>47 206</u> | <u>47 206</u> |
| Year ended 31 December 2010 | | | |
| Opening net book amount | | 47 206 | 47.206 |
| Additions | | 1 200 | 1.200 |
| Amortisation charge (Note 7) | | (21 738) | (21.738) |
| Transfer to related company | | - | - |
| Closing net book amount | | <u>26 668</u> | <u>26 668</u> |
| At 31 December 2010 | | | |
| Cost | | 1 218 941 | 1.218.941 |
| Accumulated amortisation and impairment | | (1 192 273) | (1.192.273) |
| Net book amount | | <u>26 668</u> | <u>26.668</u> |

On 27 November 2009, the Company derecognised goodwill on the sale of its retail business at book value to the related company, R.A.M.Oil Cyprus Limited (Note 28(vii)).

16 Investments in subsidiaries

| | 2010 € | 2009 € |
|----------------------|----------------|----------------|
| At beginning of year | <u>610,586</u> | <u>610 586</u> |
| At end of year | <u>610,586</u> | <u>610 586</u> |

The Company's interest in its subsidiary, which is unlisted, was as follows:

| Name | Principal activity | Country of incorporation | % of ordinary shares | 2010 | 2009 |
|-------------------|------------------------------|-----------------------------|-------------------------|------|------|
| Superlube Limited | Blending of lubricating oils | Cyprus | 65 | | 65 |

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17 Inventories

| | 2010 € | 2009 € |
|--------------------|-------------------|------------------|
| Petroleum Products | <u>17.307.186</u> | <u>8.178.780</u> |

The cost of inventories recognised as expense and included in "cost of sales" amounted to €229.155.966 (2009: €181.016.821).

The difference between the carrying value of stocks (the weighted average cost) and their replacement cost is not material.

18 Trade and other receivables

| | 2010 € | 2009 € |
|---|--------------------|--------------------|
| Trade receivables | 32.158.789 | 22.675.253 |
| Less: Provision for impairment of trade receivables | <u>(1.116.832)</u> | <u>(1.093.213)</u> |
| Trade receivables - net | 31.041.957 | 21.582.040 |
| Receivables from related parties (Note 28(v)) | 3.677.556 | 3.567 |
| Other receivables | 3.482.053 | 2.837.235 |
| Prepayments | <u>1.542.298</u> | <u>921.269</u> |
| | <u>39.743.864</u> | <u>25.344.111</u> |

Please note that the comparative balance of the line 'Other receivables' has been modified from €2,448,422 to €2,837,325 due to a reclassification of debit balances included within the comparative line 'Other payables'.

The fair values of trade and other receivables approximate their carrying amounts.

As of 31 December 2009, trade receivables of €31.041.957 (2009: €21.582.040) were fully performing.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2010, trade receivables of € 7.994.043(2009: €4.986.568) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

| | 2010 € | 2009 € |
|----------------|------------------|------------------|
| Up to 3 months | 4.502.558 | 2.276.353 |
| 3 to 6 months | 1.209.261 | 639.986 |
| Over 6 months | <u>2.282.224</u> | <u>2.070.229</u> |
| | <u>7.994.043</u> | <u>4.986.568</u> |

The amount of the provision was €1.116.832 as of 31 December 2010 (2009: €1.093.213). The individually impaired receivables mainly relate to wholesalers, which are in an unexpectedly difficult economic situation. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

| | 2010 € | 2009 € |
|---------------|------------------|------------------|
| Over 6 months | <u>1.116.832</u> | <u>1.093.213</u> |

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18 Trade and other receivables (continued)

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

| | 2010 € | 2009 € |
|----------------|------------------|------------------|
| At 1 January | 1.093.213 | 1.039.460 |
| Provision | <u>23.619</u> | <u>53.753</u> |
| At 31 December | <u>1.116.832</u> | <u>1.093.213</u> |

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

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable mentioned above. At 31 December 2010, the Company holds bank guarantees of €1.478.163 (2009:€1.462.892) as security.

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

| | 2010 € | 2009 € |
|---|-------------------|-------------------|
| Euro - functional and presentation currency | 38.517.375 | 23.915.709 |
| US Dollar | <u>1.226.489</u> | <u>1.428.402</u> |
| | <u>39.743.864</u> | <u>25.344.111</u> |

19 Cash and cash equivalents

| | 2010 € | 2009 € |
|--------------------------|------------------|------------------|
| Cash at bank and in hand | 8.885.792 | 9.068.980 |
| Short-term bank deposits | <u>475.127</u> | <u>511</u> |
| | <u>9.360.919</u> | <u>9.069.491</u> |

The effective interest rate on short term bank deposits was 0,90% (2009: 0,50%) and these deposits have an average maturity of 2 days.

Cash and bank overdrafts include the following for the purposes of the cash flow statement:

| | 2010 € | 2009 € |
|---------------------------|--------------------|--------------------|
| Cash and cash equivalents | 9.360.919 | 9.069.491 |
| Bank overdrafts (Note 21) | <u>(5.682.556)</u> | <u>(5.032.207)</u> |
| | <u>3.678.363</u> | <u>4.037.284</u> |

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20 Ordinary share capital

| | 2010 | | | 2009 | | |
|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Number of shares | STG£ | € | Number of shares | STG£ | € |
| Authorised | | | | | | |
| Shares of STG£10 each | <u>443 345</u> | <u>4,433,450</u> | | <u>443 345</u> | <u>4,433,450</u> | |
| Issued and fully paid | | | | | | |
| Shares of STG£10 each | <u>443 345</u> | <u>4,433,450</u> | <u>6,284,140</u> | <u>443 345</u> | <u>4,433,450</u> | <u>6,284,140</u> |

The total authorised number of ordinary shares is 443 345 shares (2009: 443 345 shares) with a par value of GB£10 per share. All issued shares are fully paid.

21 Borrowings

| | 2010 | 2009 |
|--|-------------------|-------------------|
| | € | € |
| Current | | |
| Bank overdrafts (Note 19) | 5,682,556 | 5,032,207 |
| Bank borrowings | 4,000,000 | - |
| Loans from related parties (Note 28(vi)) | <u>10,000,000</u> | <u>15,000,000</u> |
| | <u>19,682,556</u> | <u>20,032,207</u> |

There are no securities on loans, bank borrowings and bank overdrafts.

On 16 March 2010, the related party loan was repaid and on 23 April 2010 a new related party loan was obtained. On 14 September 2010 a bank loan of €4,000,000 was obtained.

The weighted average effective interest rates at the balance sheet date were as follows:

| | 2010 | 2009 |
|---|------|------|
| | % | % |
| Bank overdrafts | 7,65 | 6,45 |
| Bank borrowings | 6,50 | - |
| Borrowings from related parties (Note 28(vi)) | 1,96 | 1,85 |

The Company's bank borrowings and bank overdrafts are arranged at both fixed and floating rates. Borrowings at fixed rates expose the Company to fair value interest rate risk. For borrowings at floating rates the interest rate reprises on a monthly basis exposing the Company to cash flow interest rate risk.

| | 2010 | 2009 |
|------------------|-------------------|-------------------|
| | € | € |
| 6 months or less | <u>19,682,556</u> | <u>20,032,207</u> |

The Company has the following undrawn borrowing facilities:

| | 2010 | 2009 |
|--------------------------|-------------------|-------------------|
| | € | € |
| Floating rate: | | |
| Expiring beyond one year | <u>91,936,095</u> | <u>96,173,000</u> |

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21 Borrowings (continued)

The facilities expiring within one year are annual facilities subject to review at various dates during 2010.

The carrying amounts of bank overdrafts and short-term bank loans approximate their fair value.

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

| | 2010 € | 2009 € |
|---|-------------------|-------------------|
| Euro - functional and presentation currency | <u>19.682.556</u> | <u>20.032.207</u> |

22 Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

The movement on the deferred tax account is as follows:

Deferred tax liabilities

| | Difference between depreciation and capital allowances € | Pensions € | Interest accrued € | Total € |
|---|---|------------------|--------------------------|------------------|
| At 1 January 2009 | 2.096.415 | (175.714) | (268.874) | 1.651.827 |
| Charged to: | | | | |
| Statement of Comprehensive Income (Note 11) | <u>620.560</u> | <u>(21.065)</u> | <u>69.170</u> | <u>668.665</u> |
| At 1 January 2010 | 2.716.975 | (196.779) | (199.704) | 2.320.492 |
| Charged to: | | | | |
| Statement of Comprehensive Income (Note 11) | <u>138.472</u> | <u>45.173</u> | <u>199.704</u> | <u>383.349</u> |
| At 31 December 2010 | <u>2.855.447</u> | <u>(151.606)</u> | <u>-</u> | <u>2.703.841</u> |

The amounts included in the balance sheet include the following:

| | 2010 € | 2009 € |
|--|------------------|------------------|
| Deferred tax liabilities to be settled after more than twelve months | <u>2.703.842</u> | <u>2.320.492</u> |

23 Pension liabilities

| | 2010 € | 2009 € |
|-------------------------------|----------------|----------------|
| Pension liabilities (Note 24) | <u>561.500</u> | <u>702.782</u> |

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23 Pension liabilities (continued)

Hellenic Petroleum Defined Contribution Scheme (Hellenic Petroleum Provident Fund)

The Hellenic Petroleum Stakeholder Pension Scheme is a defined contribution scheme open to all employees subject to certain conditions. The Company pays contributions at a rate of 5% of basic salary of participating employees. Contributions to the Scheme for the year ended 31 December 2010 amounted to €141.510 (2009: €138.000).

Hellenic Petroleum Defined Benefit Pension Schemes

The Share Purchase Agreement between BP plc and Hellenic Petroleum International A.G. (the "Agreement") provided that the existing retirement benefit schemes for all retired and active employees (including employees that remain under the employment of the Company) were transferred to BP Eastern Mediterranean Ltd (BPEM) which would become the Founding Company of the schemes as from 1 December 2002. This was subject to the consent of the local regulatory authorities. In accordance with the Agreement, the Company is committed to set up its own retirement benefit schemes for its current active employees (other than those employees who will elect to continue to be members of the current BP schemes), equivalent to the existing ones, that will provide benefits for future service that are no less favourable overall than those provided by BP under the existing arrangements. The Company's new schemes will recognise the employee's credited service, participation vesting and as applicable, benefit accrual periods of service, which will accrue in BP's retained arrangement in which the Company will participate as a Member Company until the setting up of its own schemes. For the period of participation, the Company pays the normal funding costs (i.e. current service costs), assuming that the schemes are neither in surplus or deficit.

Under the Agreement, BP procured that a transfer of assets in respect of benefits accrued as of 31 December 2002, is made from its current schemes to the Company's new schemes with the amount of such transfer to be calculated at the expiration of any period of participation and paid in cash unless otherwise agreed. As part of negotiations with the Employee Trade Unions for the execution of the Agreement, the Company made a provision of €812.520 in 2002 for extra funding to be contributed to the new schemes to allow for notified discretionary practises, mainly for providing increased pension benefits in line with price inflation.

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23 Pension liabilities (continued)

The above arrangements were subject to the consent of the local regulatory authorities. The local regulatory authorities have given their consent for the split of the old existing staff schemes, but did not approve the transfer of the existing pension fund to BPEM. They instead, approved the set-up of a new pension fund scheme by BPEM. Accordingly, the Company retained the existing scheme (which was renamed from BP Cyprus Non Contributory Pension Fund to Hellenic Petroleum Cyprus Non Contributory Pension Fund during 2006 ("Pension Fund")) and BPEM set up a new scheme (the BP Eastern Mediterranean Non Contributory Pension Fund), without this affecting the substance of the way the assets were split and the transfer value was calculated, as stipulated in the agreement outlined above. In accordance with the Agreement the BPEM Fund also covers the former employees of BP Cyprus Ltd as at 1.1.2003. The changes to the Share Purchase Agreement, also provides that BPEM Fund shall indemnify and hold harmless the existing fund, retained by the Company, in respect of any liabilities and/or obligations of the existing fund, provided such liabilities and obligations of the existing fund, arose prior to 31 December 2005.

24 Actuarial valuation of the defined benefit retirement plans

The Company has elected to recognise actuarial gains and losses through the Income statement using the corridor approach. The estimated future benefit payments from the Plan are projected using the adopted assumptions stated below. By discounting these payments back to any given valuation date, the amount required at the given valuation date to meet these future benefit payments was estimated. This amount is called the present value (cost) of employees' benefits.

Under IAS 19, this cost must be recognised in a systematic manner over the employees' working lives. A valuation method must be chosen to attribute the cost between that arising from service up to the valuation date (past service) and that arising from service after the valuation date (future service).

The present value of a defined benefit obligation (DBO) is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods. The defined benefit obligation is calculated annually by independent actuaries.

The method chosen in this case is the Projected Unit Credit method because this is the only acceptable method under the revised IAS 19.

Actuarial gains and losses arising from experience adjustment and changes in actuarial assumptions in excess of the greater of 10% of the fair value of plan assets or 10% of the present value of the defined benefit obligation are charged or credited to income over the employees expected average remaining working lives.

| | 2010 € | 2009 € |
|---|-----------------------|-----------------------|
| Present value of obligations | 8,216,925 | 8,465,033 |
| Fair value of plan assets | (6,010,393) | (7,207,058) |
| Unrecognised net loss | <u>(1,645,032)</u> | <u>(555,193)</u> |
| Net Liability in Balance Sheet (Note 23) | <u>561,500</u> | <u>702,782</u> |

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24 Actuarial valuation of the defined benefit retirement plans (continued)

| | 2010 € | 2009 € |
|---|--------------------|------------------|
| Components of Profit & Loss Charge | | |
| Service cost | 347.186 | 355.579 |
| Interest cost | 439.182 | 536.110 |
| Expected Return on plan Assets | (448.693) | (343.614) |
| Amortisation of Unrecognised Net Loss | 2.191 | - |
| Amortisation of Past Service Cost | - | - |
| Regular Profit & Loss Charge (Note 8) | <u>339.866</u> | <u>548.075</u> |
| Additional Cost of Extra Benefits | - | - |
| Restructuring Expense | - | - |
| Other Expense/(Income) | - | - |
| Total Profit & Loss Charge | <u>339.866</u> | <u>548.075</u> |
| Movement in Net Liability in Balance Sheet | | |
| Net Liability in Balance Sheet at the beginning of the period | 702.782 | 627.551 |
| Actual Contributions paid by the Company | (481.148) | (472.844) |
| Total expense recognised in the income statement | 339.866 | 548.075 |
| Exchange differences | - | - |
| Net Liability in Balance Sheet | <u>561.500</u> | <u>702.782</u> |
| Movement in Unrecognised net Gain | | |
| Unrecognised net (Loss)/Gain at the beginning of the period | (555.194) | (582.497) |
| Gains/(Losses) arising during the period | (1.092.029) | 27.304 |
| Losses amortised during the period | 2.191 | - |
| Exchange differences | - | - |
| Unrecognised net Gain at the end of the period | <u>(1.645.032)</u> | <u>(555.193)</u> |
| Unrecognised Gains to be amortised | | |
| Maximum of the Value of Assets or the DBO | 8.216.925 | 8.465.033 |
| 10% corridor | 821.693 | 846.503 |
| Unrecognised net loss at the end of the period | <u>(1.645.032)</u> | <u>(555.193)</u> |
| Unrecognised net Gain outside the corridor | <u>(823.340)</u> | <u>(31.486)</u> |
| Average future working life | <u>14,84</u> | <u>14,38</u> |
| Amount to be amortised in next year's Profit & Loss | <u>(55.471)</u> | <u>(2.190)</u> |
| Reconciliation of benefit obligation | | |
| DBO at start of period | 8.465.034 | 9.373.832 |
| Service cost | 347.186 | 355.579 |
| Interest Cost | 439.182 | 536.110 |
| Benefits paid from the Fund | (1.429.038) | (2.007.770) |
| Contributions made to the plans | - | - |
| Past Service Cost arising over last period | - | - |
| Actuarial Loss/(Gain) | 394.561 | 207.282 |
| Exchange differences | - | - |
| DBO at end of period | <u>8.216.925</u> | <u>8.465.033</u> |
| Reconciliation of plan assets | | |
| Market value at start of period | 7.207.058 | 8.163.784 |
| Expected return | 448.693 | 343.614 |
| Company contributions | 481.148 | 472.844 |
| Fund Benefits | (1.429.038) | (2.007.770) |
| Asset Gain/(Loss) | (697.468) | 234.586 |
| Exchange differences | - | - |
| Fair value of plan assets at end of period | <u>6.010.393</u> | <u>7.207.058</u> |

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24 Actuarial valuation of the defined benefit retirement plans (continued)

Additional disclosure requirements of the previous annual periods, 2008 and 2007:

| | 2008 € | 2007 € |
|------------------------------|-------------------------|---------------------------|
| Present value of obligations | 9.373.832 | 7.884.535 |
| Fair value of plan assets | <u>(8.163.784)</u> | <u>(9.153.426)</u> |
| Surplus in the plan | <u>1.210.048</u> | <u>(1.268.891)</u> |

At 31 December:

| | 2010 % | 2009 % | 2008 % | 2007 % |
|--|-----------|-----------|-----------|-----------|
| Experience adjustments on plan liabilities | (1,4) | (0,7) | 5,5 | (0,7) |
| Experience adjustments on plan assets | (11,6) | 3,3 | (24,5) | 8,5 |

The actual (loss) / return on plan assets was (€243.246) (2009: €579.482).

Plan assets are comprised as follows:

| | 2010 | | 2009 | |
|---------------------------|-------------------------|-------------------|-------------------------|-------------------|
| | € | % | € | % |
| Equity instruments | 733 858 | 12 | 1 322 394 | 18 |
| Debt instruments | 872 447 | 15 | 858 105 | 12 |
| Cash and cash equivalents | 2 739 984 | 45 | 3 362 455 | 47 |
| Property | <u>1 664 104</u> | <u>28</u> | <u>1 664 104</u> | <u>23</u> |
| | <u>6 010 393</u> | <u>100</u> | <u>7 207 058</u> | <u>100</u> |

The plan did not own any of the Company's financial instruments, property or any other assets.

Contributions expected to be paid to the plan during the annual period beginning after the balance sheet date amount to €487.275 (2009: €521.825).

Valuation Assumptions

Discount rate

IAS19 requires that the discount rate should reflect the rate at which the liabilities could effectively be settled. It recommends using the rates of return on high quality fixed income investments of the appropriate maturity. In general, we would consider the long and medium term yields on government bonds and AA-rated corporate bonds, depending on the average duration of the liabilities of each plan or country. The yields used as a reference to set the discount rate should be at a duration consistent with the duration of the liabilities.

The yields on the longer term corporate bond indices as at 31 December 2010 and corresponding yields for 31 December 2009 are as follows:

| Annual Yields | 31 December 2010 | 31 December 2009 |
|----------------------------------|------------------|------------------|
| iBoxx € AA 10+ years to maturity | 4,68% | 5,09% |

Hellenic Petroleum Cyprus Limited

24 Actuarial valuation of the defined benefit retirement plans (continued)

An approach consistent to the 2009 year-end would result in a discount rate of 4,75%. Therefore, for the accounting valuation at 31 December 2010 a discount rate assumption of 4,75% pa was adopted.

Price Inflation

As a base point for the financial assumptions, an assumption for the future price inflation in Cyprus needs to be established. The assumed inflation rate should reflect the best estimate of long-term inflation. This may be derived from historical inflation rates and/or looking at the long-term rates implied by the bond market where index-linked bonds are regularly traded. Euro annual HICP inflation stood at 1,9% in November 2010. Based on the latest ECB macroeconomic projections, average annual HICP inflation is projected to be between 1,5% and 1,7% in 2010, and between 1,3% and 2,3% in 2011.

Pension liabilities are long term in nature and it would be unusual to make ad-hoc adjustments to inflation assumptions based on current economic conditions.

Therefore, at 31 December 2010 a long-term price inflation assumption of 2,00% pa has been adopted; the same as last year.

Rate of pay increases

Salary growth for the Company's employees comprises three elements: general pay increases, COLA (Cost of living allowance) increases and individual promotional/merit increases.

Over the long-term, a real increase in general salaries (general increases and COLA) of 2,00% pa has been suggested, similar to last year. Also, similar to last year, an additional allowance of 0,50% pa for promotional increases has been proposed. The proposed total real salary increase is therefore 2,50% pa.

Therefore, at 31 December 2010 an overall salary increase assumption of 4,50% pa has been adopted; the same as last year.

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24 Actuarial valuation of the defined benefit retirement plans (continued)

Rate of pension increases

These are granted at 100% of CPI each year and are therefore expected to move in line with price inflation. Therefore, an assumption of 2,00% pa has been adopted.

Increase in Insurable Earnings Limit

The limit is assumed to increase at a rate of 1,00% pa above inflation. Therefore, an assumption of 3,00% pa has been adopted.

Supplementary State pension increases

According to the current rules of the social insurance scheme, the earnings related part of the pension increases each year in line with price inflation. Therefore an assumption of 2,00% pa has been adopted.

Expected Return on Assets

The plans are funded, and, therefore, under IAS 19, an expected return on asset assumption is required. An expected rate of return for each asset class has been adopted, to reflect the targeted asset allocation (based on the latest Statement of Investment Principles), and market conditions as at 31 December 2010.

The following assumptions have been adopted:

| Asset Class | Target Allocation | Expected Return |
|--------------------|--------------------------|------------------------|
| Bonds | 40% | 4,75% |
| Equities | 30% | 8,00% |
| Property | 20% | 6,50% |
| Cash | 10% | 3,00% |
| Total | 100% | 5,90% |

Mortality after retirement

The following standard mortality tables for mortality have been used:

Men: EVK 2000 males

Women: EVK 2000 females

It is believed that these tables are a reasonable representation of expected mortality in the Cypriot oil industry. The expected life expectancy at birth is 78,8 and 82,1 years for males and females respectively.

No allowance has been made for mortality before retirement.

Withdrawals

No allowance has been made.

Retirements

It is assumed that all members will retire at age 60. No allowance for early retirement has been made.

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24 Actuarial valuation of the defined benefit retirement plans (continued)

Commutation

Members are assumed to commute the maximum possible, allowing for the provisions of Section 88 (1) of the Cyprus Social Insurance Law 1980. The commutation factor is 15,0.

The table below summarises the main financial assumptions as at the current valuation data as well as those as at the last valuation date for comparison:

| Assumptions | 31 December 2010 | 31 December 2009 |
|---|-------------------------|-------------------------|
| Price Inflation | 2,00% | 2,00% |
| Pay increases | 4,50% | 4,50% |
| Pension increases | 2,00% | 2,00% |
| Discount rate | 4,75% | 5,25% |
| Increase in Social Security Ceiling | 3,00% | 3,00% |
| Social Security Pension increases | 2,00% | 2,00% |
| Weighted-average expected return on plan assets | 5,90% | 6,10% |

25 Trade and other payables

| | 2010 | 2009 |
|--|--------------------------|--------------------------|
| | € | € |
| Trade payables | 1.301.732 | 991.006 |
| Payables to related parties (Note 28(v)) | 23.203.283 | 9.054.987 |
| Other payables | 5.067.345 | 5.862.590 |
| Accrued expenses | <u>808.233</u> | <u>998.310</u> |
| | <u>30.380.593</u> | <u>16.906.893</u> |

Please note that the comparative balance of the line 'Other payables' has been modified from €5,473,777 to €5,862,590 due to a reclassification of debit balances to the comparative line 'Other receivables'.

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

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26 Contingencies

An agreement between the Government of the Republic of Cyprus and the Municipality of Larnaca was signed on 2 February 2001, whereby it was agreed that the oil terminals, which are situated within the Municipality of Larnaca, will be removed from their current location and relocated at a specified site at Vassiliko area and the land will be restored at the current site to its original condition, by the end of 2013-2015. The Company received legal advice which indicates that the Agreement is not binding for the Company, since the Company is not a party to the said Agreement. In addition there are a number of steps that must be followed before it becomes effective. If the relocation takes place, then the Company will face exceptional costs in that year and increased storage costs following relocation.

As at 31 December 2010 the Company did not have contingent liabilities in respect of the claim set out below (2009:€Nil):

The Decision of the Commission for the Protection of Competition by means of which an administrative fine of €14.269.000,00 was imposed on the Company has been challenged by the Company. A Recourse was filed on 17 November 2009 before the Supreme Court. The Recourse was fixed for directions before the Full Bench of the Supreme Court on 18 January 2010. On that date, the Full Bench of the Supreme Court gave directions for the exchange of Written Addresses. Applicants, i.e. the Company, filed its Written Address on 8 March 2010. Respondents' Written Address was filed on 10 September 2010. The Company will now proceed with the filing of a Reply of Respondents' Written Address. Upon the filing of the Reply, the Full Bench of the Supreme Court will proceed with the fixing of the case. Pending the Recourse, the Company, upon receiving legal advice, decided not to pay the fine. A hearing of the Recourse took place before the Full Bench of the Supreme Court on 18 January 2011. On 25.5.2011 the Full Bench of the Supreme Court issued its judgment and accepted the arguments of the Company with costs in favour of the Company and against the Commission to be assessed by the Registrar. In consequence, the Decision of the Commission for the Protection of Competition dated 24.5.2009 by means of which it imposed an administrative fine upon the Company in the amount of €14.269.000,00 was annulled.

In addition to the above, the Company has contingent liabilities in respect of bank guarantees arising in the ordinary course of business from which it is anticipated that no material liability will arise. These guarantees amounted to €657.979 (2009: €810.237).

27 Commitments

Operating lease commitments – where the Company is the lessee

The Company leases various petrol stations under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The lease expenditure charged to the income statement during the year is disclosed in Note 7.

Hellenic Petroleum Cyprus Limited

27 Commitments (continued)

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

| | 2010 € | 2009 € |
|--|-------------------|-------------------|
| Not later than 1 year | 3.498.170 | 3.302.224 |
| Later than 1 year and not later than 5 years | 14.794.383 | 14.318.380 |
| Later than 5 years | <u>34.953.935</u> | <u>35.250.870</u> |
| | <u>53.246.488</u> | <u>52.871.474</u> |

28 Related party transactions

The immediate parent undertaking is Hellenic Petroleum International A.G.

The ultimate parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the Company is a member, and the ultimate controlling party is Hellenic Petroleum S.A. which is the smallest and largest group to consolidate these financial statements. Copies of Hellenic Petroleum S.A. financial statements can be obtained from the Company Secretary at 17th Km National Road Athens-Corinth, 19 300 Aspropyrgos, Athens, Greece.

The following transactions were carried out with related parties:

(i) Sales of goods and services

| | 2010 € | 2009 € |
|---|-------------------|------------------|
| Sales of goods: | | |
| Superlube Limited | 12.775 | 11.379 |
| R.A.M.Oil Cyprus Limited | <u>63.083.148</u> | <u>5.568.238</u> |
| | <u>63.095.923</u> | <u>5.579.617</u> |
| Sales of services: | | |
| Superlube Limited (management services) | 81.071 | 126.050 |
| R.A.M.Oil Cyprus Limited | <u>346.509</u> | - |
| | <u>427.580</u> | <u>126.050</u> |

(ii) Purchases of goods and services

| | 2010 € | 2009 € |
|-------------------------|--------------------|--------------------|
| Purchases of goods: | | |
| Superlube Limited | - | 917.946 |
| Hellenic Petroleum S.A. | 220.162.098 | 160.828.788 |
| EKO ELDA A.E | <u>936.679</u> | <u>1.048.112</u> |
| | <u>221.098.777</u> | <u>162.794.846</u> |
| Purchases of services: | | |
| Superlube Limited | 1.048.732 | 137.108 |
| Helpe Consulting | <u>100.000</u> | - |
| | <u>1.148.732</u> | <u>137.108</u> |

Hellenic Petroleum Cyprus Limited

28 Related party transactions (continued)

(iii) Key management personnel compensation

| | 2010 € | 2009 € |
|---|------------------|----------------|
| Salaries and other short-term employee benefits | <u>1.074.433</u> | <u>925.879</u> |
| | <u>1.074.433</u> | <u>925.879</u> |

(iv) Directors' remuneration

The total remuneration of the Directors (included in key management personnel compensation above) was as follows:

| | 2010 € | 2009 € |
|---|----------------|----------------|
| Aggregate emoluments | 473.014 | 355.631 |
| Company contributions to money purchase pension schemes | <u>18.463</u> | <u>14.520</u> |
| | <u>491.477</u> | <u>370.151</u> |

(v) Year-end balances

| | 2010 € | 2009 € |
|--|-------------------|------------------|
| Receivable from related parties (Note 18): | | |
| Superlube Limited | 5.979 | 3.567 |
| Helpe Georgia Holding | 28.000 | - |
| R.A.M.Oil Cyprus Limited | <u>3.643.577</u> | <u>-</u> |
| | <u>3.677.556</u> | <u>3.567</u> |
| Payable to related parties (Note 25): | | |
| Superlube Limited | 161.701 | 163.697 |
| Hellenic Petroleum S.A. | 22.871.817 | 8.395.609 |
| EKO ELDA A.E. | 144.765 | 102.138 |
| R.A.M.Oil Cyprus Limited | - | 393.543 |
| Helpe Consulting | <u>25.000</u> | <u>-</u> |
| | <u>23.203.283</u> | <u>9.054.987</u> |

(vi) Loans from related parties

| | 2010 € | 2009 € |
|----------------------------|---------------------|---------------------|
| Loans from parent entity: | | |
| At beginning of year | 15.000.000 | 18.000.000 |
| Loans advanced during year | 10.000.000 | 10.000.000 |
| Loans repaid during year | <u>(15.000.000)</u> | <u>(13.000.000)</u> |
| At end of year (Note 21) | <u>10.000.000</u> | <u>15.000.000</u> |

The above loan was provided by Hellenic Petroleum Finance PLC. The loan is unsecured, carries interest rate at Euribor + 0,886% and is renewable on a monthly basis.

Hellenic Petroleum Cyprus Limited

28 Related party transactions (continued)

(vii) Sale of retail operation to R.A.M.Oil Cyprus Limited

On 27 November 2009 the Company sold at book value its retail business to the related company, R.A.M. Oil Cyprus Limited. The sale resulted in a derecognition of goodwill (Note 15). The Company will continue to be the major provider of petroleum products on a wholesale basis. The proceeds received from this transaction are analysed below:

| | 2010 | 2009 |
|---------------|----------|------------------|
| | € | |
| Goodwill | - | 3.747.313 |
| Inventory | - | 1.043.039 |
| Trade debtors | - | <u>2.273.292</u> |
| | <u>-</u> | <u>7.063.644</u> |

29 Events after the balance sheet date

On 25.5.2011 the Full Bench of the Supreme Court issued its judgment and accepted the arguments of the Company with costs in favour of the Company and against the Commission to be assessed by the Registrar. In consequence, the Decision of the Commission for the Protection of Competition dated 24.5.2009 by means of which it imposed an administrative fine upon the Company in the amount of €14.269.000,00 was annulled.